Business Sustainability Checklist for Organizations During Crisis
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During an unprecedented crisis such as the coronavirus (COVID-19) outbreak, a business's greatest chances of survival dramatically improve if it takes proactive measures to preserve cash immediately instead of taking a purely reactive "wait and see" mentality.

The expression "cash is king" refers to the importance of cash flow in the overall fiscal health of a business. This phrase should certainly resonate with today's business owners as they see cash and other forms of liquidity quickly dwindle as a result of disruptions in supply chains, availability of employees, stringent lending practices and diminished consumer spending in response to the COVID-19 crisis.

Every organization faced with the possibility of pro-longed interruption should immediately take the following proactive measures before access to cash and other liquidity options substantially decline:

- Take a deep breath… then prioritize the issues affecting your business.
    - Read insurance policies to determine the scope of coverage, including potential claims for business interruption losses, workers' compensation, employment practices, etc. Contact agents and brokers as necessary.
    - Review loan obligations and determine whether lenders are offering deferred payments and interest only arrangements given the current environment.
    - Review lease agreements and amendments thereto to assess whether your lease provides for rent deferrals under certain circumstances.
    - Contact your accountant to share your organization's financial situation and discuss whether certain obligations should be delayed, restructured, etc. and any impacts to your audited financial statements, if applicable.
    - Contact your critical vendors and key customers to discuss how best to protect your supply chain, when and under what terms to extend customer credit and related matters. Consider flattening payment arrangements and pursuing budgeted level payments.
    - Review your employee handbook to determine whether your employment policies have addressed work from home scenarios, business interruption, technology needs, etc. If necessary, engage a human resources consultant to create action plans to address sick leave (including laws specific to your state), layoffs, union employee rights, etc. Understand HIPAA compliance and other privacy concerns in releasing information related to positive COVID-19 cases at your office or location.
    - Contact your public relations and marketing consultants to understand the information you must convey to clients, customers, employees, the media and others in times of crisis. Seek out their professional guidance to develop comprehensive communications to share until the crisis subsides.
    - Due to the increased use of technology at this time, assess whether you have the proper cybersecurity protocols in place, so your data is protected. Beware of cyber scams via email, apps and other avenues. New app scams have emerged, which have been created to track the spread of COVID-19 to insert malware that compromises devices and personal information. There are also phishing scams to be aware of, so do not click any unfamiliar links in emails or texts.

- o Follow new legislation that is passed to provide assistance to you, your business and your employees. Relief is being made available in a variety of measures.

Financial Projections and Impact – Seek assistance if necessary, to work through these items:

- Update your current year budget taking into consideration lost income, HR expenses, and additional costs due to closures or operational modifications.
- Analyze your business operations with a focus on reducing costs and eliminating unnecessary spending.
- Develop sustainable cost-cutting/expense reduction initiatives and determine how to legally implement them, including those affecting employees, without incurring unintended liabilities. Seek assistance from legal counsel as necessary.
- Prepare an updated forward-looking cash flow projection starting with your revised budget that conservatively accounts for issues such as:
  - o Customer attrition;
  - o Supply chain delays/disruptions;
  - o Late payments/defaults from your clients/customers;
  - o Adjusted payment periods from suppliers; and
  - o Postponed or canceled events that are a source of revenue.
- Identify sources of available capital and liquidity that the business could rely on should it run out of cash (e.g., lines of credit, asset-based lenders, SBA disaster loans and other government grants and subsidies provided in new laws enacted)
- If appropriate, establish and document an approach for seeking consensual relief from secured creditors, either immediately or in the future. Begin that discussion early and have an updated cash flow projection available for the lender to justify why the request makes economic sense.
- Develop an understanding of what it means to be insolvent and the related rights and duties of the organization's board of directors, officers and equity holders under the circumstances.

Now that you have addressed the short-term necessities, take another deep breath, think positive and work on your long-term plan to ready the organization to ramp up the business once the economy recovers. Hope for the best but plan for the worst! During these difficult times, we are available if and when you need us. Do not hesitate to reach out to me via email at fpina@mercadien.com or phone at 609-689-2319 with any concerns or questions you may have. Our team will continue to keep you updated with resources and insights as the situation progresses.

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