Preparing for a Potential Financial Recovery

Almost every business is being impacted by the shutdowns, closures, and gathering limitations put in place by states across the country. Unfortunately, many of these changes are resulting in financial losses to businesses. There is ongoing discussion in the insurance community as to whether policies will or will not respond, and there is also activity at the federal level with a possibility that the federal government will step in and fill the gaps. While those questions remain to be answered, there are steps that should be taken today to help facilitate and prepare for a potential recovery in the future. Please review Cottingham & Butler's guidance regarding claim filing located here:
http://www.cottinghambutler.com/wp-content/uploads/2020/03/PC-Update-1.pdf

Top Recommendations:

1. Don't change accounting practices (except direct COVID-19 expenses). Revenues and expenses should be recorded, booked, and tracked as usual. If a company decides to pay employees while down, the payroll costs should be recorded with a separate identifier noting that the payroll was for employees not working. Only the unique, coronavirus-specific expenses should be recorded in a separate receivable account (e.g., cost to disinfect an office).

2. Explore Loss Mitigation Opportunities. Any loss mitigation opportunities should be explored, vetted, and put into practice if economically and practicably feasible. As an example, some states are allowing restaurants to continue with carryout, while they have required dining rooms to be closed.

3. Document any lost sales, canceled orders, lost contracts, lost clients and postponed orders/services, etc. As many details surrounding the reasons should be documented when feasible. Note that this may not be reasonable for larger companies or those with a large number of customers.

4. Journal Daily Activities. A daily journal should be kept documenting the local, state, or federal sources guiding business decisions. In addition, once bans and mandatory closures are lifted, any challenges in getting back to normal should be well documented (e.g. supplies, labor, etc.). Preferably, this would be kept electronically with links to the external sources.

Documentation:

The three most important documents that will be necessary:

Monthly Income Statement (P&L):

- Monthly statement for the last two years (February 2018).
- General account ledger that breaks down the detail.

Payroll Registers:

- Provide payroll reports by pay period, summary only (possibly by department) for at least one year (February 2019).
- These reports should include hours and dollars separated by pay categories (regular time, overtime, PTO, sick pay, holiday pay, etc.)
- The more data you can get in an excel version, the better off you will be. It will eliminate the large step of manually entering data. This will expedite the process. It is important to provide an unedited version, directly from the reporting software.

Daily Data:

- Sales, production, rooms sold, etc. Capture for one year (February 2019).
- Pull together daily measurements of the operation. This may be irrelevant for some businesses, and if this is the case, you don't need to change and start recording things daily (outside of journaling, as discussed earlier).

For more COVID-19 information and business resources, please visit our **COVID-19 Business Response Resource Center.**

Access Cottingham & Butler Client Resource Center