

Mitigating Risks: Financial Records

Here are some quick checklists for financial records. Work with your CPA, accountant, bookkeeper or SBDC consultant on how you can better manage your risks.

Know Your Finances

- » Business plan (projections and budget)
- » Monthly reporting
- » Accounts receivable
- » Accounts payable/liabilities (creditors, vendors, operating expenses, padding)
- » Balance sheet
- » Profit and loss statement
- » Payroll and owner draws
- » Insurance payments
- » Taxes (sales, use, payroll, income)
- » Payroll liabilities (quarterly/monthly?)
- » Equipment and inventory

Plan and Streamline Your Finances

- » Known schedule and person plus alternate (finances and backups)
- » Bookkeeping
- » Automate payments
- » Migrate to online banking (QuickBooks in the cloud)
- » Offsite bookkeeper and backups
- » Use electronic invoicing and receipts/scan receipts
- » Practice setting up on new location and computer
- » Credit (establish a revolving line of credit; do not rely on credit cards to run your business)
- » Inventory and equipment (maintain current list, additional locations)
- » CASH!

When Disaster Strikes

- » Contact your banker and request increase of credit if needed
- » Contact your creditors to notify them of the disaster and request deferment, restructure, etc.
- » Collect copies of tax returns, payroll, insurance policies and most current operating expense bills

What Help Can You Expect?

- » Government (city, county, state, federal resources):
 - Disaster unemployment/dislocated worker
 - Food stamps and short term financial aid
- » Nonprofits (United Way, Red Cross, Coalition for the Upper South Plate, Catholic Charities, Mercy's Gate, Goodwill)
- » SBDC disaster planning, risk assessment, insurance/financial review, application support for disaster loans and grants, connect with physical mitigation, refer to other resources

Initial Recovery: Financial

This process is extremely important in helping you decide your next steps and if you need assistance with this section, it is vital that you get it. Your accountant is the most logical place to start. Your bankers will also be willing to help, as will your CSBDC consultant.

Question	Yes	No	Action and/or Comments	By whom	By when
Do you have all the business financial records?					
Do you have tax returns from the last three years?					
Do you have any financial information available? <i>Use Reconstruction Financial Data Sheet ★</i>					
Can you determine available cash? <i>Use Aged Accounts Receivable and Sales Chart (30/60/90 days) ★</i>					
Do you have a current balance sheet dated right before the disaster? If no, contact your accountant.					
Can you use the financial information to create an accurate picture of the current health of the business? Do this with your SBDC consultant, your accountant or any financial mentor.					

NOTES

Recovery: Reconstructing Your Financial Records

The following material is adapted from www.irs.gov.

- **Inventories:** Get copies of invoices from suppliers. Whenever possible, the invoices should date back at least one calendar year.
- **Income:** Get copies of bank statements. The deposits should closely reflect what the sales were for any given time period.
 - Obtain copies of last year's federal, state, and local tax returns including sales tax reports, payroll tax returns and business licenses (from city or county). These will reflect gross sales for a given time period.
 - Furniture and fixtures: Sketch an outline of the inside and outside of the business location. Then start to fill in the details of the sketches.
 - Inside the building: What equipment was where? If a store, where were the products/inventory located?
 - Outside the building: shrubs, parking, signs, awnings, etc.
- **Building:** If you purchased an existing business, go back to the broker for a copy of the purchase agreement. This should detail what was acquired. If the building was constructed for you, contact the contractor for building plans or the county/city planning commissions for copies of any plans.
- **Tax Records:** Immediately after the casualty, file Form 4506, Request for Copy of Tax Return, to request copies of the previous four years of income tax returns. To obtain copies of the previous four years of transcripts, you may file a Form 4506-T, Request for Transcripts of a Tax Return. Write the appropriate disaster designation (such as "HURRICANE KATRINA") in red letters across the top of the forms to expedite processing and to waive the normal user fee.
- **Insurance Policy:** Most policies list the value of the building to establish a base figure for replacement-value insurance. If you are unsure how to reach your insurance company, check with your state insurance department (www.naic.org).
- **Vehicles:** Kelley's Blue Book, NADA and Edmunds are available online and at most libraries. They are good sources for the current fair market value of most vehicles on the road.
 - Call the dealer and ask for a copy of the contract. If not available, give the dealer all the facts and details and ask for a comparable price figure.
 - If you are still making payments, check with your lien holder.

For assistance and additional information:

- IRS Disaster Assistance Hotline: 866-562-5227)
- IRS Publication 2194, Disaster Resource Guide for Individuals and Businesses
- IRS Publication 584, Casualty, Disaster, and Theft Loss Workbook: Helps individuals make a list of stolen or damaged personal-use property and figure the loss. Has a room-by-room listing to help recreate an inventory and figure the loss on one's home and its contents and one's motor vehicles.
- IRS Publication 584-B, Business Casualty, Disaster, and Theft Loss Workbook: Available to help businesses list stolen or damaged business or income-producing property and to figure the loss.
- Your tax professional