



Know Your Finances

The time to prepare your business' finances is before a disaster occurs. Preparing your business financially now so it is ready to respond, recover, and continue operating when a business disruption occurs is just as critical as knowing exactly what to do when disaster strikes.

Here are some resiliency ideas to consider:

Have an emergency cash reserve fund.

- You may need cash in order to purchase supplies or equipment, or relocate your business temporarily.

Have credit available.

- If you don't have enough cash in your emergency fund, be sure to have a line of credit or a credit card available.

Identify financial obligations and expenses that must be paid.

- You should not assume that because your area got hit by a disaster your suppliers, vendors and creditors are aware of the situation and are automatically granting extensions. Items such as mortgage, lease, or rental payments may still need to be made even after a disaster strikes your business.

Consider creating a policy regarding payroll during and after a disaster.

- Payroll is often overlooked in business continuity planning. You should not assume that your employees will continue to work without pay during or after a disaster. Be sure your employees are aware of your payroll continuity plans ahead of time in order for them to plan for their personal financial obligations.
- Establishing clear strategies and procedures for controlling costs, reporting information to appropriate groups and clearly budgeting for and tracking what is actually spent during a significant disruption can have a positive impact on the business' bottom line performance and recovery.

RECOMMENDATIONS:

It is critically important to protect your place of business, your contents and inventory, and/or your production processes with adequate insurance.

- Evaluate your insurance policies and meet regularly with your insurance agent/broker to be sure you understand your coverage, deductibles and limits, and how to file a claim.
- Most policies do not cover flood or earthquake damage and you may need to buy separate insurance for those events.
- Consider a policy that will reimburse you for business disruptions in addition to physical losses.
- Consider business income (or business interruption) and extra expense insurance. Even if you have to close your doors for a limited period, the impact on your revenue and net income can be substantial.
- Consider adding contingent business income coverage to your basic policy to be sure you are covered for expenses and loss of net business income, as well as income interruptions due to damage that occurs away from your premises, such as to your key customers, suppliers or utilities.

About the Form

Use the checklist when creating your financial strategy for your business resilience. It is important to establish a maintenance program to keep your plan's contents current and relevant – review your finances every six months.

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Use this checklist to consider and plan for your business' financial needs in the event of a disruption.

Updated: _____

Next Review Date: _____

Overall Business Needs:

Have you worked with your bank to set up a line of credit for your company?

- Who is responsible to activate it and who has access to it?

How much cash would be needed to survive a 3-day, 5-day, 10-day, or longer shutdown?

- For what purpose is the cash needed?
- Will you have that cash on hand?
- Who would make the decision to utilize the cash?
- Who would have access to the cash?

Do you have sufficient cash to pay for various additional services that might be needed, such as janitorial or security services?

Do you have a company credit card that could be used for emergency purchases?

- Who is authorized to use the credit card?

Will you be able to pay your bills/accounts payable?

- Do you have procedures in place to accommodate a business disruption?

Will you be able to continue to accept payments from customers/accounts receivable?

- Do you have procedures in place to accommodate a business disruption?

Have you identified an alternate location where you can work?

Human Resources:

In the event of a widespread disaster, how will payroll be handled?

If your business is forced to shut down temporarily, will some or all employees continue to be paid?

- For how long?
- Will they be able to use their sick and/or vacation time without restriction?
- Are there union considerations?
- Have your employees been made aware of your policies that will be in place during a disruption?

If banks are closed, will your business provide payroll-cashing services?

- What is your business's policy on cash advances, check cashing, and employee loans?
- Will your employees be expected to work overtime?