Cultivating Value

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Thoughts From Tom

When your business is in a “fire fighting” mode and the predominant focus of all hands seems to constantly be to get the product or project out the door at the last minute, it becomes almost impossible to devote the appropriate time and resources to important topics like those included in this issue. This a dangerous yet common scenario, and a clear signal that an objective, output based command and control system should be developed which will provide resources to manage by exception, not by crisis.

In this Issue

Managing Business Risks

Every successful business deals with the ever-present uncertainties of generating profits in a competitive market. But other risks to your company also require attention -- including fire, vandalism, theft, a personal injury lawsuit, and many more.

Effective management of such risks requires both:

- Loss control -- actions and practices that will minimize the likelihood of experiencing harmful events and
- Insurance protection -- buying appropriate coverage to limit financial harm when losses do occur.

On-the-job Injuries

To control your company’s risk of on-the-job injuries and workers’ compensation claims, train your employees to recognize and report hazards that may lead to falls, excessive lifting, slipping, tripping, etc. And train your supervisors to recognize and correct unsafe behaviors. Investigate all injuries to learn how to prevent recurrences. Create written emergency plans for fire, accidents, power loss, etc., and conduct practice drills. Prepare for accidents and injuries by having some employees receive Red Cross training in CPR and first aid.

Liability

To lower the risk of liability claims associated with your business liability insurance, regularly check for and eliminate potential hazards inside and outside your premises that may result in slip-and-fall accidents and other injuries to customers and visitors. Make sure that all employees who interact with the public know how to respond to an injury.

To limit the risk of management or coworkers violating employees’ legal rights, learn the rules governing hiring and employment practices and apply them impartially and consistently.

Conduct training so that your staff is up to speed on the sensitivities regarding various types of discrimination and harassment. Also, thoroughly evaluate all job candidates to screen out those who are likely to engage in risky behaviors. Background checks and pre-employment drug screening can go a long way to this end.

Fire Loss

To minimize the risk of fire and reduce the damage if one occurs, train your employees to respond appropriately to all fire hazards. Require that combustible materials be safely stored. Have your heating system inspected periodically. And regularly check your alarm system, fire extinguishers, and smoke detectors.

Disaster

To counter the risk of business disruption due to a disaster, make a detailed plan for resuming operations after fire, flood, explosion, or wind damage, or another major emergency. Make sure all employees know the plan and their roles in it. Also consider making a reciprocal, advance agreement with a company that would be willing to share their facilities temporarily.

Theft Loss

To limit the risk of business theft, make sure your premises have secure doors and locks. Keep exteriors well lit. Consider installing an alarm system connected to the police or a private security company. Lock cash in a safe, and limit the amounts allowed in cash registers. Take steps to develop strong internal accounting controls.

Obtaining the insurance coverage you need at an affordable price will be easier if you actively manage risk to reduce claims.

Controlling Insurance Costs

Insurance can be a major expense. Here are some suggestions that can help keep premiums reasonable.

- Review your policy annually. Changes in your product mix, manufacturing processes, materials, and other factors that underwriters use to assess liability risk may favorably affect your premium -- if you make your insurer aware of them.
- Equip all company vehicles with alarms and other safety devices. Use only drivers with good safety records.
- Ask for and follow loss prevention recommendations from your insurance company. Fewer claims and, thus, lower rates may eventually result.

Our Managing Director

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is the Managing Director of the Vineyard Group, LLC. An experienced executive and advisor, business valuation specialist and litigation support expert, he has twenty years of consulting and public accounting experience along with ten years in senior management positions with manufacturing companies. As a result, Tom has the unique blend of experience, skill, vision and understanding required for handling the complex challenges that today’s professionals and businesses are constantly faced with.

In addition to being a Certified Public Accountant and a Certified Valuation Analyst, Tom holds the exclusive designation of Certified Forensic Financial Analyst. He is a member of the New York State Society of Certified Public Accountants, the American Institute of Certified Public Accountants and the National Association of Certified Valuation Analysts.

VINEYARD
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Cultivating Value…Seedling to Harvest

Qualifying for Bank Financing — the Five Cs

Will you get the loan that your company needs? Usually, credit approval is based on the Five Cs -- capacity, capital, character, conditions, and collateral -- the factors that banks and other sources of financing have used for many decades to help determine whether a business is a good risk.

When you apply for a business loan, the lender will generally ask for detailed financial information, including a balance sheet, income statement, and cash flow statement for the current period and past years, plus a financial projection for 12 months or longer, bank statements, current and past loan statements, and other data on your company. Your lender then analyzes the data by looking at the Five Cs.

Capacity

A lender wants above all to know: Will your business be able to generate enough cash on an ongoing basis to repay the amount borrowed? Analysis of your company's financial statements and projections will provide the answer. A cash flow statement gives information about the sources and uses of cash over the reporting period, and thus can be helpful in judging whether enough cash is likely to be available for the loan payments. The lender will also evaluate other capacity factors, such as your sales forecasts and the average number of days your company takes to collect revenue after a sale.

Capital

A lender will analyze your financial statements to assess working capital, net worth, existing debt, accounts receivable, and other indications of the overall financial strength of your business. All are important factors in determining your ability to carry new debt.

Your reasons for borrowing are also a factor in the credit decision. A lender needs to understand the purpose of your loan. You should be prepared to provide a detailed written plan that documents your business strategy, justifies the expenditure and documents the proposed use of the borrowed funds.

Character

No lender ignores the general reputation of a business and its managers. Your company's stability, the number of years it has been in business, and its structure and financial history, as well as its managers' personal standing within the business community, will always affect credit decisions.

Conditions

Before approving a loan, a lender also looks at the external market conditions under which you operate. These might include the national and local economy, your industry, and the geographic markets where you do business, as well as your competition and any known or likely changes in taxes and regulations.

Collateral

To reduce their risk, lenders seek to obtain a security interest in their borrowers' assets. As a condition of approving your loan, you'll most likely be required to pledge certain of your company's assets, such as equipment or real estate, at least to the extent of your intended indebtedness.

Sound Management is Key

Whenever the need for outside financing is perceived or determined, a careful analysis of the causative factors should be completed. All possible opportunities to meet the financing need through better management of the company's assets should be thoroughly analyzed and considered first.

However, if you determine that outside financing is the appropriate direction, consider talking to us before moving forward. We can help you formulate the optimum financing scenario based upon the company's objectives, cash flow and collateral base, and interface with the financial institutions on your behalf. Our experience and familiarity with all types of lenders (private and public) and their application and underwriting protocols allows us to make the process efficient and effective with as little distraction to you as possible.

Management Advisory Services

Corporate Vision and Planning ▪ Efficiency and Profitability Analyses ▪ Culture Change and Communication Systems ▪ Quality Systems and Continuous Improvement ▪ Operational, Financial and Administrative Management Systems ▪ Special Projects

Litigation Support Services

Damage Claims ▪ Breach of Contract ▪ Wrongful Termination or Death ▪ Shareholder or Partner Disputes ▪ Business Interruption ▪ Business Valuations ▪ Pretrial and In-Court Consulting ▪ Mediation and Settlement Structuring

Fraud Deterrence and Investigation

Strengthening of Internal Controls to Reduce the Risk of Fraud ▪ Investigation of Possible Fraudulent Activities ▪ Periodic Monitoring of Financial Information ▪ Developing Corporate Compliance and Fraud Prevention Programs ▪ Evidence Gathering ▪ Expert Reports and Testimony

Ownership Transition Services

Business Valuations ▪ Mergers and Acquisitions ▪ Buy or Sell Business ▪ Strategic Alliances ▪ Long Range Transition Planning

Emerging Business Services

Business Plans ▪ Debt and Equity Financing ▪ Virtual Executive Services