



BUSINESS DISRUPTION RESPONSE: WHAT'S NEXT

Small businesses bring life to our Missouri communities. The situation around COVID-19 and the dramatic impact it is having on our country is putting these businesses at risk. Our community businesses employ our friends and family, they support our local youth sports teams, and provide us with the personal touch which endears them to our community.

To help business owners prepare for the changing circumstances associated with COVID-19, the Missouri SBDC suggests the following steps to take for businesses financially impacted.

- 1. Locate all financial documentation.** A bank/lender will want to see a minimum of three years of balance sheets, financial statements, cash flow, and tax returns.
 - If you've been in business for less than three years; provide as much history as possible. Take time to get organized; your financial records tell your story.
- 2. Review operational expenses.** Consider operational efficiencies that preserve cash. And look beyond labor costs when considering employee expenses! Remember two weeks ago Missouri was facing a workforce shortage. As you review operational expenses, you will want to make prudent decisions on labor costs that focus on your future needs as well as the needs of your team members.
- 3. Check your credit.** Understand your credit score and address any issues now.
- 4. Contact your local SBDC at missourisbdc.org.** Experienced business counselors are ready to provide one-on-one confidential counseling during this ever-evolving situation. Missouri SBDC team members have extensive training and experience working with all types of businesses.

The network is constantly receiving updates from national, state, and local partners so we can provide you with the most up-to-date resources being made available. While each situation is different, below are a few of the topics likely to be addressed.

- **Business Models.** Explore different business models that will allow you to adapt. For example, counseling services could shift to video counseling; healthcare providers may need to make "house calls" or drive-up services available; and, retailers may opt for curbside pick-up, home delivery, or other methods. Though not ideal, it is an alternative under the current conditions.

- **Financials.** Counselors will benchmark your operating cycle with similar businesses in your industry. Many small businesses have cash available in Accounts Receivable. Often small businesses do not enforce or even set terms, causing longer collection periods. Lenders may consider “Why would I loan you money if you’re not collecting from your customers?”

SBDC counselors can provide assistance on these and other aspects of your business to strengthen financials.

- **The Borrowing Process.** Contact your current lenders and investors and let them know of possible financial difficulties before you miss any obligations. They are more understanding when borrowers communicate. In addition, they will likely be a great source of lending should the need arise. Keep in mind, the due diligence will change very little during difficult times. Strong financial documents, credit and aging receivables are still important. You will need to illustrate that you could have carried the debt service of a loan before you were impacted by COVID19.

Don’t treat loan applications as a “task to complete” and get off your desk. Your application needs to tell your story in as much detail as possible. These are applications to be approved and lenders need to feel reasonably assured that they will be paid back. Your application needs to be better than other applications.

If necessary, consider alternative lenders. The SBA has many online preferred lenders and those local banks are vested in your communities.

- **Disaster Loans.** If SBA Disaster Loans become available, applicants will need to provide the following forms:
 - Tax Information Authorization (IRS Form 4506-T), completed and signed by each applicant, each principal owning 20 percent or more of the applicant business, each general partner or managing member; and, for any owner who has more than 50 percent ownership in an affiliate business. Affiliates include, but are not limited to, business parents, subsidiaries, and/or other businesses with common ownership or management (Even if they have copies of returns, SBA must order official transcripts).
 - Complete copies, including all schedules, of the most recently filed Federal income tax returns for the applicant business; an explanation if not available.
 - Personal Financial Statement (SBA Form 413) completed, signed, and dated by the applicant, each principal owning 20 percent or more of the applicant business, and each general partner or managing member.
 - Schedule of Liabilities listing all fixed debts (SBA Form 2202 may be used).