



JEFFERSON COUNTY
BUSINESS RESOURCE CENTER

Maintaining Your Business's Financial Health

Source: Jefferson County Business Resource Center

Assessing, planning, and maintaining a good financial condition is one of the most, if not **the most important** aspects of your Business's health. Some important points to consider are:

1. If you're not trained in accounting, take time to familiarize yourself with basic bookkeeping and accounting principals.
2. Develop a realistic cash flow analysis. The best rule-of-thumb is to estimate expenses high and cash low.
3. You should have **at least six months** of cash reserve to cover operations.
4. Familiarize yourself with all of your tax and insurance liabilities including, but not necessarily limited to:
 - ✓ Payroll Taxes (FICA, FUTA, SUTA, & Worker's Compensation Insurance)
 - ✓ Business Taxes (Income Tax, Sale/Use Tax, Commercial Property Tax, & Business Personal Property Tax)
 - ✓ General Liability Insurance & Business Auto Insurance
5. Check your personal credit rating and the credit rating of any partners. If you wish to be in a good position to borrow money or access a line of credit, you and your partners should have a credit score of 640 or higher (AnnualCreditReport.com)
6. Meet with area bankers and develop relationships (even before you open accounts or seek financing). Most banks are very friendly to small business owners and they can provide vital information and a variety of services for your financial success.
7. Create and implement fraud protection measures, such as:
 - ✓ Have only one person able to transfer funds. It's best if this person is not a signer of checks.
 - ✓ Keep all checks and check stubs in a secure place.
 - ✓ Keep any petty cash funds in a secure place and reconcile petty cash each month.
 - ✓ If possible, require more than one signature for checks over a specific amount.
 - ✓ Do your own bank reconciliations or review those completed by someone else.
 - ✓ Limit the issuance of company credit cards. Have a credit card usage policy that all cardholders sign.
 - ✓ Have all statements mailed to you for review. Have all parties review copies of their individual statements, provide corresponding receipts, and sign off on charges.
 - ✓ Have an internet usage policy that all partners and employees sign.
 - ✓ Verify the credentials and/or references of a staff bookkeeper/accountant or any independent bookkeeping/accountant consultant. Consider doing a background check on anyone handling funds.
 - ✓ Develop a relationship with your bank representative and ask them to alert you if they discover any unusual activity.

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8. If you bill for services and/or products consider these points:
 - ✓ Bill at regular intervals and stay current on rebilling at 30, 60, & 90 days.
 - ✓ Late fees are legally collectable on bad checks. Don't orphan bad checks. Consider using a collection service because recovering some of the debt is better than nothing.
 - ✓ Late fees on receivables are only collectable if you have a contractual agreement that states your policy. It's a good idea to have your customers sign a payment contract. Also, print your late payment policies on your invoices.
9. Be cautious when contracting with service and product providers. Contracts that unfairly favor the vendor can break a small business.
 - ✓ Don't allow vendors to pressure you into doing business with them.
 - ✓ Stay on top of your interactions with vendors and make sure to document any disputes in writing. If a vendor corresponds with you in writing, respond in writing. Maintain a journal documenting any verbal interaction.
 - ✓ Carefully read any contractual agreement **before signing** and consider seeking reputable professional advice on the details. Look for any terms that specifically favor the other party. Be cautious if a contract has the following terms:
 - The customer agrees to settle any dispute in a court/jurisdiction that is outside the county in which your business is located. *This means if you decide to, or are compelled to, conclude a dispute with another business, **you** will have to take the time and pay the expense to go to elsewhere for a decision on the matter.*
 - The customer agrees to pay any costs related to any legal dispute. *This generally means that **you** will pay your own legal/other fees **and** the legal/other fees for the opposing side, whether you win or lose.*
 - The customer may cancel the contract prior to the anniversary date. The customer must provide written notice 30 days (*number of days may vary*) prior to the contract date or the contract will automatically renew for another term. *Many businesses overlook this clause and end up in a continuing cycle of renewals with companies that do not meet their needs.*
 - Be aware of excessive late fees.
 - XYZ Company may cancel the contract at any time, for any reason. *This means that the business supplying products and/or services to you may at their discretion, cancel their agreement with your company. You could be suddenly left without the necessary supplies or services required to do business.*
10. Stay on top of payments. Late fees add up, compromise your relationship with vendors and damage your credit rating.
11. If you lease equipment, make sure to provide the leasing company with proof of insurance coverage. If you don't they will put a policy in place that is redundant and generally more expensive.
12. Carefully read equipment lease agreements. Terms generally favor the lease company and have automatic rollover clauses. Many people end up paying excessive buyouts due to the lack of attention to the "fine print".
 - ✓ Leased equipment is subject to business personal property tax. You will be billed for this on both a straight lease and a capital lease.
13. If you are in business with partners and/or have investors you should have a well-drafted Partnership and Exit Agreement. This should be reviewed by a reputable legal advisor and should be signed by all parties. Many business owners are severely compromised when they lose a partner or investor and have no specific agreements in place.