



Case Study # 1 Restaurant

Scope of Project

A local upscale restaurant, in business for over 20 years, experienced a significant reduction in sales activity during the winter months resulting in poor cash flow. When coupled with the discovery that owner's business partner had not paid meals or payroll taxes, the restaurant's financial situation took a critical turn. After an attempt by the owner to manage the situation, his CPA recommended he engage Organization Ink as his new bookkeeper/business manager.

Method Utilized

Our initial discovery revealed the accounting files were in serious disrepair. Sales, expenses, and balance sheet items were inaccurate. We recommended creation of a new set of files, using the first 3-months of the year as a starting point. We created a new set of books, collaborating with the CPA to ensure consistency with audited results and prior tax filings.

We developed a plan of action with the owner to right his business. This plan addressed the relationships with his vendors, his banks, and negotiating with IRS and state tax entities. The plan also included developing new policies and procedures for managing his operations, including payroll. We also created a strategic plan so that the owner had a plan for the growth and exit of his business.

We rebuilt relationships with his vendors, validating balances and obtaining agreements for minimal payments to reestablish credit terms. We set up a priority list based on restaurant needs, vendor balances and aging. We communicated with his banks to determine the viability of establishing a line of credit. Based on past financial results, they required proof of debt reduction and elimination of liens. Leveraging his professional reputation and loyal customer base, we arranged notes that provided capital for the off-season period of that first year.

We negotiated with the IRS and state tax entities to establish payment plans conducive to his business cycle and to reduce the significant interest and penalties owed for the prior five years.

We created new policies and procedures for his restaurant. For example, we added procedures to his payroll process to ensure that his account had sufficient funds. This eliminated the occurrence of payroll checks being returned for insufficient funds and prevented the erosion of employee morale.

In conjunction with the owner, we created a plan for growth. We helped him develop a procurement strategy for new equipment. We capped his plan with an exit strategy at the end of a four year plan.

Results

We brought this business from near bankruptcy to financial stability. Our negotiations on his behalf resulted in a workable plan that retired all state tax debt. We filed for an abatement of penalties that resulted in a refund of \$8,000.00. We negotiated with the IRS to establish a new, feasible payment plan despite a default on the owner's prior plan, resulting in a savings of over \$20,000.00 in penalties.

We assisted the owner with the budgeting process and he learned to become more creative in reducing costs over the off-season. This process resulted in food and wine costs reductions of up to 15% annually. We continued to guide this client with cash management weekly, ensuring that vendors received payments on time and received timely communication in case of any anticipated delays. We managed the cash flow between Operating, Payroll and Savings accounts for optimal use of his funds.



In the short run the business was on track to retire all major debt before the end of year 2. The long run business plan included a year of adjustment and clean up followed by a year of investment within the business. The financial forecast model we created allowed us to work with him on various scenarios and continue to grow his business and prepare it for the buyers' market. COVID-19 provided an unexpected setback; however, the business owner was in a much better position to react to the change in circumstances by adjusting to the current conditions and establishing outside dining. Our team was effective in securing funding through the PPP loans as well as an EID loan. Against all odds his business flourished during this time of turmoil.

Although COVID delayed the sale of the business by a year, we were able to work with agents to successfully sell the business in year 5.