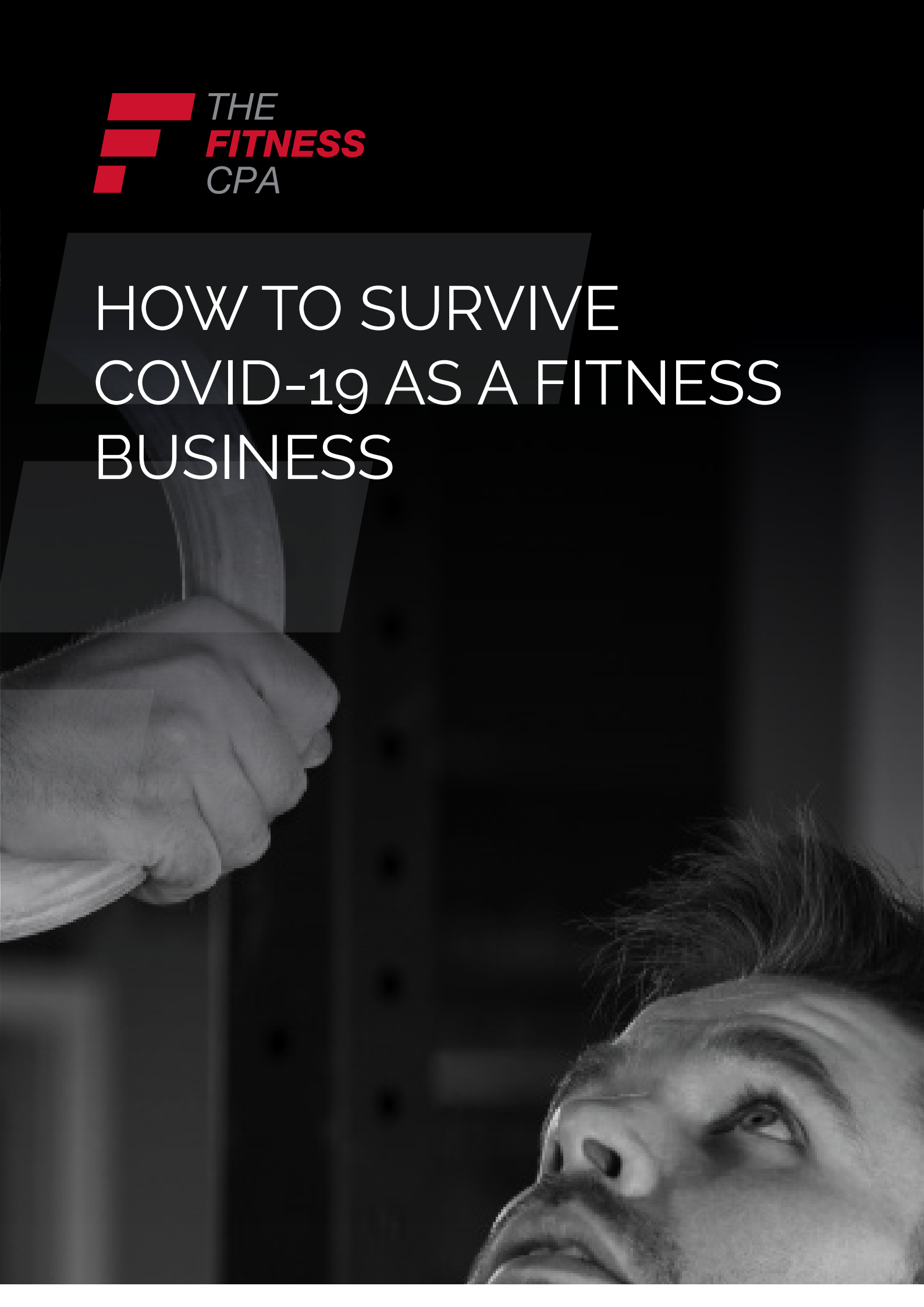




HOW TO SURVIVE COVID-19 AS A FITNESS BUSINESS



First and foremost, our heart goes out to all closed fitness facilities, and most especially to all who are sick or have loved ones that have been affected by COVID-19.

We are thinking of you and are here to help in any way that we can.

With this guide, we hope to give you reliable information about COVID-19 that is unique to the fitness industry from a finance and government perspective.

There's certainly a lot of operational overlap for what to do in this downtime – how to talk to your staff, how to retain members, and how to manage ongoing costs – but with this guide, we will focus on the effects of COVID-19 from an accountant's perspective, which may be unique to other fitness industry support or consulting concepts out there.

Let's get started.



1

PRESERVE CASH FLOW

When we say cash flow – we don't mean stuffing dollar bills under your mattress. We just mean keeping enough money in your checking account to be able to pay for your critical expenses, such as rent or payroll (no, not toilet paper – that'll come later in our post). These are the expenses you can't put on a credit card if need be.

TIP: Our recommendation is that you retain as much cash as possible in your business and personal lives.

Even if you don't need an abatement on any of the items we discuss and you have plenty of cash stockpiled, we still recommend that you take the actions below to preserve your cash flow now, so that however long this may last, you will be able to cover your critical expenses should the time come.

These are the areas we're going to talk about where we can cut to retain more cash:

- **RENT**
- **LOANS**
- **CREDIT CARDS**
- **EXPENSES**



Loans:

Just like rent payments, you are going to request an initial one-month abatement or deferral, and then reassess. This goes for your personal loans too – mortgage, car payments, etc. – call your lender for a deferral period.

Many loans have a provision for a 90 day (3 month) abatement that we've had clients already approved for this week. And principle and interest on SBA loans are being paid automatically by the government for six months. This is a huge win for fitness owners with an SBA backed loan.

Stay tuned as we have a dedicated blog and video to cover loans and lenders.

TIP: Talk to lenders and request a deferral with every lender you have. Every lending company has or will have some kind of COVID-19 relief plan in place.

Credit Cards:

Credit cards are easier to manage as you can push off full payments and only make the minimum payment for now. We recommend using your credit card to charge expenses in order to free up as much cash as you can in your checking account. (This goes for your personal credit card and personal checking account as well).

You may possibly incur interest charges down the road, but interest rates have fallen slightly and if you can refinance into another debt instrument alter there should be very low interest periods to help people through these difficult times.

TIP: Preserve your checking account as much as possible. Have your credit card balance grow and continue to only make the minimum payment.

Expenses:

Remove every expense that you have. Aside from payroll and insurance, we're really advocating that the bar starts at zero and you add necessary expenses back in incrementally as we go. If you're still operating virtually, you are going to continue to have operating expenses, however, much less than before.

TIP: Review all of last month's expenses. Literally go down line by line, cross off all expenses that you don't absolutely need. This should be most all of them.



2 NEGOTIATE YOUR RENT PAYMENT ONGOING

The elephant in the room - your rent bill.

Rent is every fitness business owner's biggest expense, often equaling to 1/3 of annual revenues. And that's why we're taking action. We recommend asking for a deferred or abated rent payment every month your gym is closed down. We have a full guide & script to use over on our website. For now, here are our Do's & Dont's of your rent abatement request:

The Rent Abatement Ask Do's

DO: leverage the current relationship you have with your landlord. Incorporate as many human and emotional elements as you can.

DO: show that you are doing everything you can in other areas and that you aren't just looking for an easy handout. Show that you are cutting out every single expense you can and prove that it's not just rent where you need relief. Landlords are not going to be open to giving you rent abatement if you are still paying for X,Y, Z every month, and rightly so. They don't want to be the only one giving.



DO: ask in a direct way. A tenant's ability to communicate is key.

Example: "These are extraordinary times, our business is closed, and like the rest of the country, we could use some relief. At this time, what types of relief are you structuring for tenants who have been forced to close?"

DO: ask for 30 days of rent abatement. Abatement means completely free and that you don't need to pay it back. Asking for 90 days of free rent is premature and can be harmful to your relationship. We want to reiterate: we believe asking for anything more than 30 days is unreasonable.

DO: ask the week prior to when the rent is due. Don't hold off on your initial request using our script until the last possible moment. You're going to need time for negotiation and wiggle room. We recommend getting your initial request in one week or at least a couple days before rent is due to allow time for the back and forth. You may also have a grace period on your rent which will allow for more time to find a fair deal for both sides.

DON'T: show all of your cards in the first round. In all negotiations, strategy is important. We want to be able to reach back into our pockets in coming weeks and play another card. So, don't disclose all of the details in your opening ask; save your empty bank account or number of canceled memberships for the second round of requests.

DON'T: become overly emotional. Yelling or crying on the phone will get you nowhere fast in these critical situations. It's important to stay cool, calm and collected in order to reach a mutual agreement with your landlord. If you tend to become overly emotional in these situations, use our script and practice several times beforehand with a loved one or friend.

DON'T: send financial documents unless your landlord requires them. We are working on a resource to help you send financials to third parties in coming weeks. In the meantime, try to hold off. If you must send financials ensure your accountant has sent you landlord approved financials.

DON'T: mention limited revenue streams if you have them. If you have revenue from virtual classes coming in or still have attending memberships – it's not the time to mention it. We want to lead with, "the government has forced us to close, we're not able to offer in-person training, our business has shut down, etc." rather than, "we have a little bit of money still coming in that we're happy to part with."

ACCESS THE FULL GUIDE:
thefitnesscpa.com/rent-abatement-guide



3 APPLY FOR GOVERNMENT RELIEF

We get it - there has been a lot of frustration around the government relief programs, specifically the Paycheck Protection Program (PPP) and Economic Injury Disaster Loans (EIDL). But if you're a gym or fitness studio, please read this closely. More relief is coming, and this might be your final opportunity to obtain thousands of dollars in PPP and EIDL funds (or to be next in line if the programs are refunded at a later time).

TIP: We recommend gym owners apply for **BOTH PPP & EIDL**.

PPP Funding is done through your bank or lender - you will need to reach out to them to have this completed. EIDL funding is done through the [SBA.org](https://www.sba.org) website.



Even if you haven't started either process yet, there are two main reasons why you need to still apply for both programs now:

ROUND 2 (AND POSSIBLY 3) FUNDS MAY LAST LONGER

- Most big corporations have already been funded (...and stolen funds intended for small businesses). So round two of funding should be comprised of smaller loans. So maybe, just maybe the funds will last longer if the banks do what they are supposed to.

THERE WILL BE ANOTHER STIMULUS PACKAGE

- And even though that package may not be funded until July or even August, it may include additional PPP and EIDL funding. And when those funds come through, those who applied now will be next in line to obtain those funds.

So, take action, be next in line, and get your PPP application in with your bank now. The SBA is not currently accepting new EIDL applications but check back regularly to get your EIDL application submitted at SBA.org as soon as they begin accepting applications again.

What are you waiting for? You, your business, your kids, and your grandkids will be paying down our national debt for decades to come. You might as well get a small share of the money while you still can.

We go through the entire process of applying & waiting for PPP & EIDL funding on our blog.

ACCESS THE FULL GUIDE:

thefitnesscpa.com/apply-now-more-ppp-eidl-funds-approved



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CUT & RETAIN EMPLOYEES WHERE NEEDED

As business owners, employees are high on the list of our concerns. For many of us, employees are like family; we work, sweat, and play together. So how do we treat our extended family during COVID-19? And what can we do to ensure they can provide for their families during these unprecedented times, while at the same time not causing detriment to our business? And how do we answer all of their questions?

As harsh as it sounds, we recommend that workers who truly aren't needed need to be released from their role to file for unemployment and rehired when the future is more clear. Workers who are still working and essential to the future of your business should be kept on staff if possible.

The terms of unemployment insurance are very generous right now. It's set for 39 weeks and for the first 8 weeks there's a \$600/week bonus. To put 39 weeks into perspective: a laid off employee could have a Corona baby in this amount of time and name it Covid all while on unemployment. And besides that, there are ethical considerations. Releasing workers from their jobs to claim unemployment is one of the nicest things you can do for an employee compared to reducing their hours and making empty promises. If you own a business, I'm willing to bet 99% of you have been fired or laid off. At first, it's upsetting. And then suddenly, it's freeing. Laying off nonessential staff will give them clarity on the next steps they need to secure their future.

For employees that you retain to do administrative work or teach virtual classes - use your PPP money to pay them. If you don't yet have PPP money, strategize with your CPA to figure out the best plan for your business.



WHAT BUSINESS OWNERS CAN DO:

- Direct employees to their state specific unemployment website.
- Direct employees to their accountant and attorney. But especially their accountant in these times.
- Encourage workers to talk to their spouse and do their own research.
- Provide mandated federal, state, county and local worker notices. Be sure to stay up-to-date with your municipalities. Talk to your workers compensation company for the most up-to-date notices or look on your government's website.
- Provide moral support and empathize with your workers in these difficult times. One of the biggest things we see is that workers are embarrassed or otherwise conflicted about filing for unemployment. They might be shameful or too proud to file for unemployment. It's important to remove these concerns by way of saying these things:
 - You need to do what's financially best for you and your family
 - Unemployment was literally created for this purpose.
 - Why should everyone else collect while you suffer?
 - You (the employee) and I (the business owner) have paid into and will continue paying into this system for years to come, so you are really only taking your own money.

WHAT BUSINESS OWNERS CAN'T DO:

- Provide information on 'something you heard'.
- Promise your workers anything about the future: that they will have a job, that you'll pay them, that you'll 'make this up to them'
- Give workers false hope such as projecting reopen date or offering a bonus and/or raise once this passes.
- Pay workers cash under the table. All payments need to be paid legally and reported to the government via your payroll provider.

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SPEND RELIEF MONEY ON THE RIGHT EXPENSES

While we are still waiting for FINAL guidance on precisely how to spend PPP relief funds, here is what we know so far:

UP TO 25% OF YOUR PPP MONEY can be used to pay the below items. But any amount greater than 25% of the PPP funds won't be forgiven and will be converted into a loan (at 1% annual interest and due to be paid back in two years).

- Rent
- Utilities
- Interest on any other debt obligations that were incurred before Feb 15, 2020.
- Payments of interest on any mortgage (but not payment or prepayment of principal)

75% OF THE PPP MONEY has to be used within 8 weeks (as of 5/19/20 - this looks like it may change in the future so stay tuned). We're still waiting on definitive guidance but it's possible you could use your PPP money to:

- bonus current workers
- rehire workers at the end of the 8 weeks and give them a signing bonus
- pay owner's salary (if you took a salary previously)

WE RECOMMEND USING THE MONEY FOR:

- Workers who are doing administrative work, instructing virtual classes/trainings, and other virtual coaching
- A mission critical worker that you don't want to lose (like a key sales person or regional director)
- For these individuals, we recommend repurposing them for other tasks to keep them working for you such as administrative work, writing protocols or workflows, marketing, social media, finding educational materials online around COVID-19 solutions for fitness businesses, janitorial duties, etc.
- Rent and utilities.


7

GENERATE SOME REVENUE, SOME WAY

The writing is on the wall - things are going to change post COVID-19. Even when we finally see our way out of this chaos, business models **and consumers** are going to change their habits and ways of doing things. It's inevitable.

Clients may lean towards outside workouts for the fresh air they once took for granted. Or exhausted moms may look to streaming virtual classes in the 45 minutes they have between baby naps. What permanent changes the future brings - we don't yet know. However, the business owners that adapt and change with it, will be the ones who ride out this storm until the end.

We recommend to get the wheels start spinning now. Reach out to fellow business owners and see what collaborations & ideas you can think up. Whether that's collaborative nutrition + training virtual streaming classes with a local nutritionist or outdoor workouts in a nearby park. Get creative to start earning a little bit of revenue back **now**.



ACTION: For ideas, reach out to like-minded Facebook groups. This could be a national community group for yoga studio owners or a national franchise group for Crossfit franchisees - wherever your tribe is, go find it. Your peers will be able to spark ideas that you wouldn't have thought of yourself. For additional ideas to get the juices flowing, download our **8 Ways to Increase Revenue Guide** over on our website.

[ACCESS THE REVENUE GUIDE HERE](#)



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GET HELP FROM YOUR CPA OR ADVISOR

While we hope to give as much information and resource as we can in our guides, blogs and YouTube channel, It's hard to speak to every individual situation in an 8-step guide or 10 minute video.

We recommend reviewing your existing financials & business model with your trusted CPA or advisor to analyze your existing situation and strategize what your next business move should be.

If reality says to sell, or file for bankruptcy, it's important to consider these scenarios as viable options as well. We've had several clients, who were struggling pre-COVID19, close up shop and not look back. It's a personal decision you'll have to make with your family and business partners.

But if you're in this for the long haul, I urge you to seek out help from your trusted CPA or advisor. If you don't have one yet, reach out to our team at The Fitness CPA. That's what we're here for - we're here to help.

We'll walk you through the cold hard facts of what you need to do now and later to get through to the other side of this.

**And most of us will make it through to the other side.
Hang in there.**





www.thefitnesscpa.com

