Focus Management Group presents

Risk Assessment: More Than Insurance

Presented by Focus Management Group

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I. Introduction

What will you take away from this presentation?

Businesses commonly use insurance to help mitigate risk.
Is insurance enough?
What other risk management tools are available?

What will you take away from this presentation?

How should a business think about risk management?

What will you take away from this presentation?

Income Statement Risk

Balance Sheet Risk

What will you take away from this presentation?

What does your risk management assessment tell you?

II. How should a business think about risk management?

What is risk management?

According to Amanda McGrath, a writer for IBM Corporation, risk management is defined as:

Risk management is the process of identifying, assessing and addressing any financial, legal, strategic and security risks to an organization.

Business risks stem from many sources, including financial uncertainty, legal liabilities, technology use, strategic management errors, accidents and natural disasters. Risk management practices aim to anticipate these threats and their potential impact and establish plans to address them when they arise.

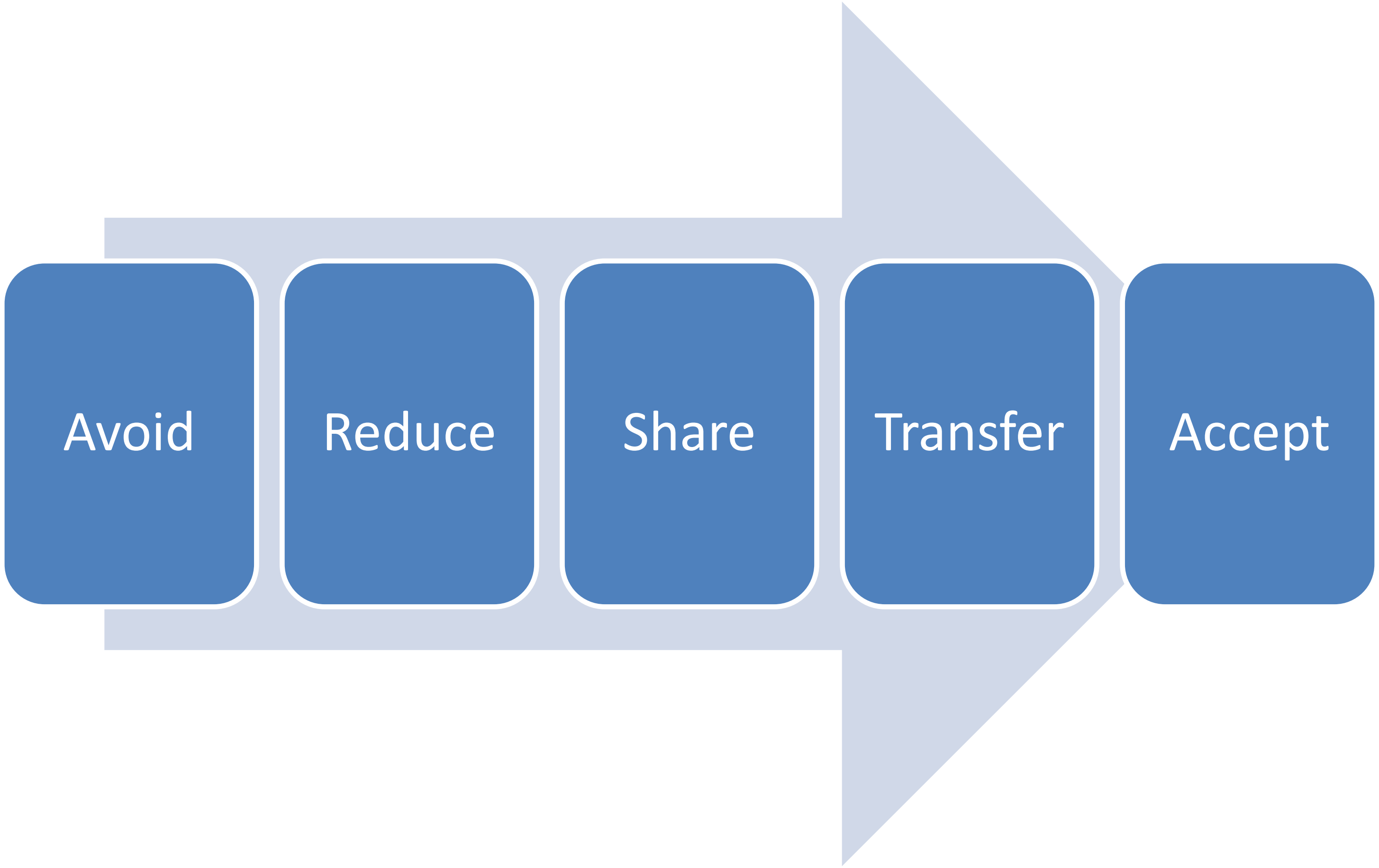
What are the five principals of risk management?

- Identify the risk
- Analyze the risk
- Evaluate or rank the risk
- Treat the risk
- Monitor or review the risk

What are areas of risk?

- Financial Risk
- Operational Risk
- Strategic Risk
- Cyber Risk
- Compliance Risk
- Reputational Risk

How do you deal with risk:



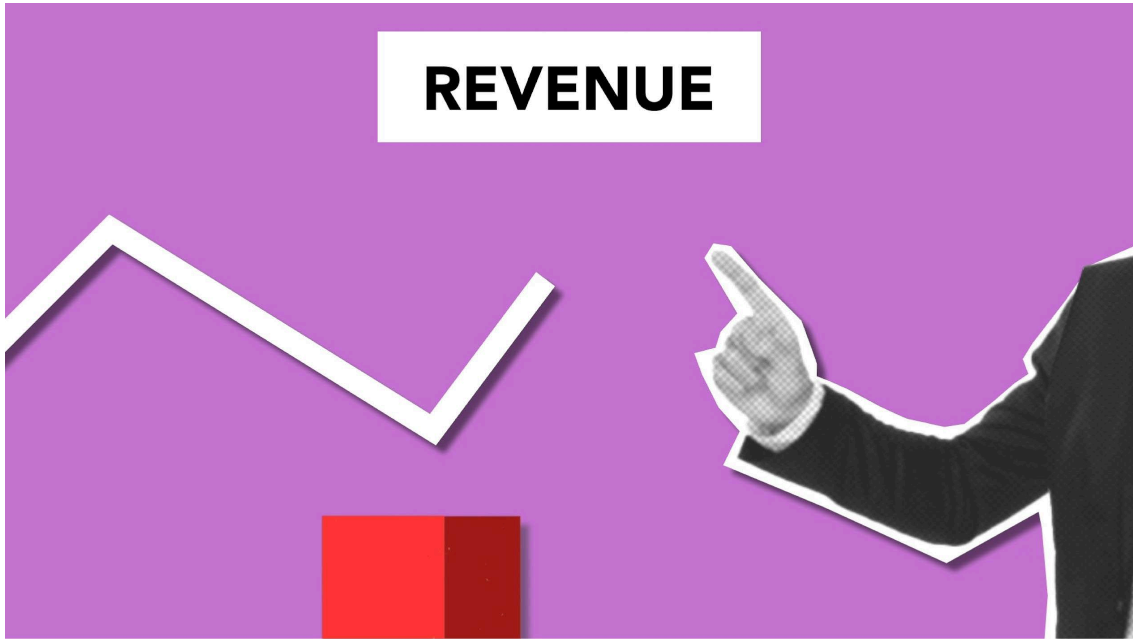
Where do you start?

Let's use the financial statements as the starting point for risk analysis.
There are risks that show in reviewing the income statement.
There are risks that show in reviewing the balance sheet.

III. Income Statement Risk

Revenue

Customer Concentration
Product Concentration
Volume / Capacity
Contract – Price / Volume
Weather



Cost of Goods Sold

Vendor Concentration
Vendor Location
Contracts – Price / Volume
Fixed Costs versus Variable Costs
Weather
Tarrifs

Operating Expenses

Inflation
Contracts
Alternative Sources
Fixed Costs versus Variable Costs
Access to software
Access to utilities

Other Revenue and Expense

Asset Sale Values
Interest Rate Risk
Unexpected Expenses
Lawsuits
Regulations

Income Tax

Changing Rates
Ability to Write Off Asset Purchases
Inventory Valuation Methods

IV. Balance Sheet Risk

Assets - Current

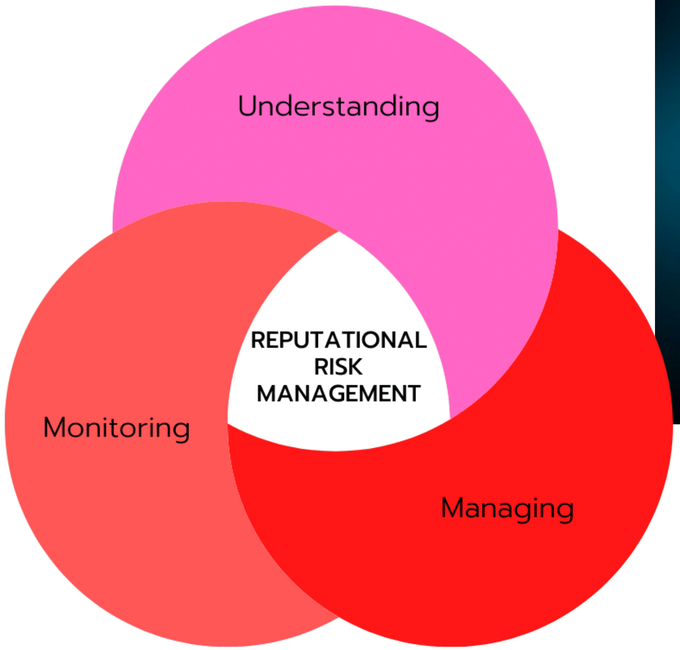
Cash Accounts
Accounts Receivable Concentrations
Inventory Valuation Methods
Inventory Concentrations
Access to Data
Product Recalls

Assets – Long Term

Adequate Insurance?
Deferred Maintenance
Replacement Costs

Assets – Other

Goodwill
Reputational Risk
Product Quality and Reputation



Liabilities - Current

Payables Concentrations
Vendor Lines of Credit
Lender Lines of Credit
Interest Rates

Liabilities – Long Term

Interest Rates
Renewal Periods
Loan Covenant Compliance

Retained Earnings

- Buy Sell Agreements
- Generational Transfers
- Divorce
- Shareholder Derivative Suits


BUY-SELL AGREEMENT

Parties

This BUY-SELL AGREEMENT ("Agreement") is entered into and made effective on April 11, 2025 ("Effective Date"), by and between, **Peter J. Shabayeva** ("Company Owner") and **Natasha B. Johnson** ("Stockholder"), collectively referred to as "Parties."

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• PAYMENT TERM.

The purchase price to any Transfer because of the Stockholder's death shall be pa
of any life insurance policy, carried out on the life of the Stockholder by the Corpo

V. What does your risk analysis tell you?

Risk is real and cannot be eliminated.

Tools to Share Risk

Insurance
USDA Crop and Livestock Insurance
Hedging
Forward Contracting
Price Agreements

Tools to Share Risk

Planning based on the risk assessments tied to income statement and balance sheet reviews.

Tools to Share Risk

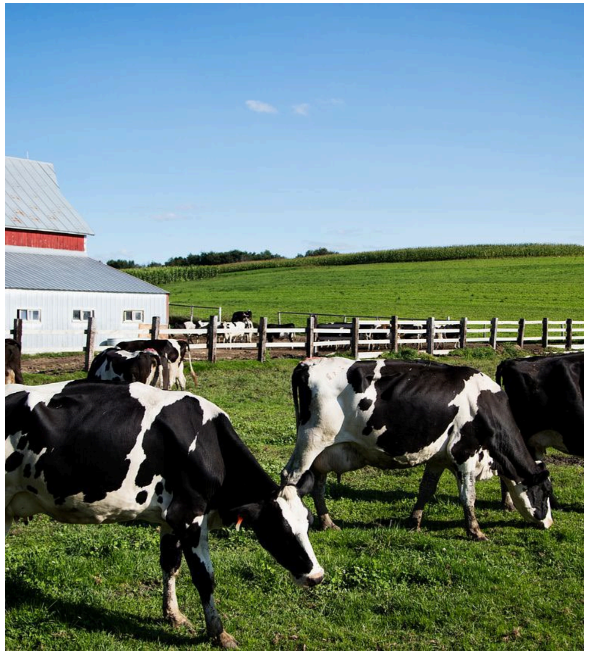
Types of Insurance to Consider

- Property and Casualty
  - General/Product Liability
  - Vehicle
  - Workers Comp
  - Catastrophic Perils (Hurricane, Flood, Earthquake, etc.)
- Directors and Officers
- Employment Practices
- Product Recall
- Cyber
- Life
- Pollution/Environmental Liability
- Business Interruption
  - Direct Impact
  - Contingent Impact
  - Supply Chain Risk
- Crime
  - Employee Theft

Crop Insurance

Government Programs

https://www.rma.usda.gov/Fact-Sheets/National-Fact-Sheets/Livestock-Risk-Protection-Swine



https://www.nmpf.org/issues/milk-pricing-economics/risk-management-policies/#:~:text=DMC%20offers%20protection%20to%20dairy,additional%20benefits%20to%20enrolled%20farmers.

Risk must be identified and managed

“Of course we’ll make a decision ...
once we have considered the 5243 factors.”

Discuss Risks with Leadership Team

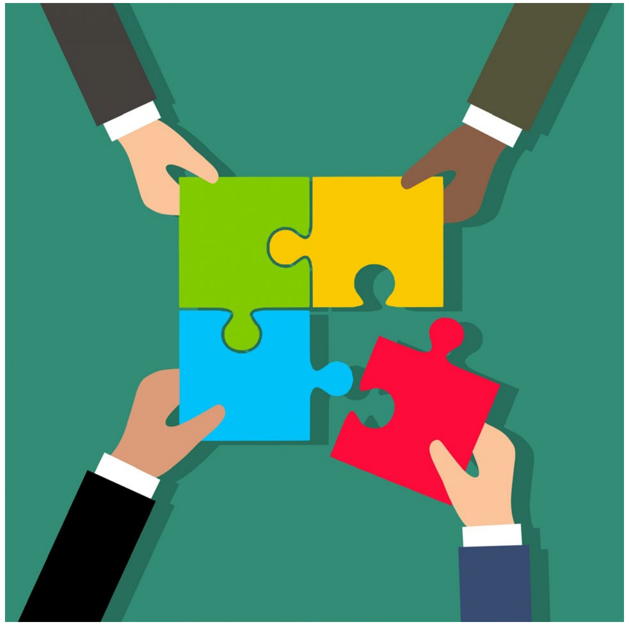
Share Responsibility and Analysis

Risk must be regularly evaluated

Using these tools, risk can be managed.

VI. Questions

FMG is a resource you can use.



Call us anytime. We like to talk about companies.

Sign up for our newsletter.

Visit our website's "insights" page.

Call us anytime.

Our cell phones are on 24/7. Add us to your contacts and call us when you want to discuss anything.

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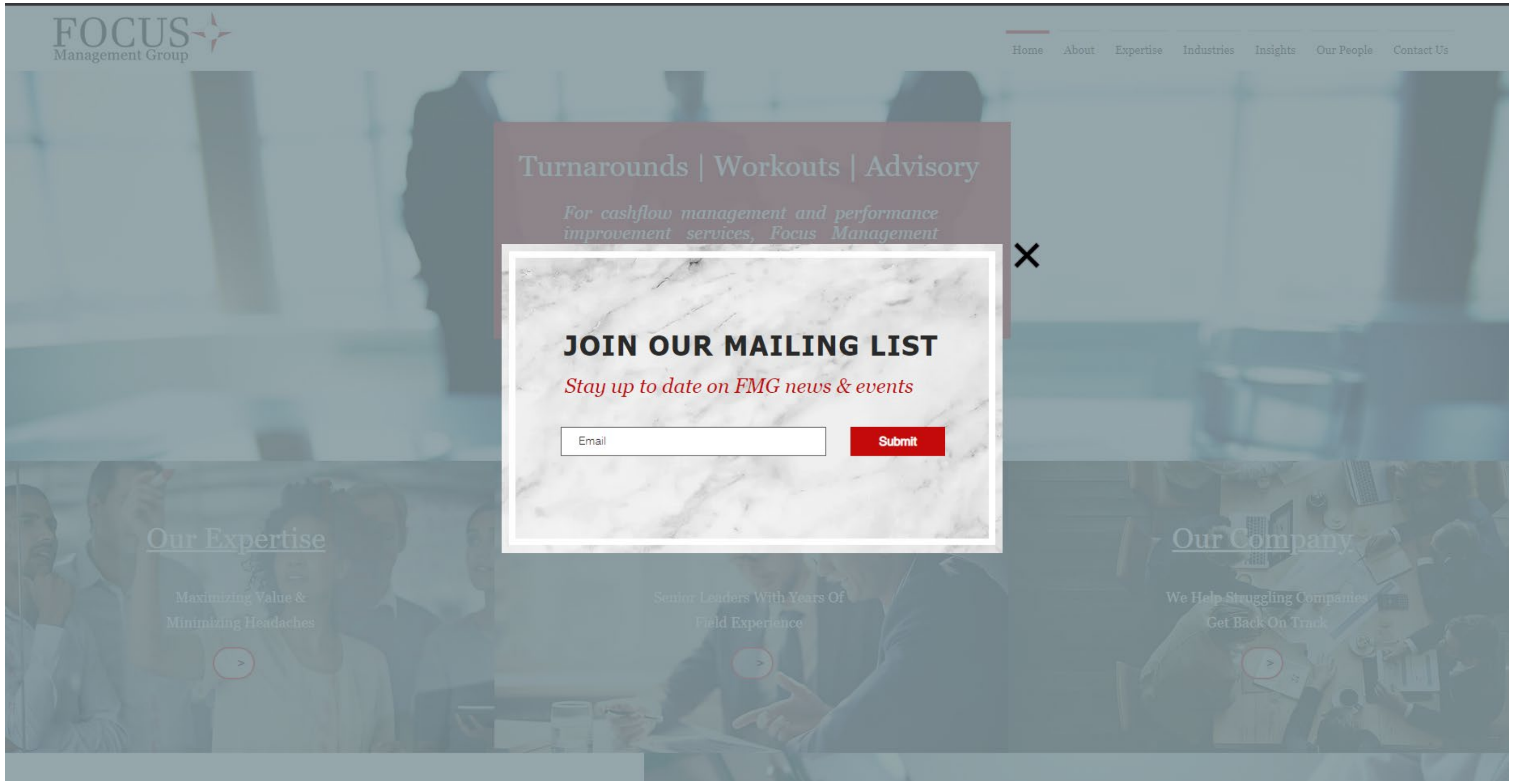
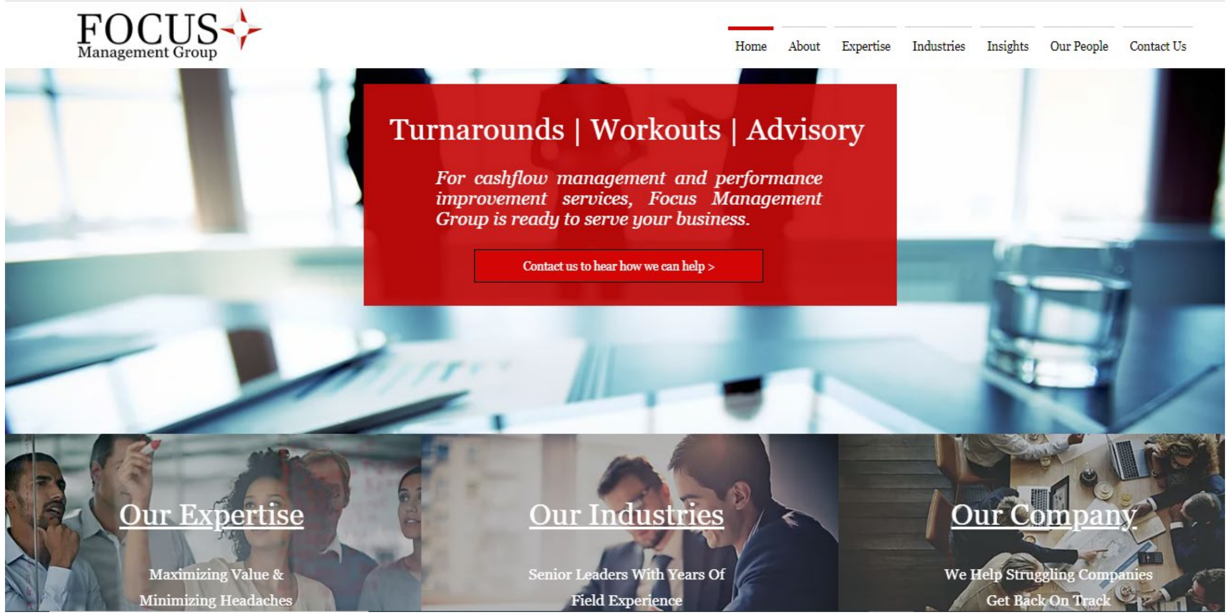
Focus Management Group's mailing list is used to provide articles directly to your inbox.



Additional Resources

Focus Management Group has additional resources on our website's **Insights** pages. You will find articles on multiple industries and their current challenges, as well as best practices articles addressing working capital management and cash flow performance. We also address up to date topics such as emerging trends, in addition to many other topics.

https://www.focusmg.com/insights



Let’s discuss questions.

VII. Contact Us Anytime

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