



# Technical Accounting Consulting Bankruptcy & Liquidation Services

## Bankruptcy and Liquidation

The accounting and financial reporting around bankruptcy and liquidation bankruptcy requires knowledge and expertise to adequately address each organization's unique set of circumstances. Although there have only been around 700 Chapter 9 filings since 1937, six government bankruptcy petitions were filed in 2019, even before the impact of COVID-19 on the U.S. economy.

Whether bankruptcy was an opportunity for better economic feasibility or to liquidate, the purpose of a bankruptcy strategy is to be prepared as unique challenges arise in accounting and finance to properly report and present results, while using internal controls to manage risks, enable future growth and reduce the burden of management and the accounting department.

Cherry Bekaert's bankruptcy strategy services include solutions to reduce risk surrounding accounting and financial reporting prior to, during and subsequent to filing a petition. Our team has experience with the technical accounting and financial reporting that is extensive around these filings that can create problems for many organizations.

### Bankruptcy Protection Focus Areas

- ▶ Chapter 7 - Business / Individuals - liquidation of assets of the debtor for the satisfaction of some or all of its liabilities
- ▶ Chapter 9 - Municipalities - provide a financially-distressed municipality protection from its creditors while it develops and negotiates a plan for adjusting its debts
- ▶ Chapter 11 - Business / Individuals - reorganization of its debts or other liabilities to provide a "fresh-start" or assist in the liquidation process

## Tailored Services From Outsourcing to Augmentation

Bankruptcy strategies create demands on senior management, finance, and accounting well beyond normal day-to-day activities. All the while, the bankruptcy reporting, disclosure and compliance are highly complex, requiring not only an understanding of the bankruptcy process, but also some of the most technical accounting standards in U.S. GAAP, such as Accounting Standards Board ("GASB") issued GASB Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*.

We execute our services to allow management to continue to run your business, focus on your renewed strategy and manage the bankruptcy court proceedings. Cherry Bekaert professionals are skilled at designing internal controls and processes to report amounts accurately throughout the process. With a highly experienced team, we minimize start-up time and distractions among the finance and accounting team. This expertise extends through the organization's valuation if necessary.

Our experience has shown robust communication throughout the organization is critical. We stay one step ahead of the process with a laser focus on reducing strain on the internal organization. With our experienced GAAP and valuation team, as well as resources in forensic accounting and expert testimony when needed, we will execute on goals and needs to help guide you through the process.

## What We Can Help You Accomplish

### Initial Plan

We create a project plan and determine the critical path to the proper accounting and financial reporting.

GASB Statement No. 58 requires the following disclosures as of the date of filing for bankruptcy:

- ▶ Pertinent conditions and events that led to the filing,
- ▶ Expected or known effects of those conditions and events,
- ▶ Significance for service levels and operations (along with any mitigating factors),
- ▶ Possibility of termination of the government, and
- ▶ How to obtain a copy of the plan of adjustment (or a statement that it is not yet available).

We work with members of management and the accounting and finance departments to determine the necessary services for your particular structure and desired outcome.

Once this plan is established, we will lead your organization through the technical accounting and financial reporting considerations that come with the filing of a petition. We will involve other specialized teams and continue to provide updates to your audit committee, board, and external auditors, as needed. The execution of this plan will allow management and the accounting department to maintain focus on the day-to-day operations and various court proceedings during this critical time.

### Internal Control and Process

We assist in determining what processes and internal controls are currently in place that will require updates and integrate them into the plan.

Generally, these procedures can include implementing internal controls and processes around cutoff and classifications of various income statement and balance sheet items. These process updates and established controls will create efficiencies in the process to help maintain a normalized workload for the accounting department.

*To learn more about our bankruptcy and liquidation opportunities, contact Cherry Bekaert today.*



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