



# 2021 Restaurant Update

Improving Profitability and Planning for the Future

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# State of the Restaurant Industry

Karen Blacik, National Industry Leader – Restaurants  
CLA (CliftonLarsonAllen LLP)



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# Agenda – State of the Restaurant Industry



STATE OF THE RESTAURANT  
INDUSTRY TODAY



INDUSTRY  
CHALLENGES/OPPORTUNITIES



UPDATE ON RRF/ERC/PPP/EIDL



TOP 10 LIST FOR IMPROVED  
PROFITABILITY

# Restaurant Challenges

The industry “tone” would be best described as “cautiously optimistic”  
Dine Brands CEO

- \* **Geography** continues to play a huge role
- \* **Type of Restaurant** plays a role (fast food, fast casual, delivery/to-go are the winners)
- **Revenue challenges** – mask/social distancing mandates (“delta” variant), dine-in has not returned to 2019 levels, patio season is ending, how much can prices be increased, building to-go infrastructure; drive-thrus, ghost kitchens (virtual brand developers)
- **Labor Shortages** – Federal unemployment assistance ended beginning of September, lifestyle changes, min wage, 80/20 DOL tip credit project, tip pooling, and restaurant benefits demanded
- **Food and Operating cost inflation** – supply chain disruption, fuel surcharges, and derivative product impacts
- **Operating costs** – services challenges & inflation, G&A cost increases



# Industry Challenges/Opportunities

- **Margin decreases** – restaurants need to take price increases – should be 4 – 6% just to keep up with input cost inflation; some have also adjusted prices to compensate for needed labor and benefit cost increases to stay competitive
- **Labor Shortages** – Restaurants are leaning into on-line efforts to recruit, employee/customer referral bonuses, starting bonuses, shorter hours of operation, BOH automation
- **Customer Retention** – Customer experience is lacking: Larger brands are leaning into loyalty/CRM tools; Online ordering 2.0; training programs
- **Consolidations** – Opportunities for large restaurant groups to get larger; many deals in 2021. Expect to see more restaurant closures if RRF is not fully funded

**“It is far harder to retain employees than customers.” Hormel Executive**





# COVID Relief Programs

- **PPP** – Many took advantage of PPP – draw #1 and #2 – we are now helping clients with forgiveness
- **RRF** – Many applied (over 300,000 companies \$100 billion) only 100,000 companies got funded – still need \$60 billion to satisfy the remaining requested grants
- **ERC** – Helped smaller restaurants (100 FT employee max (2020)/500 FT employee max (2021)); gross receipts declines depended on geography and cuisine
- **EIDL** – Relaunch of “enhanced” program – up to \$2 mil per location; \$10 mil per restaurant group; 3.75% interest rate; 30-year term; 2-year deferral; prepayment of debt allowed



# COVID Relief Program Update

- **RRF** – several new bills have been proposed to cover the gap in funding
  - \$60 bil: ENTRÉE proposes \$60 bil more in funding; not part of Infrastructure or Reconciliation bills currently in Congress
- **PPP** –
  - Those with PPP1 loans obtained in April/May 2020 need to apply for forgiveness or they will need to start servicing their loans in Sept/Oct.
  - Those with PPP2 loans obtained in January/February 2021 have an up to 24 week covered period followed by 10 months of deferral = 16 months from the date of their loan to apply for forgiveness
  - Bank and the SBA still have 60 and 90 days, respectively to process





# COVID Relief Program Update

- **ERC** – important to assess in conjunction with PPP forgiveness to ensure maximum dollars are obtained; cannot double-dip; cannot claim wages already used in PPP forgiveness
- **EIDL** – relaunched program – available at the [sba.gov](https://www.sba.gov) website through 12/31/2021; \$100 bil available





# Top 10 List for Improved Profitability

Restaurant Industry

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# Top 10 List for Better Restaurant Profitability

1. Continue to build “top-line” – off-premise, meal kits, curbside, catering, consumer packaged goods (CPG) – try everything but make sure they are profitable sales!
2. Menu prices – make sure to keep pace with food input cost increases
3. Menu management – create a mix of most profitable/guest favorite items – know your food cost per entrée - train servers on “suggestive selling”
4. Negotiate with your suppliers – audit what has been charged on invoices compared to contract and with inflation pressures go back to suppliers to renegotiate, if possible
5. Find additional suppliers to ease supply chain disruption – better costs than a trip to your local Warehouse club



# Top 10 List for Better Restaurant Profitability

6. Hours and Days of Operation – continue to evaluate best schedule for guests and employees to maximize profitability
7. Pay and train employees well – more labor cost is far offset by costs of turnover/training/lack of service consistency
8. Keep equipment running well – preventative maintenance is an insurance policy for potential high replacement costs of total equipment failure
9. Evaluate effectiveness of marketing and loyalty programs – which programs/media increases the number of most profitable, regular guests
10. Focus on the restaurant guest “experience” to encourage dine-in traffic





# Tax Updates – Restaurant Industry

Rachael O’Leary, Manager, CPA  
CLA (CliftonLarsonAllen LLP)



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# Agenda – Restaurant Industry Tax Update



TAX IMPACTS OF VARIOUS  
PROGRAMS



TAX SAVING  
OPPORTUNITIES





# Tax Impacts of Government Programs

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# Payroll Protection Program 1 & 2

- Amounts forgiven for PPP 1 & 2 are not taxable for federal tax purposes
  - State tax impacts should be reviewed on a state-by-state basis
- Expenses associated with PPP 1 & 2 are deductible from taxable income
- Tax basis is increased for the forgiven amount



# Restaurant Revitalization Fund

- Grant income is not considered taxable for federal tax purposes
  - State tax impacts should be reviewed on a state-by-state basis
- Expenses associated with RRF are deductible from taxable income
- Tax basis is increased for the grant amount



# Employee Retention Credit

- Refundable payroll tax credit, no credit at the business income tax level
  - Amended 941 to claim credit
- Reduction of payroll tax expense for credit portion of credit
  - State tax impacts should be reviewed on a state-by-state basis
- Credits affecting 2020 that were not recorded within the 2020 tax return should be amended





# Tax Saving Opportunities

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# Work Opportunity Tax Credit

- Federal income tax credit for hiring certain individuals
- Minimum of 120 hours in 12 months of employment
- \$2,400 - \$9,600 per employees
- Must complete paperwork within 28 days of employee's start date
- New employees only - does not apply to rehires
- Eligible groups - long-term unemployment recipients, qualified veteran, qualified ex-felon, vocational rehabilitation referral, food stamp recipient, etc.



# Work Opportunity Tax Credit

- Proposed regulations
  - \$5,000 per employee per year
  - 2-year benefit
  - Rehired employees (seasonal, etc.)
  - Would be effective for years 2021 – 2023
  - Entire 2021 year credit availability



# Qualified Improvement Property (QIP)

- Improvements related to interior portion of a building that is nonresidential real property
- Excludes – internal structural framework of a building, enlargement of a building, elevators or escalators
- Correction to 2017 TCIA changes to Internal Revenue Code
- 15-year recovery period, bonus depreciation eligible







# Wealth Management

Mark Trittschuh, Managing Principal of Wealth Advisory  
CliftonLarsonAllen Wealth Advisors, LLC



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# Agenda – Wealth Advisory

**Who am I?**

**Who is CLA Wealth Advisory?**

**Restaurant Succession Planning**

**Can you afford to step away? Exit price?**

**Personal Financial Planning**





## R. Mark Trittschuh

Managing Principal, Eastern Midwest Region  
CliftonLarsonAllen Wealth Advisors, LLC

### PROFILE

Mark Trittschuh is a Managing Principal at CliftonLarsonAllen Wealth Advisors, LLC and serves as an investment advisor and wealth manager for high-net-worth individuals as well as leading CLA Wealth Advisory's National Planning Solutions Team. Over the past 15 years he has also served on CLA Wealth Advisory's Public Investment Committee and was the primary architect of CLA's Model Portfolio Strategies.

### EXPERIENCE IN SERVING CLIENTS

Mark has over 30 years of experience in the financial service industry with extensive experience as an investment advisor for individuals and investment consultant for foundations, endowments and corporate defined contribution plans. His background includes providing investment performance reporting for investment committees, research, evaluation and selection of investment managers for various asset classes based upon client needs and objective, and development of asset allocation strategies and analysis of asset manager performance relative to appropriate benchmarks and peer groups.

### EDUCATION/PROFESSIONAL INVOLVEMENT

Mark graduated with a Bachelor of Science in Business Administration from Miami University, Oxford, Ohio. He is a Registered Investment Advisor and FINRA Series 7, 63 and 65 licenses.

### SPECIAL INTERESTS

Mark resides in Lake Zurich, Illinois with wife Maureen, daughters Nicole and Emily, and son AJ. In his spare time, he enjoys oil painting, tennis and is an avid drummer.

#### CONTACT INFORMATION

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Create Opportunities



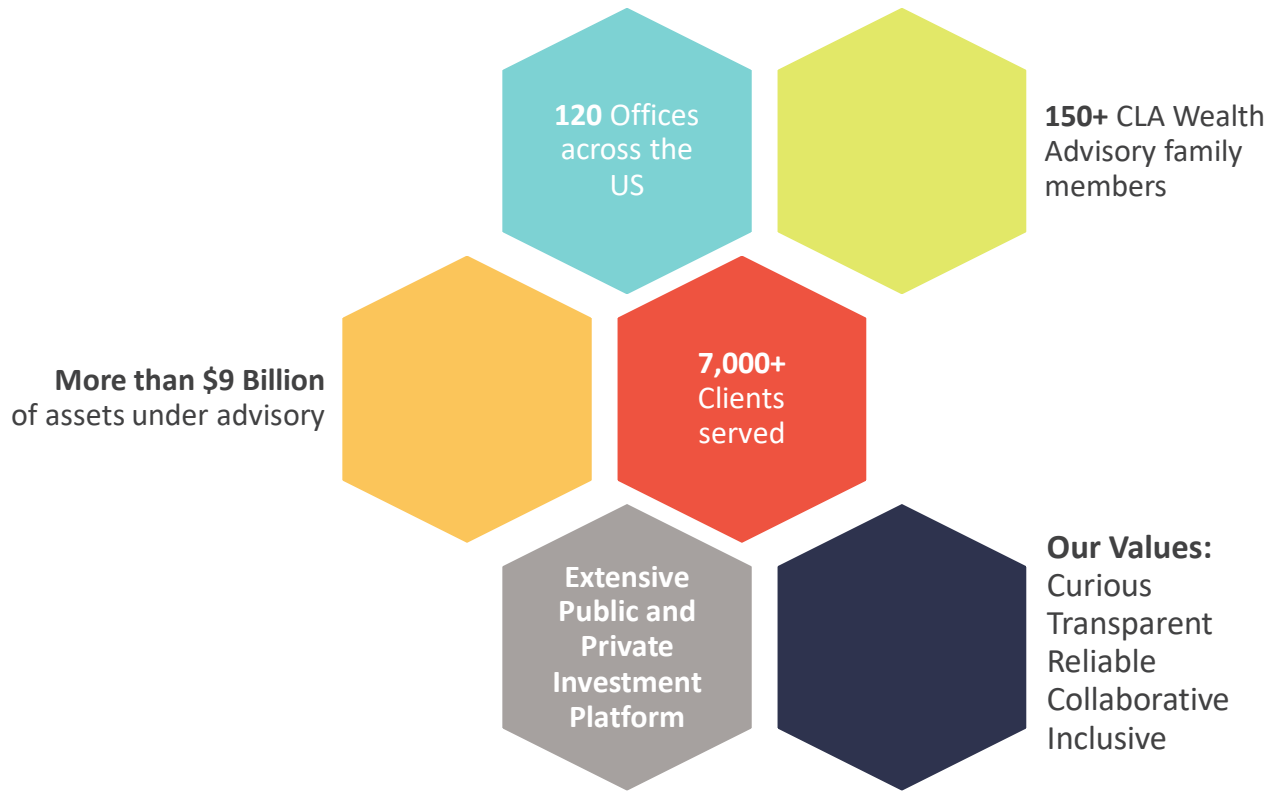


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# Advice That Meets You Where You Are



# Who We Serve

## Private Clients

- Comprehensive Financial Planning
- Investment Management
- Risk budgeting
- Tax Planning
- Estate and gift planning
- Insurance and risk management\*
- College, elder care, and special needs planning

## Benefit Plans

- Custom Qualified and Non-Qualified Deferred Compensation Plan Design
- Consulting and compliance services
- Benchmarking analysis
- Full Service Bundled or Unbundled as desired
- Section 3(38) or 3(21) Fiduciary Services
- Investment services and diligence
- Model Portfolios
- Training and education

## Institutions

- Financial modeling
- Scenario Analysis
- Risk Budgeting
- Portfolio stress testing
- Discretionary or non-discretionary management
- Performance reporting/analytics
- Fiduciary support

\* CliftonLarsonAllen Wealth Advisors, LLC will receive commission only on the sale of insurance products.





# Our Team Delivers a Seamless Approach



# Suite of Wealth Advisory Services

## Planning

Financial and retirement planning

Estate and gift planning

Tax planning

Business succession planning

Stock option and restricted stock planning

## Wealth Management & Investment Planning

Global portfolio management

Asset allocation

Manager/product selection

Portfolio monitoring and rebalancing

Portfolio reporting

Tax, performance

Global capital market research

Fixed income management

## Insurance

Risk management consulting

Life insurance

Disability insurance

Long term care insurance

Annuities

## Benefit Plans

Custom retirement plan design

Consulting and compliance

Investment services

Benchmarking analysis of plan effectiveness and costs

Fiduciary responsibility management

## Institutional Investment Services

Customized asset/liability management framework  
Discretionary and nondiscretionary investment management services

Portfolio construction

Portfolio reporting and performance measurement

Fiduciary support





# Succession Planning

Popular topic among Restaurant and other Business Owners

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# How Prepared Are You For The Next Step?

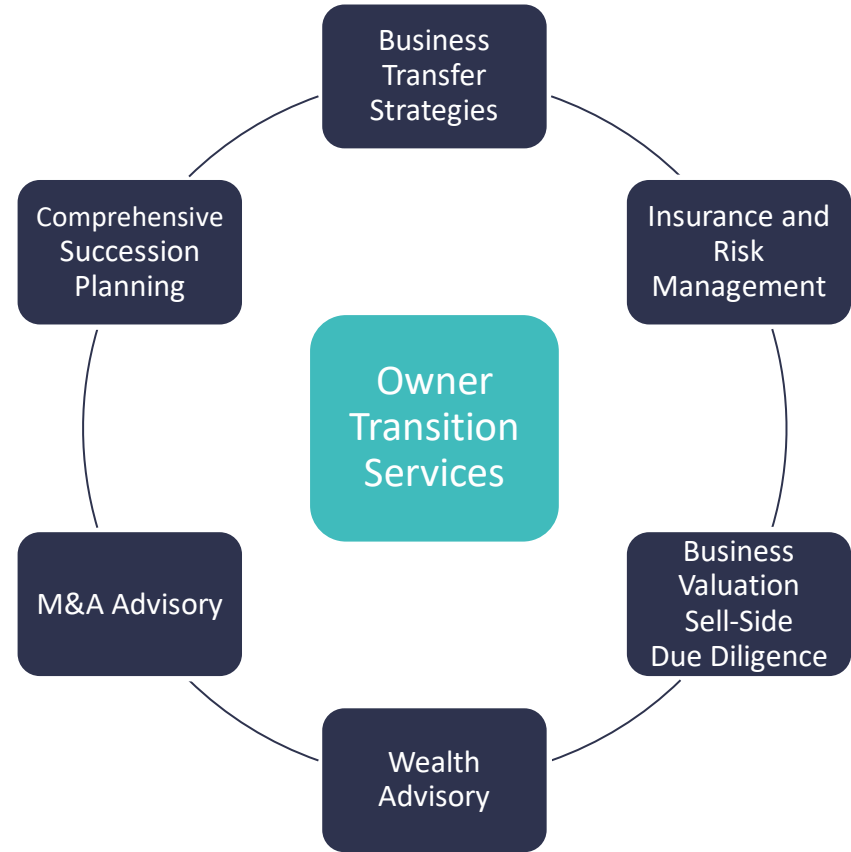
- Do you have a transition strategy?
- Are you aware of all transition options available to you?
- Do you know what you will need to sustain your lifestyle post transition?
- Are you looking to grow via acquisition?
- Is your family/spouse/business protected from undesirable outcomes to you?
- Do you know how to execute your desired transition plan?



# Our Team

## Owner Transition Services

- Quality of Earnings
- Mergers & Acquisitions
- Talent Solutions
- Tax Professional
- Wealth Advisor
- Valuation
- Others as necessary



# Role of the “Owner Transition Advisor”



Helps owners define their dream and build a roadmap to get there

Guide the owners to unlocking, protecting, building and harvesting wealth

An educator in addition to an advisor

Project Manager – coordinates team and monitor's progress

Sees the transition through from the beginning to the end

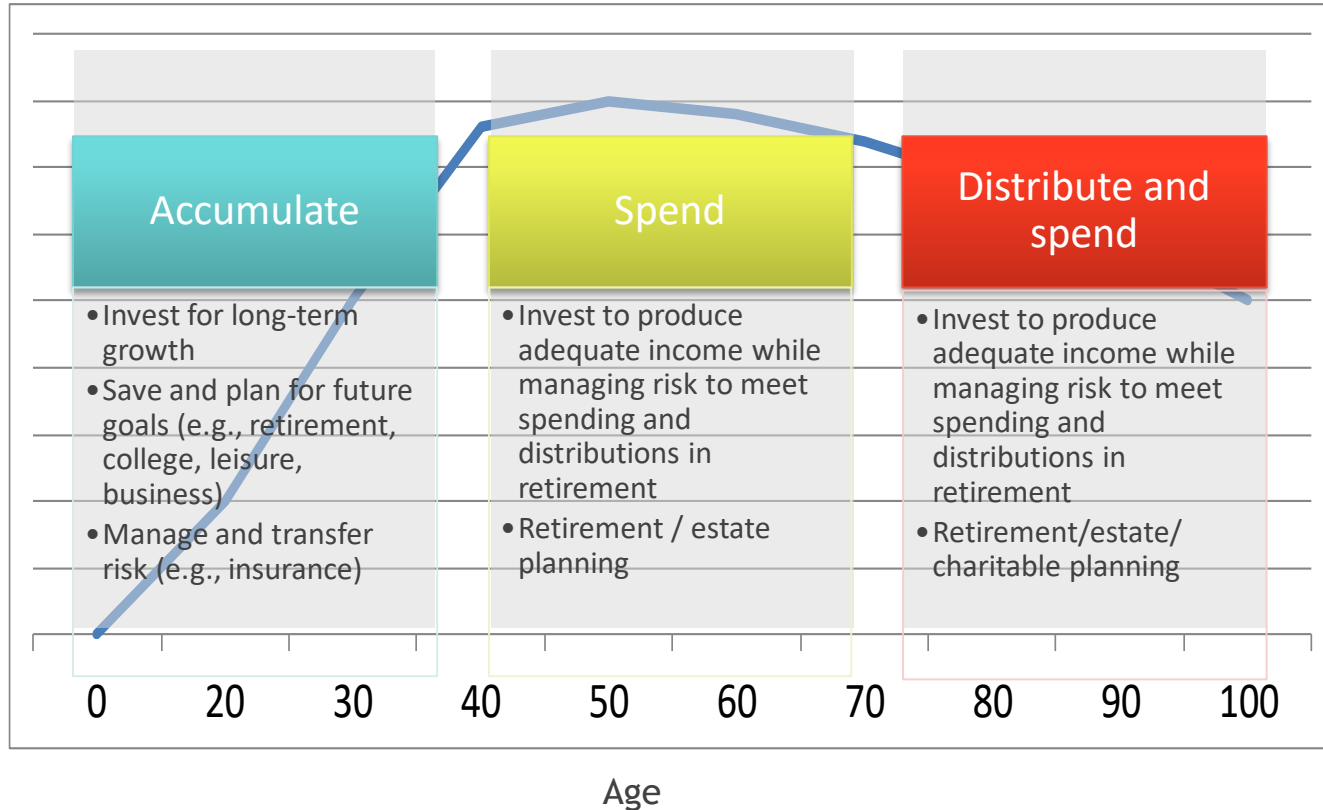


# Financial Planning

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# What Stage in Life Do You Fall Into?





# Our Advice is Customized to You



# We Help You Work Towards Your Goals

What does my current financial picture look like?

How can I preserve my wealth and remain financially secure?

Do I really have *enough*?

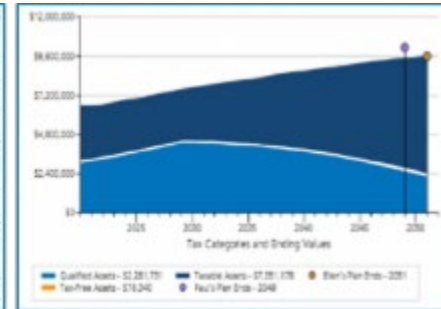
How can I grow my wealth for the next generation?

Are there tax planning strategies to save us money?

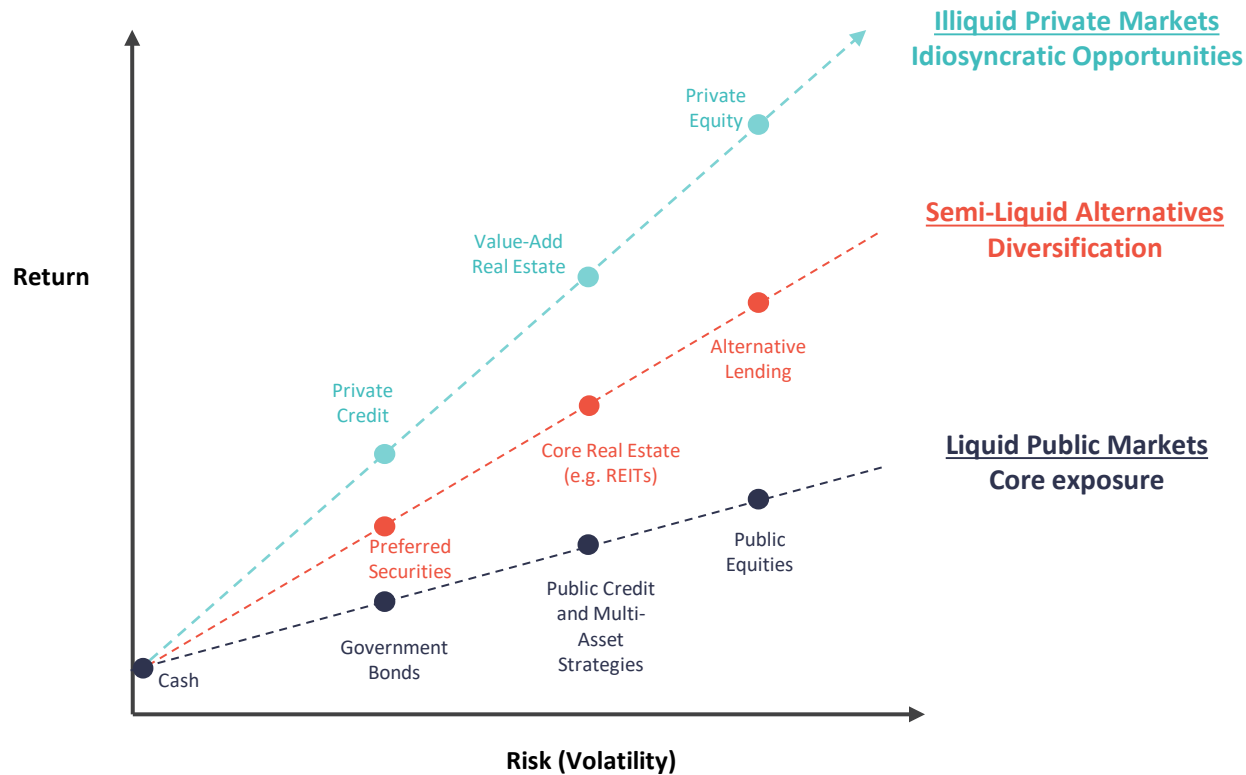
What happens to my money after I die?

**Financial  
planning  
snapshot**

Description	Real	Other	Auto	Total
<b>Investment Assets</b>				
Employer Retirement Plan				
401(k)	\$1,400,000			\$1,400,000
Individual Retirement Accounts				
Roth IRA - Husband		\$7,500,000		\$7,500,000
Roth IRA - Wife				
529 College Savings Plan				
529 College Savings Plan	\$10,000			\$10,000
Total Investment Assets	\$1,410,000	\$7,500,000		\$8,910,000
<b>Other Assets</b>				
Home and Personal Assets				
Home			\$1,000,000	\$1,000,000
<b>Liabilities and Liabilities</b>				
Mortgage	\$1,000,000			\$1,000,000
Other Liabilities	\$1,000,000			\$1,000,000
<b>Net Worth</b>				
Net Worth				\$7,910,000



# CLA's Platform Spans Public and Private Markets



# Capabilities and Services

We offer planning and guidance to help you reach your professional and personal goals. Our people connect with a vast network of resources behind the scenes — **seamlessly presented and delivered for you.**

- Business succession planning
- Employer-sponsored retirement plan design, compliance, and consulting
- Financial planning
- Institutional investment services
- Insurance and risk management
- Investment management
- M&A advisory and investment banking
- Private client tax services
- Family office services



# Nothing Happens If We Don't Take Action!



## Start

Talk with your local CLA contact.



## Brainstorm

Discuss where you are now and where you want to go.



## Select a Team

Establish a team customized to your business/personal needs.



## Set Course

Set a course knowing it will change as you move forward.



## Integrate

Integrate all levels of planning into the process: personal, business, tax, wealth etc.





# Cybercrime Trends – 2021 Update

Mark Eich, Principal, Information Security  
CLA (CliftonLarsonAllen LLP)



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# Current State of Affairs

What are the bad guys up to?

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# Hackers have “monetized” their activity

- More hacking
- More sophistication
- More “hands-on” effort
- Smaller organizations targeted





# Current State of Affairs

## Organized Crime

- Wholesale theft of personal information

## Ransomware

- Holding your data hostage

## Payment Fraud

- “Corporate Account Take-Over” - aka CATO
- Use of credentials to commit online banking and credit card fraud

## Credential “Harvesting”





## Payment Fraud

# Current State of Affairs

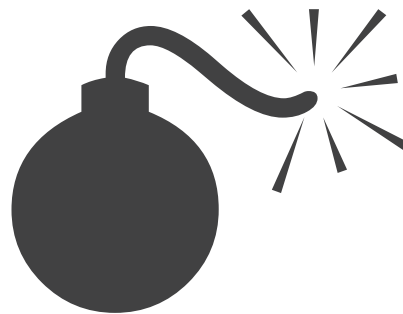
- Public School
- Hospice
- Municipal Government (City)
- Main Street newspaper stand
- Electrical contractor
- Health care trade association
- Rural hospital
- Mining company
- On and on and on and on.....





# CATO – 3 Versions

1. Deploy malware – keystroke logger
2. Deploy malware – man in the middle
3. Recon/email persuasion
  1. *Business email Compromise*





Payment  
Fraud

# Multi-Factor Authentication Solutions

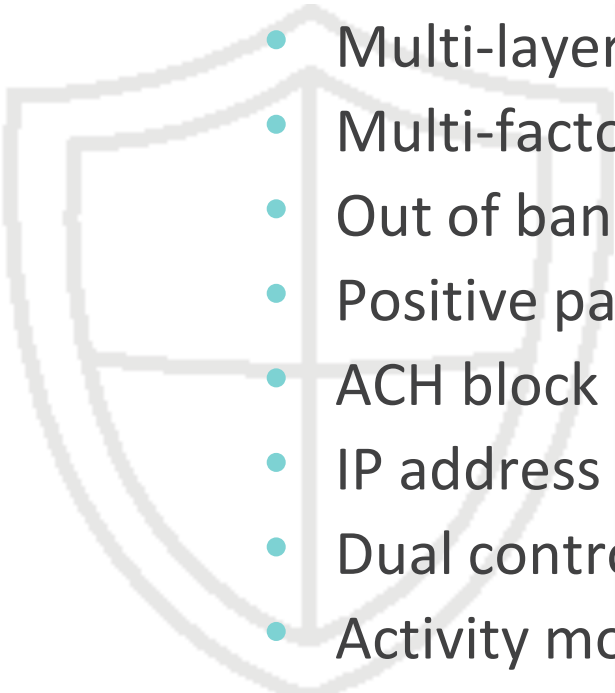
- MFA is critical
- Silver bullet?
- Text msg?





Payment  
Fraud

# CATO Defensive Measures

- 
- Multi-layer authentication
  - Multi-factor authentication
  - Out of band authentication
  - Positive pay
  - ACH block and filter
  - IP address filtering
  - Dual control
  - Activity monitoring



Create Opportunities



# Credential Harvesting

## Credential Harvesting

- Driven by movement to the cloud
- Malware
- Social engineering





# Mitigation Keys

- Train users regarding email phishing
- Maintain current patch levels
- Remove local administrators
- ***Maximize relationship with the bank***
- ***Isolate the PC used for online banking***
- Implement breach monitoring/  
incident response
- Use MFA for all cloud apps



# Current State of Affairs



## The Cost

Global cybercrime cost business up to:  
\$400 **BILLION** annually

Some companies theorize it will reach:  
\$2.1 **TRILLION** by 2021

“There are only two types of companies: Those that have been hacked and those that will be. Even that is merging into one category: those that have been hacked and will be again.”

- Robert Mueller







# 10 Key Defensive Measures

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# 96% of Attacks are Preventable!



# Strategies



Our information security strategy should have the following objectives:

- Users who are more aware and savvy
- Networks that are resistant to malware
- Relationship with our financial institution is maximized





# Ten Keys to Mitigate Risk

## 1. Strong Policies -

- Email use
- Website links
- Removable media
- **Users vs Admin**

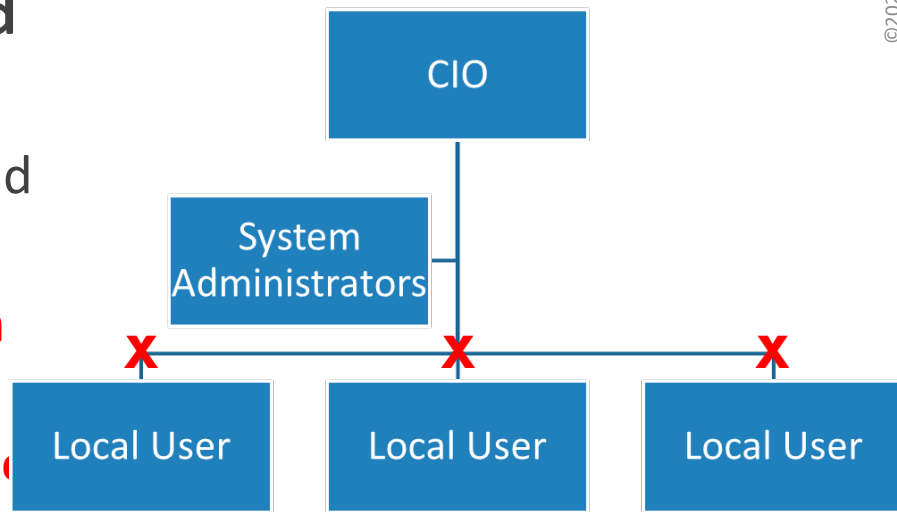




# Ten Keys to Mitigate Risk

## 2. Defined user access roles and permissions

- Principal of minimum access and least privilege
- **Users should NOT have system administrator rights**
  - **“Local Admin” in Windows should be removed (if practical)**





# Ten Keys to Mitigate Risk

## 3. Hardened internal systems (end points)

- Hardening checklists
- Turn off unneeded services
- **Change default password**
- **Use Strong Passwords**
- **Consider application white-listing**

## 4. Encryption strategy – data centered

- Email
- Laptops and desktops
- Thumb drives
- **Email enabled cell phones**
- Mobile media





# Ten Keys to Mitigate Risk

## 5. Vulnerability management process

- Operating system patches
- **Application patches**
- Testing to validate effectiveness –
  - “belt and suspenders”





# Ten Keys to Mitigate Risk

## 6. Well defined perimeter security layers

- **Network segments**
- Email gateway/filter
- Firewall – “Proxy” integration for traffic in AND out
- Intrusion Detection/Prevention for network traffic, Internet facing hosts, AND workstations (end points)

## 7. Centralized audit logging, analysis, and automated alerting capabilities

- Routing infrastructure
- Network authentication
- Servers
- Applications
- Know what “normal” looks like...







# Ten Keys to Mitigate Risk

## 8. Defined incident response plan and procedures

- **Be prepared**
- Including data leakage prevention and monitoring
- Application whitelisting
- Forensic preparedness
- Insurance
- Practice...

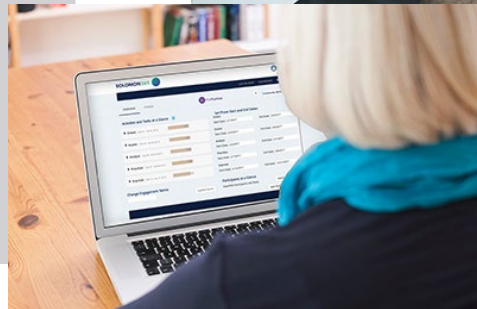




# Ten Keys to Mitigate Risk

## 9. Know/Use Online Banking Tools

- Multi-factor authentication
- Dual control/verification
- Out-of-band verification/call-back thresholds
- ACH positive pay
- ACH blocks and filters
- Review contracts relative to all these
- Monitor account activity *daily*
- **Isolate the PC used for wires/ACH**





# Ten Keys to Mitigate Risk

## 10. Test Test Test

- “Belt and suspenders” approach
- Penetration testing
  - Internal and external
- Social engineering testing
  - Simulate spear phishing
- Application testing
  - Test the tools with your bank
  - Test internal processes



# Questions?

**Mark Eich**

**Principal**

Information Security

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\*\*\*

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# *Create Opportunities*

CLA exists to  
create opportunities —  
for our clients, our people,  
and our communities.

## Questions?

## Thank you!

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