



FOR THE LIFE OF YOUR BUSINESS



# Managing Through Crisis: Funding and Cash Management



# Managing Cash Flow

# Funding is Only Part of the Answer

- With or without funding, all companies need to:
  - Adapt business to the current environment and customer needs
  - Strategize supplemental revenue sources
  - Work with vendors, landlords, others
  - Reduce all discretionary expenses
  - Monitor and project cash flows
  - Consider IRS, DoL and other programs that may help

# Assess Your Business

- Sales: how great is the impact? Other sales options?
- Customers: are you connecting with customers? New channels or content?
- Supply chain: can you sustain supplies?
- Expenses. Which can be managed? Where can you negotiate?
- Employees: recruitment, retention, management

Don't be afraid to start from scratch; what's the right business plan and cost structure now

# Track Cash Flows

- Keep it simple: use bank statements, POS, internal bookkeeping
- Regular tracking: weekly / bi-weekly / monthly
- Major revenue and expense categories
  - Products, categories, sales channel
  - Inventory, supplies, rent, payroll, utilities

Cash flow is the life blood of your business –  
monitor it closely

# Weekly Cash Flow Tracking

		Week 1	Week 2	Week 3	Week 4	Week 5	Week 6
	Beginning Cash						
+	Sales & other income						
-	Rent						
-	Utilities						
-	Other operating costs						
-	Payroll						
-	Inventory & other purchases						
+/-	Financing						
+/-	Other						
=	Ending Cash						

Keep it simple; you can always add data as you learn more

# Managing Cash

- Delay or extend payments on invoices
- Exchange goods & services (barter)
- Repair/lease equipment vs. buying
- Reduce and eliminate costs wherever you can
- Consider options to raise cash: sell assets, consider advance payments, subscription
- Debt (credit cards, lease payments, mortgage) can be negotiated

Expense reduction is not the only option

# Lease Payments

- Review your lease; understand key provisions
- Be proactive – approach landlord with ideas
- Think long term – structure for business beyond the current crisis
- Document all communications, including attempts
- Put any agreement in writing & sign it

Your landlord's financial interest is generally aligned with yours



# Vendor Negotiations

- Don't hide; don't wait
- Approach vendors early
- Be prepared to suggest solutions
- Think long term

Vendors understand the current crisis – be proactive



# Funding Programs and Options

# Funding Options

Program	Type	Source	Admin	Amount	Comments
Paycheck Protection Program (PPP)	Loan/grant	SBA	Lender	2.5x monthly payroll	Amounts forgiven based on payroll, other spending over 8 weeks
Economic Injury Disaster Loan (EIDL)	Loan	SBA	SBA	up to \$2M	Loans to facilitate recovery & reopening
EIDL Advance	Loan/grant	SBA	SBA	up to \$10K (\$1K per employee)	Grant amount deducted from PPP forgiveness
SBA Express Bridge Loan	Loan	SBA	SBA		For borrowers with existing SBA relationship
SBA Debt Relief	Payment reduction	SBA	SBA & Lender	\$25K	For borrowers with prior non-emergency SBA loan
Main Street Lending Program	Loan	SBA	Lender	\$500K-\$10M	Support for banks to make below-market interest rate loans
Employee Retention Credits	Tax credit	IRS	IRS	up to \$5000/employee	Businesses with 50%+ revenue decline; can not be combined with PP
Deferral of Employer Payroll Tax	Tax deferral	IRS	IRS	6.2% wages	Amounts due March 12 - Dec 31, 2020 deferred; 50% due by YE21; 50% YE 2022
Shared Work Program	Cash to individual	State*	DoL		Employees on reduced hours eligible for unemployment
Recovery Rebates	Cash to individual	US Govt	US Govt	\$1,200	Sliding scale based on income

*\*State program; availability and program structure may vary by state*

# SBA Programs

- Paycheck Protection (“PPP”): low-interest, short-term loan; potentially forgivable in whole or part
- Economic Injury Disaster Loan (“EIDL”): longer term loan, intended to help restart business
  - Also: EIDL advance, Express Bridge Loan
- SBA Debt relief: SBA covers interest, principal & fees for existing loans
- Main Street Lending Program: supports banks to offer \$500K or larger loans to affected businesses

Objective: Funding to persist through & recover from crisis

# IRS Programs & Tax Credits

- Tax filing date: delayed until July 15, 2020
- Employee Retention tax credit: up to \$5000 per retained employee\* - full period of impact
- Payroll tax deferral: employer's share of social security tax 3/12-12/31/20 deferred until 2021-22
  - Employee retention credit and payroll tax deferral can not be used with PPP

Objective: retain cash in the business

*\*For companies with 100 or fewer employees; terms differ for larger companies*

# Options: Retaining Employees

- PPP: Forgivable 2-year loan, 1% interest
- Loan may be forgiven in whole or part:
  - Must spend proceeds in 8 weeks, 75% on payroll
  - Retain (or rehire) employees; maintain salary levels
- Questions:
  - What happens after 8 weeks?
  - Will companies be eligible for other programs
- Best for: businesses remaining open, staff retained

# PPP Considerations

- Payroll (loan calculation & spending/forgiveness)
  - Includes salaries, taxes, tips, commission, benefits
  - For sole proprietor, self-employed = Schedule C income
  - Not eligible: K-1 income, 1099 employees
- Forgiveness:
  - Spend in 8 weeks, payroll, rent, mortgage, utilities (75% on payroll)
  - Further reduced for reduction in a) FTEs, b) payroll
  - Headcount can be rehired by June 30

# For PPP Recipients

- May be challenging to meet spending requirements
  - Difficult to spend 75% on payroll if staff level reduced
  - Forgiveness calculation further impacted by headcount and/or salary reduction
  - Option to rehire by 6/30, but staff may not return\*
- Amounts not forgiven:
  - Converts to 2-year loan @ 1%, 6-month deferral
  - Unspent amounts can be returned, limiting loan
  - Recipients should segregate funds, monitor closely
  - Forgiveness process may be uneven

*\*SBA has clarified that forgiveness will not be reduced for documented, unsuccessful attempt to rehire*



# Options: Retaining Employees

- Payroll tax credit: refundable tax credit, up to \$5000 per employee
  - For businesses fully or partially closed due to COVID-19, or revenue decline at least 50%
  - Available for as long as decline persists (up to cap)
- Shared Work\*: partial unemployment if employee hours reduced

Challenges to spending proceeds in 8-week period, uncertain longer-term prospects could make PPP less attractive

*\*State program: terms and availability vary*

# Options: Working Capital

- PPP intended primarily for payroll
  - 25% available for rent, mortgage & utilities
  - Must be spent within eight weeks
- EIDL can be used over time (\*\* *currently unavailable* \*\*)
  - Broader range of operational expense
  - 3.75% interest, long maturity / lower principal payments
- Non-emergency SBA loans
  - Six-month deferral if issued through Sept. 27

PPP is intended for payroll; EIDL or other loans more flexible

# Application Process

- **EIDL: apply directly on SBA website**
  - Currently closed to non-agricultural applicants
  - Additional re-opening prospects unclear
  - Two-stage approval process; paid in tranches
- **PPP: loans processed by lenders; approved by SBA**
  - Lenders may impose restrictions on applicants
  - Check with a) your bank, b) smaller or community lenders, c) online lenders
  - SBA find-a-lender tool:  
<https://www.sba.gov/paycheckprotection/find>

# About Score

- Free one-on-one business mentoring
- More than 300 chapters, 10,000 volunteers nationwide
- Technical, operational, industry and subject-matter expertise
- Webinars, resources, local events and expertise

<https://www.score.org/>



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Thank you for keeping us fed and  
stay safe!



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# Appendix: Program Details

# Paycheck Protection Program (PPP)

- Forgivable loan: 250% of monthly payroll
- Forgiven if
  - Proceeds used for payroll, rent, mortgage & utilities
  - Forgiveness adjusted based on retention of headcount, salary level
  - 75% must be spent on payroll
- Terms: 2 years, 1% interest, 6-month deferral, no fees
- Best for: Small businesses retaining employees

<https://www.sba.gov/funding-programs/loans/paycheck-protection-program>

# Economic Injury Disaster Loans (EIDL)

*\*\* Temporarily suspended for non-Agricultural \*\**

- 3.75% for companies; 2.75% for non-profits, up to 30-year maturity
- Best for: businesses and nonprofits profitable prior to COVID crisis - although all organization should apply
- Considerations:
  - Borrower must demonstrate credit quality (earnings, collateral, credit score), although SBA indicates criteria are being relaxed
  - Maturity reduces principal payments; can be repaid without penalty

<https://disasterloan.sba.gov/ela/>



# EIDL Loan Advance

- EIDL applicants may apply simultaneously for advance of up to \$10K
- Revision: max \$1K / employee
- Considerations:
  - Advance does not have to be repaid
  - If business also has a PPP loan, advance will be deducted from PPP forgiveness total

<https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/economic-injury-disaster-loan-emergency-advance>

# Express Bridge Loan

- Businesses with an existing SBA relationship can access up to \$25K of EIDL quickly
- Bridge will be repaid with (effectively folded into) EIDL
- Considerations:
  - Businesses with a current or prior SBA may choose this, particularly if also applying for PPP
  - Get more proceeds faster; full forgiveness applicable to PPP loan

<https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/sba-express-bridge-loans>

# Small Business Debt Relief Program

- SBA will cover 6 months of principal, interest and fees on new or existing non-emergency loans
- Best for: borrowers with existing SBA non-disaster loans (7A, 504, microloans) or ready to apply for them.
- Considerations:
  - Should be applied automatically to existing loans; contact your lender with questions
  - Borrowers may separately obtain PPP or EIDL, but debt relief will not apply

<https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/sba-debt-relief>

# Main Street Lending Program

- Supports lending to small and medium-sized businesses “that were in sound financial condition” pre-crisis
  - \$500K+ loans, EBITDA based
  - 4-year loan, LIBOR + 3%; no principal payments year 1
- SBA will purchase up to 95% of participating loans
  - Funding provided by individual banks
  - SBA support enables lenders to make more loans to smaller, higher-risk borrowers

<https://www.federalreserve.gov/monetarypolicy/mainstreetlending.htm>

# SBA Loans - General Information

- **Eligibility:**
  - Small businesses and nonprofits with 500 or fewer employees, sole proprietorships, independent contractors and eligible self-employed individuals
  - Organizations in operation as of February 15, 2020
- **Borrowers may apply for multiple SBA loans - as well as other programs**

<https://www.sba.gov/funding-programs/loans/coronavirus-relief-options>

# Employee Retention Tax Credits

- Refundable tax credit for wages, healthcare costs; up to \$5000 per retained employee
- For:
  - Businesses with fewer than 100 employees\*
  - Decline in revenues of at least 50%
- Credit against payroll taxes owed

*Note: cannot be used together with PPP*

<https://www.irs.gov/newsroom/faqs-employee-retention-credit-under-the-cares-act>

\*Available for companies > 100 employees, but terms differ

# Deferral of Payroll and Self-Employment Tax

- Deferral of employer's 6.2% Social Security tax payments
- Applies to all payments March 12-December 31, 2020
- Payment is deferred:
  - 50% due by December 31, 2021
  - 50% due by December 31, 2022

*Note: cannot be used together with PPP*

<https://www.mwe.com/insights/cares-act-social-security-tax-deferral-and-employee-retention-credits/>

# Shared Work Program

- Retain trained staff; avoid layoffs
- Employees can receive partial unemployment benefits for reduced hours
- Full time, part time and seasonal employees eligible
- Availability and details vary by state



# Pandemic Unemployment Assistance (PUA)

- Expands UI benefits to self-employed, contractors
- For those diagnosed, self-quarantining or caring for COVID-19 patients or otherwise unable to work due to virus
- Additional \$600 / week in addition to UI
- Benefits extended from 26 to 39 weeks
- Apply at <https://applications.labor.ny.gov/IndividualReg/>