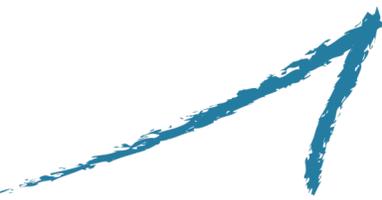


Certified Public Accountants
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Paycheck Protection Program Next Steps for Businesses and Nonprofits

Housekeeping

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You are viewing Success Onboardin... 's screen View Options

Zoom Video Conferencing was Named a 2018 Gartner Peer Insights Customer's Choice for Meeting Solutions

Enter your work email

Gartner Zoom received a 4.69 out of 5 overall customer rating

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Q&A

You asked: 19:41
Type your questions and comments here!

Please input your question

Send Anonymously Send

Figure 1. Gartner Peer Insights "Voice of the Customer" Meeting Solutions Overall Ratings

Gartner Peer Insights "Voice of the Customer" Meeting Solutions Overall Ratings
As of January 31, 2018

Eligible Vendors	Gartner Peer Insights Customers' Choice	Gartner Magic Quadrant Position	Number of Reviews	Overall Customer Rating
Zoom Video Communications	customer's choice 2018	Leader	n=686	4.69
Highfive Technologies			n=30	4.40
Lifesize			n=30	4.40
LogMeIn	customer's choice 2018	Challenger	n=163	4.36
Teamviewer			n=42	4.33
BlueJeans Network	customer's choice 2018	Visionary	n=57	4.32
Google	customer's choice 2018	Challenger	n=131	4.27
Cisco	customer's choice 2018	Leader	n=380	4.21
Microsoft		Leader	n=293	4.16
Adobe		Challenger	n=72	4.14

Notes: Vendors with greater than 25 reviews on Gartner Peer Insights in the past one year as of January 31, 2018 are considered eligible vendors. Gartner Peer Insights Customers' Choice announced on February 13, 2018. Gartner Magic Quadrant for Meeting Solutions published on September 18, 2017. Number of reviews and ratings as of January 31, 2018. ©2018 Gartner Inc. All rights reserved.

Source: Gartner Peer Insights (January 31, 2018)



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Presented By



Timothy McLaughlin



Kimberly Gangi

Agenda

- CARES Act – Paycheck Protection Program (PPP)
- PPP Loan Forgiveness
- Cash Flow Forecasting

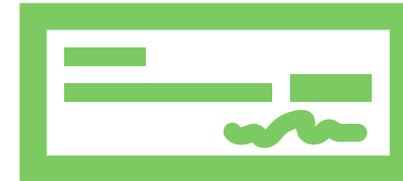


CARES Act – Paycheck Protection Program

CARES Act

Key Provisions:

- Paycheck Protection Program
- Emergency Small Business Relief Grant
- Direct Payments to Individuals
- Extended Unemployment Benefits
- Tax Provisions
- Other Provisions for Large Companies & Targeted Industries





Paycheck Protection Program (PPP) Who is Eligible?

- Small Businesses
- Nonprofit Organizations
- Veterans Organizations
- Sole-Proprietorships and Self-Employed Individuals

Generally, businesses and organizations of fewer than 500 employees.



Maximum Loan Amount

The lesser of:

1. Average monthly “Payroll Costs” for the 12 months prior to application times 2.5; plus
 - a) Certain SBA loans that were made from 1/31/2020 until the new loan date

OR

2. \$10,000,000

“Payroll Costs” are defined in the Act.



General Definition of Payroll Costs

- Salary, wages, commissions, or similar compensation
- Vacation, parental, family, medical, or sick leave
- Group health care benefits, including insurance premiums
- Retirement benefits
- \$100,000 limit on annual payroll



Use of Loan Proceeds

- ↗ Payroll costs including health insurance
- ↗ Interest on mortgages
- ↗ Rent
- ↗ Utilities
- ↗ Interest on other pre-existing debts

All the above have specific definitions.

Must be used by 6/30/2020.

Must spend at least 75% of loan proceeds on payroll costs.





Forgiveness Provisions

Forgiveness provision:

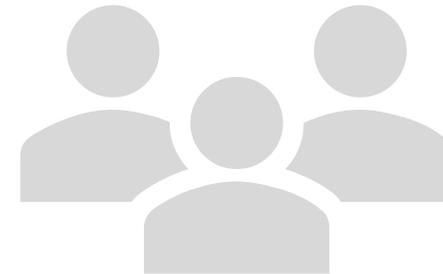
Applies to the use of loan proceeds for allowed expenses during the 8-week period starting from the date of the disbursement of loan proceeds.

The expenses in the 8-week period are the “Expected Forgiveness Amount.”

Forgiveness Provisions

Expenses eligible for forgiveness provision include:

- Payroll costs including health insurance
- Interest on mortgage obligations
- Rent
- Utilities



As defined under the Act.

Must spend at least 75% of the Expected Forgiveness Amount on payroll costs.

Forgiveness Provisions

Forgiveness Amount = “Expected Forgiveness Amount” x FTE Ratio

- Expected Forgiveness Amount = \$ spent in the 8-week period
- FTE Ratio = Employment Test

➤ NOTE: Forgiveness amount can also be reduced if you decreased employee pay rates.

FTE Ratio

FTEs “8-week period”

DIVIDED BY

FTEs in 2019 or 2020

2019: Average FTEs 2/15/19 – 6/30/19

or

2020: Average FTEs 1/1/2020 – 2/29/2020



Forgiveness Example

- Loan amount - \$500,000
 - Amount spent 8-week period - \$400,000 (75% must be on payroll)
 - FTEs 8-week period - 85
 - FTEs 2019 - 100
-

Forgiveness Ratio = $85 \div 100 = 85\%$

Forgiveness Amount = $\$400,000 \text{ spent} \times 85\% = \$340,000$

Forgiveness Provisions

Key Points:

- Must spend at least 75% of loan proceeds on payroll costs
- Forgiveness amount is reduced by
 - Reduction in FTEs
 - Reduction in employee pay rates
- Additional guidance is expected by 4/26/2020
- Any EIDL Grants received reduce the Forgiveness Amount

What Happens to Loan Not Forgiven?

- Balance is a 2-year term loan with monthly payments
- Interest at 1%
- What about balance not spent due to 75%/25% ratio??

Forgiveness Documentation

- Verify FTEs and pay rates (payroll records)
- Verify costs spent
 - Payroll
 - Utilities
 - Rent
 - Mortgage Interest
- Cancelled checks, invoice copies
- Payroll tax returns, payroll journals/registers
- Use a separate bank account

Other

- Payments are deferred for six months (interest will accrue)
- Forgiveness Amounts are non-taxable
- Rehire Provisions – Rehiring furloughed/laid off workers could assist in increasing FTEs for forgiveness calculation (awaiting further guidance on this)
- If your FTEs or Pay Rates changed you will need to carefully analyze the rules and watch for new guidance!

Questions?



Cash Flow Forecasting

Cash Flow Management

Effective cash flow management provides the ability to monitor and project inflows and control outflows with a thoughtful and deliberate approach.



Cash Flow vs. Net Income

Cash flow is not the same as net income

Net income on your statement of operations is not necessarily indicative of positive or negative cash flow as it does not take into account

- ↗ Payments to service debt
- ↗ Distributions or payments to owners
- ↗ Fluctuations in receivables or payables and accrued expenses



Cash Management



Cash flow management includes planning for expected inflows and outflows of monies from operations as well as borrowings on debt.



An effective tool for managing cash flow is to utilize a cash flow forecast.



Cash flow forecasts help owners and accounting personnel manage the operations and cash needs of an organization



The 13 Week Rolling Cash Flow

- Monitors *all* activity that flows through the cash accounts and is maintained on a weekly basis. This is a working document and to be effective requires review and updating weekly for changes in assumptions and actual activity.
- Provides deep visibility into the cash needs of an organization and when utilized properly, is highly effective.



How It Works

Review your expected inflows of cash

Review your required outflows of cash

Outflows should be segregated into three categories

- Fixed expenses
- Critical vendors
- Variable expenses



More on the Outflows

Deciding who is going to be paid and when is a critical decision in cash management.



Fixed Expenses



These are expenses that are generally non-negotiable and are very predictable as to amount and timing such as payroll, debt service, rent, utilities, etc.



Critical Vendors



These are different for every business. Be thoughtful – who is most important for *your* organization to function? Who provides materials or services that you need to survive? These are the vendors to keep happy.



Everyone Else



All other expenses that don't fall into the above two buckets, these have the most flexibility on payment.

Putting It All Together

XYZ Company							
Owner/CEO Summary Cash Flow Report							
		1	2	3	4		
		Week Of	Week Of	Week Of	Week Of		
		4/13/2020	4/20/2020	4/27/2020	5/4/2020		
Cash Beginning of Week		\$ 85,400	\$ 70,100	\$ 87,600	\$ 16,550		
Net LOC		-	-	25,000	-		
PPP Loan Proceeds					250,000		
Cash Receipts - AR Collections/Other		95,000	50,000	50,000	25,000		
Fixed Expenses & Critical Vendors							
Payroll, Taxes & Benefits		75,800	-	75,800	-		
Debt Service		11,700	5,000	-	2,800		
Insurance		-	12,000	-	-		
Rent		-	-	20,000	1,300		
Telephone/Internet/Utilities		1,200	-	-	500		
Other critical vendors		<u>20,000</u>	<u>15,000</u>	<u>50,000</u>	<u>15,000</u>		
Subtotal		108,700	32,000	145,800	19,600		
Variable Expenses (everyone else)		<u>1,600</u>	<u>500</u>	<u>250</u>	<u>-</u>		
Total Expected Outflows		<u>110,300</u>	<u>32,500</u>	<u>146,050</u>	<u>19,600</u>		
Cash End of Week		<u>\$ 70,100</u>	<u>\$ 87,600</u>	<u>\$ 16,550</u>	<u>\$ 271,950</u>		
Line of Credit Balance		<u>\$ 550,000</u>	<u>\$ 550,000</u>	<u>\$ 550,000</u>	<u>\$ 575,000</u>		

Cash Flow and Your PPP Loan

As mentioned earlier in the presentation, PPP funds may be used to pay the following:



Payroll



Healthcare



Interest on
mortgages/
rent



Utilities



Interest on
other pre-
existing debts

Forgiveness provisions however require 75% of the funds to be utilized for payroll.

Tracking expenses paid with PPP funds can and should be incorporated into your cash flow forecast

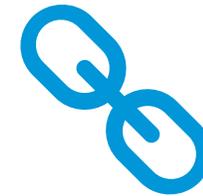
Tips for Tracking PPP Expenses



Open a separate bank account for your PPP loan



Establish a cash flow forecast for that account and pay eligible expenses only out of that account



Link your forecasts together in an easy to read summary



Next Steps

If you would like to learn more about the mechanics of building a cash flow forecast, please contact me directly at kimberly.gangi@inserocpa.com.

As always, Insero & Co.'s Outsource Accounting Services Group offers complementary assessments regarding cash management forecasting and overall accounting process efficiency reviews.

Questions?

Thank You

Thank you for your attendance at today's program.

For more information regarding the topics discussed today,
please feel free to contact us at:

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