



Certified Public Accountants  
Business & Financial Advisors



**Paycheck Protection Program Next  
Steps for Businesses and Nonprofits**

# Housekeeping

---

- This webinar is being recorded.
- Slides, forms, and recording will be sent to you after the webinar concludes.
- In the event of technical difficulties, please bear with us!
- If you have a question, please use the Q&A button at the bottom of your screen, and we will be taking breaks periodically to answer your questions.

You are viewing Success Onboardin... 's screen

View Options

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

Enter your work email

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™

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		Leader	n=686	4.69
Highfive Technologies			n=30	4.40
Lifesize			n=30	4.40
LogMeIn		Challenger	n=163	4.36
Teamviewer			n=42	4.33
BlueJeans Network		Visionary	n=57	4.32
Google		Challenger	n=131	4.27
Cisco		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)

Read the Report

Audio Settings

Chat

Raise Hand

Q&A

Leave Meeting

insero&co

3



### Disclaimer

These materials were prepared solely for the purpose of general education. They are distributed with the understanding that Insero & Co. CPAs, LLP and its Partners and employees are not engaged in rendering legal, accounting, or other professional service as part of this presentation. Statements and opinions are those of the presenters or participants only. This presentation may be recorded and published without further notice.

The information contained herein is general in nature and based on authorities that are subject to change. Insero & Co. CPAs, LLP guarantees neither the accuracy nor completeness of any information and is not responsible for any errors or omission, or for results obtained by others as a result of reliance upon such information. Insero & Co. CPAs, LLP assumes no obligation to inform the reader of any changes in laws or other factors that could affect information contained herein. This publication does not, and is not intended to, provide legal, tax or accounting advice, and readers should consult their advisors concerning the application of laws to their particular situation.

# 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.

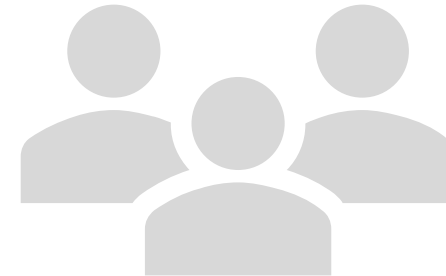
The expenses in the 8-week period are the “Expected Forgiveness Amount.”

# 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 spent x 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

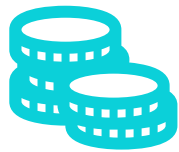
Net income on your statement of operations is not necessarily indicative of positive or negative cash flow as it does not take into account

- 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			20,000	15,000	50,000	15,000
Subtotal				108,700	32,000	145,800	19,600
Variable Expenses (everyone else)				1,600	500	250	-
Total Expected Outflows				110,300	32,500	146,050	19,600
Cash End of Week				\$ 70,100	\$ 87,600	\$ 16,550	\$ 271,950
Line of Credit Balance				\$ 550,000	\$ 550,000	\$ 550,000	\$ 575,000

# 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

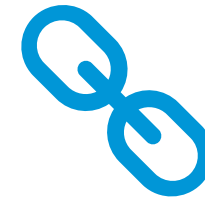
---



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](mailto: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:

[Loan.Assistance@inserocpa.com](mailto:Loan.Assistance@inserocpa.com)

(800) 232-9547

Insero & Co. CPAs, LLP

[www.inserocpa.com](http://www.inserocpa.com)

