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Managing Cash Flow Through COVID-19

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Presenters



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MCM CPAs & Advisors

- **What We Do:**

- MCM is a large regional CPA and advisory firm employing more than 350, including more than 160 CPAs. We serve both privately and publicly held businesses, non-profit organizations, small businesses and individuals

- **Mission:** We exist to help both our clients and team succeed.

Core Values



People Matter - We genuinely care about our people, personally and professionally, and ensure relevance in their work.



Leaders Inspire - We inspire each other to sustain our vision and advance our mission as a firm.



Excellence Rules - We are committed to superb client service, high quality expertise and significant client relationships.



Introduction

- Virtually every business and non profit is looking for ways to ease the financial burden of COVID-19
- There are some strategies to help counter the economic downturn in order to weather the storm and improve cash flow
- You know your organization best



SWOT Analysis

- Strengths (internal)
- Weaknesses (internal)
- Opportunities (external)
- Threats (external)

	Opportunities (external, positive)	Threats (external, negative)
Strengths (internal, positive)	Strength-Opportunity strategies Which of the company's strengths can be used to maximize the opportunities you identified?	Strength-Threats strategies How can you use the company's strengths to minimize the threats you identified?
Weaknesses (internal, negative)	Weakness-Opportunity strategies What action(s) can you take to minimize the company's weaknesses using the opportunities you identified?	Weakness-Threats strategies How can you minimize the company's weaknesses to avoid the threats you identified?



Key Ratios and Calculations During Economic Downturn

- Liquidity
- Current ratio
- Quick ratio
- Operating reserve



Other Suggestions

- Cash forecasting
- Business continuity plan
- Open communication from the top down – reassure staff
- Keep the line of communication open with your Board
- Be prepared to react quickly if necessary
- Stay in touch with your contact at MCM, we are here to help



Common Revenue Sources

- Contributions
- Grants
- Member fees
- Convention/event revenue
- Service/admission fees
- Merchandise sales
- Investment income



Possible Cash Flow Solutions

- Find new sources of cash
- Decrease personnel costs
- Decrease program expenses
- Other expense cuts
- Line of credit/term debt



New sources of cash

- Appeal to new donors within donor base
 - Many are more willing to donate/help during times of crisis
 - Beginning in 2020, taxpayers can claim \$300 in charitable contributions without itemizing
- Reach out to most steadfast supporters
 - Ask for introductions to other potential donors
- Find creative ways to generate income through virtual events
- Seek contributions without donor restrictions
- Try to collect on pledges receivable
- Liquidate investments



Decrease personnel costs

- Reduce work hours/days and reduce pay
- Layoffs
- Seek assistance from Board members
- Seek outside volunteer help
- CARES Act Payroll Provisions
 - Option to defer employer portion of FICA
 - Employee retention credit



Defer employer portion of FICA

- Available for employers and self-employed individuals
- Defer employer share of FICA
- Requires deferred employment tax to be paid half by December 31, 2021 and the other half by December 31, 2022
- Not available if receiving assistance through Paycheck Protection Program
- Contact MCM if you have specific questions



Employee retention credit

- Provides a refundable payroll tax credit for 50% of wages paid by eligible employers to certain employees during COVID-19 crisis
- Credit available if:
 - Operations were fully or partially suspended due to COVID-19 related shut down order, **OR**
 - Gross receipts decreased by more than 50% from same quarter in prior year
- Qualified wages for furloughed or reduced hour employees
- Available for the first \$10,000 of compensation, including health benefits, paid to eligible employee
- Applies to wages paid or incurred between March 13, 2020 through December 31, 2020
- Not available if receiving assistance through Paycheck Protection Program
- Contact MCM if you have specific questions



Decrease program expenses

- Prioritize key activities and initiatives
- Maintain organization's identity



Other expense cuts

- Tighten travel expenses
- Eliminate non-essential spending
- Maintain support of key initiatives



Line of credit/term debt

- Draw on line of credit or increase line of credit
- Take on term debt
 - Government loan opportunities (see next slide)
 - Traditional lending from bank



COMPARISON: 7A Payroll Forgiveness Loan & EIDL

General Provisions	SBA 7A Payroll Forgiveness Loan	SBA Economic Injury Disaster Loan
Qualified Business	Up to 500 employees including full and part time	Based on SBA guidelines for NAISC codes related to number of employees and revenue limits
Amounts Available	2.5 times average monthly payroll up to \$10MM	Up to \$2MM; Amount based on SBA Calculation
Interest Rate	Up to 4% - now 1%	3.75% For Profit; 2.75% Non Profit
Collateral	None required	None for loans <\$25000; required for loans in excess with focus on real estate
Guaranty	None required	Not required for loans less than \$200,000
Repayment	Payments deferred for 6-12 months and then portion forgiven; 10 year term thereafter; now 2 years	Payments deferred for 12 months; Amortized principal and interest over up to 30 years
Affiliate Rules	Common control rules apply; hospitality exception	Common control rules apply
Loan Process	One time ask through SBA Lender; funds are limited	May apply multiple times based on need through December 31, 2020



Closing

- Understand where your organization is financially
- Monitor your options
- Communicate with management and the Board
- Continually reassess



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Questions?

Please email questions to evan.dyer@mcmcpa.com