

Paycheck Protection Program & Cash Flow Models



CORDELL, NEHER & COMPANY, PLLC

Certified Public Accountants

Presented By: Kyle Meissner, CPA & Charlie Miracle, CPA
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Cordell, Neher & Company, PLLC, one of the largest Certified Public Accounting firms in North Central Washington with individual and business clients spanning the globe. The Firm has been providing businesses, not-for-profit organizations and individuals with financial and tax planning assistance for more than 50 years. The Firm is comprised of experienced, dedicated professionals with widely diverse backgrounds and areas of technical expertise. Because business and personal accounting today is so broad in scope, specialized expertise is needed to offer a full range of accounting services.



Today's Webinar

- How Did We Get Here?
- Economic Injury Disaster Loans (EIDL)
- Payroll Protection Program (PPP)
 - Provisions
 - Qualified Expenses
 - Documentation
- Cash Flow Model
 - Worksheet
 - Tips



How Did We Get Here?

- President Trump set aside \$50 Billion for EIDL Funding 3/11
- Families First Corona Virus Response Act expanded paid FMLA, approved by Congress 3/18
- Coronavirus Aid, Relief, and Economic Security Act (CARES) \$351 Billion for PPP, expands unemployment, creates individual stimulus payments, approved by Congress March 27
- Paycheck Protection Program and Health Care Enhancement Act, adds an additional \$310 Billion in PPP funding, \$50 Billion for EIDL, \$10 Billion for EIDL Grants, approved by Congress 4/23



Economic Injury Disaster Loans (EIDL)

- Loan Amounts up to \$2M
- Loan amount up to 50% gross profit for 12 months prior to application
- Up to 30 year repayment term
- 3.75% Interest Rate
- Apply Directly with SBA
- Funds to be used for working capital or other business expenses other than owner distributions, debt refinance, tax penalties or fines, or payment of other SBA Debt



EIDL Grants

- Up to \$10,000
- \$1,000 per employee
- Does not have to be repaid even if EIDL isn't approved



Payroll Protection Program (PPP)

- Loans up to \$10 million
- Loan amount calculated as 2.5 times average monthly payroll for 2019, or 12 months prior to application, or 2.5 times monthly net 2019 Schedule C income for self-employed.
- 2 Year Amortization
- 1% Interest
- Funds may be used for payroll and related benefits, interest payments, rent, and utilities



Payroll Protection Program (PPP)

- Entire loan balance qualifies for forgiveness
- Proceeds must be spent on qualified expenses:
 - Payroll
 - Rent
 - Utilities
 - Mortgage Interest
- Funds must be spent within 8 weeks of receipt in order to qualify for forgiveness
- Self-Employed qualify for forgiveness for 8 weeks of Schedule C income
- Amount forgiven is reduced by any EIDL grant received



Payroll Protection Program (PPP)

- Forgiveness may be reduced for:
 - Decrease in Monthly Average Full Time Equivalent Employees during 8 covered period
 - Decrease of more than 25% in wages of any employee earning less than \$100,000 during 8 week covered period
- These reductions to forgiveness will not apply if employee reduction and/or salary reduction is eliminated by June 30, 2020



PPP Qualified Expenses

- Payroll
 - Gross Wages (up to \$15,835 per employee for covered period)
 - Self-Employed owner compensation (up to \$15,835 for covered period)
 - State Payroll Taxes
 - Retirement Contributions
 - Medical Insurance
- Rent- must be paid on a lease in place prior to 2/15
- Utilities- service must have been in place before 2/15
 - Electricity
 - Gas
 - Water
 - Transportation
 - Telephone
 - Internet Access
- Mortgage Interest- loan must be established prior to 2/15



PPP Forgiveness Documentation

Borrower must submit application to lender including:

- Documentation verifying the number of full-time equivalent employees on payroll and pay rates for covered period and reference period including:
 - Payroll tax reports filed with IRS
 - State income, payroll, and unemployment filings
- Documentation supporting other allowed expenses including:
 - Cancelled checks
 - Payment receipts
 - Transcripts of accounts
 - Other documents verifying payments
- Certification from borrower that:
 - Documentation provided is correct and true
 - The amount for which forgiveness is requested was used to retain employees and pay qualified expenses



Cash Flow Model

- Current cash balance
 - Reconcile those bank accounts
- Identify inflows
 - Revenue
 - Loans
 - PPP, Line of Credit, Credit Cards, Other sources
 - Owner contributions
- Identify outflows
 - Payroll
 - Cost of goods
 - Rent
 - Other expenses



Cash Flow Model Format

- Beginning cash
- Add inflows
- Subtract outflows
- Ending cash
- 13 week forward look



Cash Flow Model Format

XYZ Company													
13 Week Cash Flow Model													
Week Beginning													
	5/4/20	5/11/20	5/18/20	5/25/20	6/1/20	6/8/20	6/15/20	6/22/20	6/29/20	7/6/20	7/13/20	7/20/20	7/27/20
Beginning Cash		-	-	-	-	-	-	-	-	-	-	-	-
Inflows													
Revenue													
Loans													
Owner contributions													
Outflows													
Payroll													
Payroll taxes													
Health insurance													
Cost of goods													
Rent													
Utilities													
Phone													
Power													
Garbage													
Property Insurance													
Other expenses													
Ending Cash	-	-	-	-	-	-	-	-	-	-	-	-	-



Cash Inflows: Items to Consider

- Look for ways to accelerate collections
 - Contact customers quickly
 - Discount for prompt payment
- Look for alternative cash sources
 - Selling gift cards
 - Family and friends
- Take advantage of credits and deferrals when available
 - Sick leave
 - ERC
 - FICA deferral
 - DOR Extensions
 - Other items



Cash Outflows: Items to Consider

- Call vendors and let them know your situation
 - Arrange payment plans but never promise a payment that you can not make
- Pay critical vendors first
 - Always remit payroll taxes when due
- Ask for discounts
- Shared work program and other unemployment benefits
- Consider if PPP forgiveness is the correct choice for your situation





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Certified Public Accountants

Kyle Meissner, CPA: kylem@cncppa.com

Charlie Miracle, CPA: Charlie@cncppa.com

(509) 663-1661
www.cncppa.com