

# Navigating the Crisis: Essential Next Steps for Contractors



A COVID-19 WEBINAR

April 28, 2020



# Navigating the Crisis: Essential Next Steps for Contractors



# Navigating the Crisis: Essential Next Steps

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*Director*



# Navigating the Crisis: Essential Next Steps

**Sean R. O'Connell, CPA/PFS, CGMA**  
*Partner, Tax Line Leader*

*Today's Moderator*







# Meet Our Panelists



**Rob Klingensmith**  
*Partner*

*Consulting Line Leader*



**Enrique C. Brito**  
*CFA, CVA, CM&AA*

*Managing Director,  
Transaction Advisory  
Services*



**Kasey M. Pittman**  
*CPA, MSA Tax*

*Senior Manager, Tax*



**Harvey Johnson**  
*CPA, CGMA, CISA,  
Partner*

*Consulting & Advisory*

**Rob Klingensmith**  
*Partner*

**Consulting Line Leader**



# What should I be thinking about now?



# What should I be thinking about now?



**NEGOTIATE  
WITH YOUR  
LENDER(S)**



**PAYCHECK  
PROTECTION  
PROGRAM (PPP) AND  
THE MAIN STREET  
LENDNG PROGRAM**



**SBA ECONOMIC  
INJURY DISASTER  
LOAN (EIDL)**

# What should I be thinking about right now?

- 1) Negotiate on existing loans
- 2) If you haven't already done so, apply for the Paycheck Protection Program (PPP) and prepare for the Main Street Lending Program
- 3) Analyze cash flow, forecast using multiple scenarios, and execute as necessary
- 4) Economic Injury Disaster Loan (EIDL) program – what do you need to qualify?
- 5) Furlough strategy - employees can get enhanced unemployment insurance for up to four (4) months
- 6) Consult with experts to consider strategies to survive the crisis

**So many changes in such a short period of time!**  
***What's next?***



# Paycheck Protection Program

## Calculation and Forgiveness

- Salary or wages capped at \$100,000 BUT retirement benefits, healthcare premiums, and payment of state/local taxes can be added on top (no 1099s)
- Average employee count for the period you choose to calculate payroll (2019 or previous 12 months) OR the SBA standard which is the 12 calendar months completed before you apply
- Funds must be used for payroll, mortgage or rent, and utilities over an 8 week period (clock starts at loan origination)
- 75% must be used for payroll



# Paycheck Protection Program

## How will the banks handle the second wave?

Banks will run out of funds quickly (there are applications already in the system).

REMEMBER: Bankers are not always providing accurate information.

Community banks have been earmarked \$60B.

Fintech companies are accepting applications (PayPal and Kabbage).



# Main Street Lending Program



## MSNLF and MSELF

- Main Street New Loan Facility (MSNLF) is an unsecured term loan originated on or after April 8, 2020, with a 4 year maturity and a loan amount ranging between \$1M and \$25M (or maximum amount determined by alternate calculation)
- Main Street Expanded Loan Facility (MSELF) is a term loan originated before April 8, 2020, with a 4 year maturity and a loan amount ranging between \$1M and \$150M (or maximum amount determined by alternate calculation)

# EIDL - SBA Economic Injury Disaster Loan

- **If you received funds from an EIDL application BEFORE April 3<sup>rd</sup>**, you can use the funds in concert with PPP proceeds AS LONG AS funds from the EIDL are not used for payroll costs. If the EIDL was used for payroll costs, then you must use the PPP loan to refinance the EIDL loan.
- Conventional underwriting process with a \$2M maximum loan amount at 3.75% for up to 30 years.
- The SBA is getting another round of funding in order to provide EIDL loans.
- The SBA has indicated they will defer loan payments for 12 months.

# Questions



**Rob Klingensmith**  
*Partner, Consulting Line Leader*



# Liquidity Management

**Enrique C. Brito, CFA, CVA,  
CM&AA**

*Managing Director*  
**Transaction Advisory Services**



# Liquidity Management

- The Covid-19 situation is expected to significantly disrupt business operations for several months.
- It is critically important for business leaders to assess their internal operations and develop plans to **minimize liquidity risk** – the inability to meet short term obligations.
- The goal is twofold:
  - A. Maintain the business afloat through the crisis by conserving cash
  - B. Avoid selling illiquid assets quickly for less than fair market value

# Liquidity Planning

As effective liquidity plan involves the following six components:.

1. Cash flow analysis to anticipate cash inflows and outflows
  - a) Rolling 13-week forecast of projected income and expenses
  - b) Scenario analysis with underlying assumptions
  - c) Assign accountability for key driver targets
2. Financial dashboard to monitor key liquidity metrics
  - a) Liquidity ratio:  $(\text{current assets} / \text{current liabilities})$
  - b) Days Sales Outstanding:  $(\text{accounts receivable} / \text{sales}) \times 365$
  - c) Days Payable Outstanding:  $[\text{Accounts Payable} / (\text{COGS}/365)]$
  - d) Interest coverage ratio:  $(\text{EBITDA} / \text{Interest expense})$



# Liquidity Planning (cont.)

3. Accounts receivable management plan
4. Accounts payable management plan
5. Funding options
6. Liquidity contingency plan
  - a) Minimum cash balances
  - b) Permitted funding sources and mix
  - c) Capital expenditures permissions
  - d) Working capital and operating expenses reduction plans

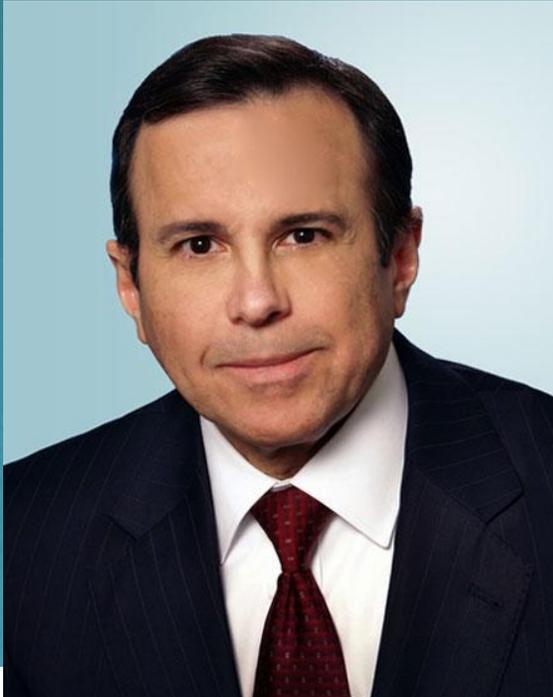


# Key Takeaways

- Centralize financial controls and increase communication with employees, customers and suppliers by a factor of 10x.
- **Cash is the lifeblood of a business.** First, stabilize the cash situation by developing a liquidity plan and then closely monitor the progress on a weekly basis.
- Use liquidity planning to keep the business afloat and emerge from this situation in a stronger position.
- Pay close attention to the feedback that operating metrics provide you to predict cash flow pressures and intervene in a timely manner.
- In times of crisis be a C.E.O.



# Questions



**Enrique C. Brito, CFA, CVA, CM&AA**  
*Managing Director, Transaction Advisory Services*



**Kasey M. Pittman, CPA, MSA Tax**

*Senior Manager, Tax*





# Funding Mechanisms



QIP



NOLs and  
Loss Limitations



Underrated  
Benefit



Other  
Provisions

# Questions



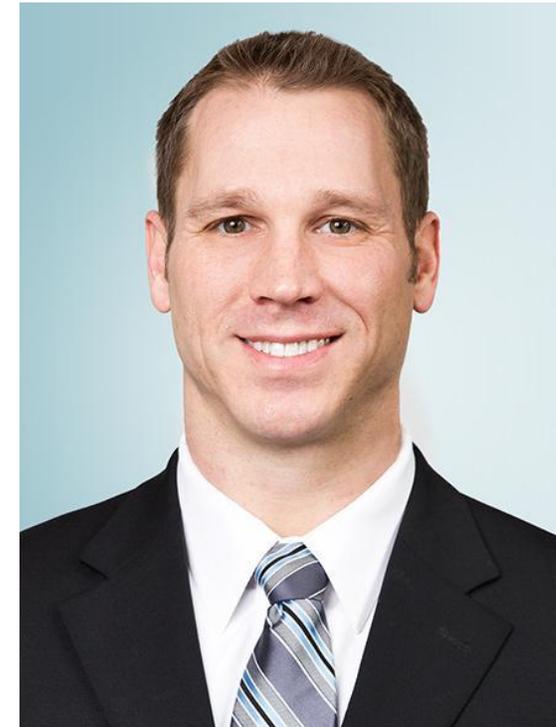
**Kasey M. Pittman, CPA, MSA Tax**  
*Senior Manager, Tax*





**Harvey Johnson, CPA, CGMA, CISA**  
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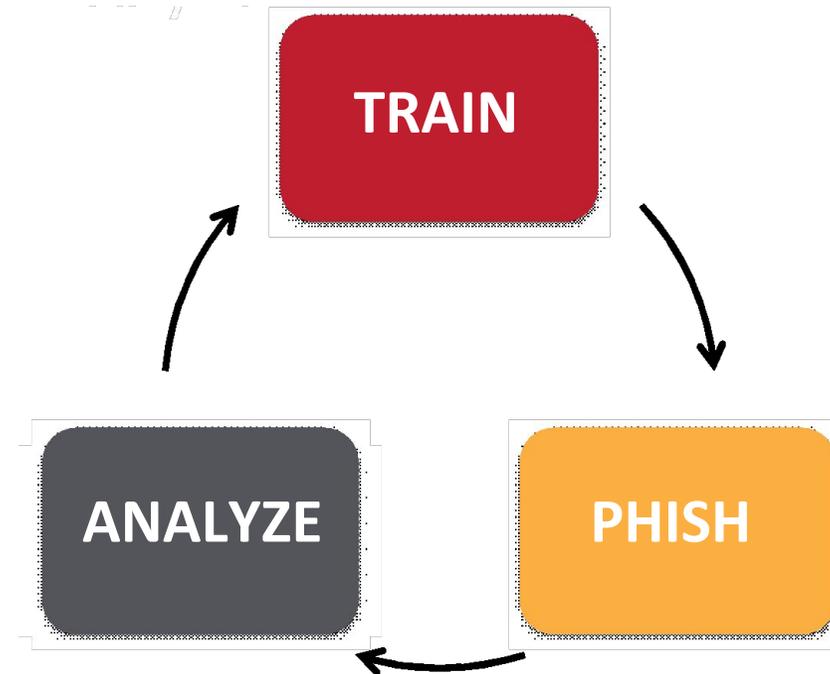


# Top 3 Ways to Improve Cybersecurity for a Remote Workforce

# 1

## Security Awareness Training

While your employees are your greatest asset... **95% of all cyberattacks are caused by human error...**



# Top 3 Ways to Improve Cybersecurity for a Remote Workforce

## 2 Enable Multi-Factor Authentication

Additional layer of protection for accessing your most important resources



# Top 3 Ways to Improve Cybersecurity for a Remote Workforce

## 3 Cyber Insurance

- Environments are more complex
- Beware there are many types of cyber insurance (3<sup>rd</sup> party, breach expense, breach exposure)
- Are Subs Included?
- Do my Subs have cyber insurance?
- Is my house in order?



# Questions



**Harvey Johnson, CPA, CGMA, CISA**  
*Partner, Consulting & Advisory*



# In Summary

**Sean R. O'Connell, CPA/PFS, CGMA**  
*Partner*

**Tax Line Leader**



# Questions







*“If you want to go fast, go alone.  
If you want to go far, go together.”*

~ African Proverb

# Visit our COVID-19 Resource Center

www.pbmaries.com/covid-19-resource-center

## Coronavirus (COVID-19) Resource Center

Home / Coronavirus (COVID-19) Resource Center

### Helping You to Navigate Information

Given the rapidly changing news ranging from the federal, state and local government agencies, we have created this resource center to make it easy to find the information most relevant to your family and business. The information is from a variety of sources including insights from our trusted team of tax and business professionals. We understand this is a difficult time and we're here to help navigate these uncertain times.

Please visit this section often for regular updates on news and information.

### PBMares COVID-19 Insights



#### CARES Act Webinar – Insights for Your Business

March 30, 2020



#### How the CARES Act Helps Non-Profits

March 28, 2020



#### How the CARES Act Directly Helps Individuals

March 27, 2020



#### Business Benefits Available, Courtesy of the CARES Act

March 27, 2020



#### Forgivable Small Business Loans – How the \$2 Trillion Stimulus Bill Can Help You

March 27, 2020



#### Plan Options for COVID-19 Impacted Businesses

March 26, 2020

### CORONAVIRUS (COVID-19) RESOURCE LINKS

- > [PBMARES COVID-19 INSIGHTS](#)
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### GET IN TOUCH: \*Required

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