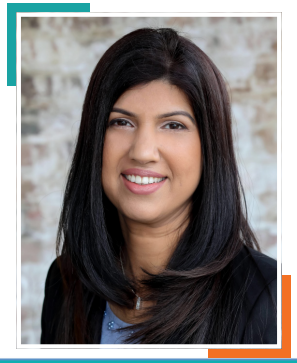
TOWN HALL COVID-19 WITH

ASHWINI VASUDEVA & SANDHYA MUKKAMALA, CPA

April 17, 2020 10 a.m. – 11.00 a.m. PST



ASTUTE

Adept . Prudent .Tactful

WWW.THINKASTUTE.COM

Moderated by:

Marrianne Ellis

Founder CEOSC

SUCCESS COMMUNITY

CEO Town Hall Series

AGENDA

1. Update on CARES Act – Guidelines are changing daily
2. Highlights of CARES Act
3. Common Questions
4. Q&A

Disclaimer: Astute does not represent SBA, Bank or any Lenders. We are not attorneys and do not claim to give any legal advice. Astute is a Certified Accountancy Firm under the California Board of Accountancy and follow regulatory guidelines outline by AICPA. This information is gathered and presented to benefit our clients and business owners and should not be construed as any legal advice. Please ensure to reach out to your Law Firm or Accounting Firm for your specific business needs.

Comparison PPP VS EIDL

	PPP	EIDL
Limit	Max loan up to $10 M through banks, other Financial Institutions	Max loan up to $2 M through SBA
Forgivable	Yes. 100% with approval. ▪ At least 75% must be used for paying payroll costs ▪ Remaining 25% used for paying rent, mortgage interest, utilities (can't exceed 25%)	Only an advance up to $10K. Advance will be based on the number of pre-disaster (i.e., as of January 31, 2020) employees. $1,000 per employee up to a maximum of $10,000..
Loan Terms	1% interest, 2-yr payback. 6-months deferral on your first payment	3.75% for-profit and 2.75% for non-profit interest, 30-yr payback, 12-months deferral on your first payment
Timing	First come first served. Starts April 3 (April 10 for independent contractors) and open until June 30,2020.	Anytime
Usage	Permitted costs only such as payroll costs, continued health care benefits, interests on mortgage & other debts and rents and utilities. (doesn't include employers FICA taxes)	May be used for paying fixed costs, payroll, accounts payable and other operating expenses that can't be paid because of the disaster's impact.

Other SBA programs

Funding Options

In addition to traditional SBA funding programs, the CARES Act established several new temporary programs to address the COVID-19 outbreak.

Paycheck Protection Program

This loan program provides loan forgiveness for retaining employees by temporarily expanding the traditional SBA 7(a) loan program.

Learn more

EIDL Loan Advance

This loan advance will provide up to $10,000 of economic relief to businesses that are currently experiencing temporary difficulties.

Learn more

SBA Express Bridge Loans

Enables small businesses who currently have a business relationship with an SBA Express Lender to access up to $25,000 quickly.

Learn more

SBA Debt Relief

The SBA is providing a financial reprieve to small businesses during the COVID-19 pandemic.

Learn more

https://www.sba.gov/funding-programs/loans/coronavirus-relief-options

Who can apply

Eligibility requirements to apply for PPP and EIDL are the same:

- Businesses with not more than 500 employees.
- Must be in operation as of February 15, 2020 for PPP.
- Individuals who operate a sole proprietorship or as an independent contractor and eligible self-employed individuals
- 501(c)(3) nonprofit organizations, 501(c)(19) veterans' organizations that have fewer than 500 employees.
- Businesses in certain industries may have more than 500 employees if they meet the SBA's size standards for those industries.

https://www.sba.gov/document/support--table-size-standards

Loan application checklist – Initial Draft

- PPP Loan checklist: (may vary from lender to lender. Additional documents may be requested)
  - PPP Borrower Application Form
  - 2019 Form 941's for 4 quarters, Form W2's, Form W3 and Form 1099-Misc
  - Supporting documents for health insurance premiums
  - Supporting documents for retirement benefits
- EIDL checklist: (additional documents may be requested)
  - SBA Loan Application (SBA Form 5 or 5C)

https://www.sba.gov/sites/default/files/articles/EIDL_Information_and_Documentation_-_3-23-2020.pdf

Employee Retention Credit under the CARES Act

Fully refundable employer tax credits for **qualified** employers of all sizes (Includes Non-profits).

Eligibility:

- Your business operations were partially / fully suspended due to a COVID-19 shut-down order
  OR
- gross receipts declined more than 50% compared to the same quarter of the previous year.

  - 50% refundable tax credit on wages up to $10,000 per employee paid or incurred between March 13th, 2020 through December 31st, 2020.
  - Credit is claimed through "Form 941" starting second quarter of 2020 (due July 31).
  - Businesses with 100 or more employees in 2019, restrictions apply.
  - Does not apply to the tax on self-employment income.
  - Not available to employers receiving assistance through the PPP.

https://www.irs.gov/newsroom/faqs-employee-retention-credit-under-the-cares-act

Deferral of FICA Taxes under the CARES Act

- The 6.2% employer portion of social security taxes that would otherwise be due between March 27, 2020 and January 1, 2021 can be deferred.
- An equivalent amount for self-employed individuals is also eligible for deferral.
- One-half of the amount deferred is due December 31, 2021. The other half is due December 31, 2022.
- The deferral of payment does not extend the time to file any returns.
- If you have claimed Employee Retention and other credits, it reduces the amount of taxes eligibility for deferral.
- Not available to employers receiving assistance through the PPP.

https://www.irs.gov/newsroom/faqs-employee-retention-credit-under-the-cares-act

Common Questions

- Which is better EIDL or PPP from the CARES Act? Can you apply for both?
- What costs qualifies for “loan forgiveness” as part of the PPP?
- What do businesses need to produce and present at the time of asking for forgiveness?
- How do I track the PPP loan amount to qualify it for "loan forgiveness"?
- Can the forgivable loan amount be reduced?
- Can PPP or EIDL loans used for paying dividends/distributions to owners?
- Are there any gaps that you see in this stimulus plan?
- Will these programs (EIDL and PPP) be misused? How will Government and SBA ensure that businesses who really need these loans are using them for the right purposes and not misusing?

PPP loan forgivable checklist – Initial Draft

Must apply through your lender for forgiveness of the loan. Maintain all documents substantiating the usage of loans on permitted costs during an 8-week period after the origination date of the loan.

The documentation checklist below may be requested to verify the loan usage. Note that additional documentation (not listed below) may be requested and will vary from lender to lender.

- Documentation verifying
  - Number of full -time employees.
  - Payroll reports such as IRS tax Form 941 for Q1/Q2/Q3 of 2020.
  - State payroll reports for Q1/Q2/Q3 of 2020.
  - Unemployment insurance forms for the covered period (will be reduced if you reduce full-time employee count)
  - Proof of Payments, such as cancelled checks, online payment confirmations etc. on covered mortgage obligations, lease obligations, and utilities.
  - Proof of Payments for health insurance benefits for 8- week period.
- May also request
  - Completed financials (P&L and B/S sheet) for the covered months/quarters/6 months of 2020 and Financials for 2019.
  - 2019 Income tax returns along with prior returns

https://home.treasury.gov/system/files/136/PPP%20Borrower%20Information%20Fact%20Sheet.pdf

Small Business Grants from Facebook

Grants	$100M in Cash Grants & Ad credits for upto 30,000 eligible small businesses in 30 countries
Eligibility	• Be a for-profit • Have employees between 2 & 50 • Been in business for over a year • Experienced challenges from COVID-19 • Be in or near a location where Facebook operates • Available to Non-Facebook users/clients • 50% of grants to minority and women owned businesses
When do I apply	When it becomes available in your location. Upcoming locations • April 18 - New York City and Seattle • April 20 - San Francisco Bay Area • April 22 - All other eligible US cities
Link	https://www.facebook.com/business/boost/grants

Top 7 action items to deal with and adapt during the downturn

1. SBA OFFERS LOANS: Take advantage of the SBA offered loans to support the operational costs. Before doing so, evaluate your business needs and see if this fits in your business plan. Talk to your lender.

2. R&D TAX CREDITS: Inventors and innovators are brilliant people. However, to become a successful entrepreneur, know the various benefits offered by the Government. Ensure that all the updates to R&D tax credit incentives are incorporated in the calculations and maximize your tax benefits.

3. PROTECT YOUR INTELLECTUAL PROPERTY RIGHTS: Utilize this time to know your Licensing agreements and uncover any gaps in the contract. As you notice your organic revenue decreases, strategize to recover some of the lost revenues through Licensing / Royalty audits. REMEMBER, not only in these times, but in future every dollar is important to ensure business continuity and increase the bottom line of your P&L.

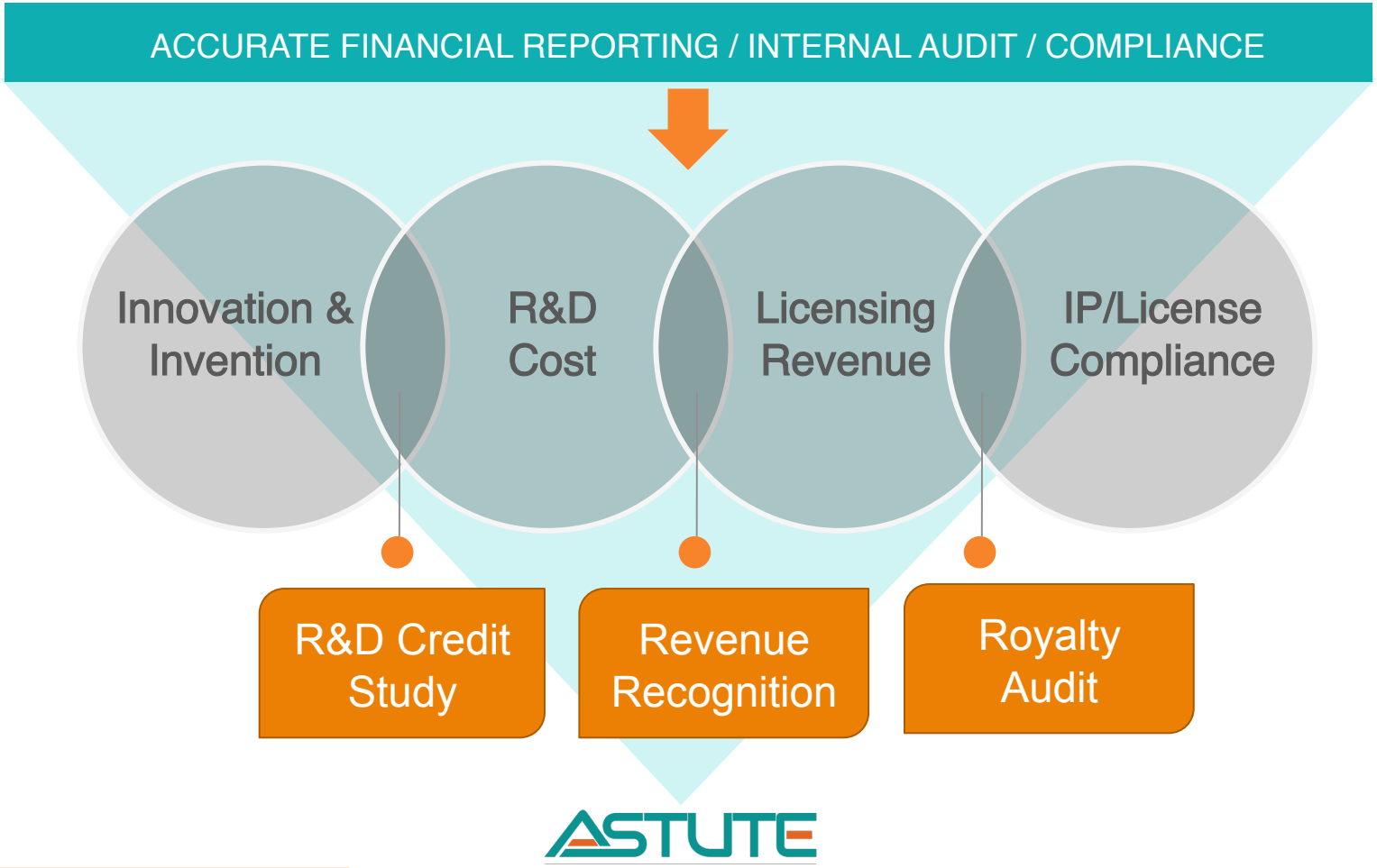
4. BEST PRACTICES: Take this time to look inwardly. Let's clean up our "Business Houses". Let's look into our financial and operational practices, and benchmark them to best industry practices.

5. FRAUDULENT ACTIVITIES: As you are aware, fraudsters are always around to take undue advantage of sensitive times. Tighten your processes and controls, inspect the transactions and do not fear to address any suspicious activity or Whistleblowers. Identify ways to recover monies through Accounts Payable, Time & Expense and Vendor audits.

6. CONSULT WITH THE EXPERTS: Talk to your Accountants, CFOs (outsourced or in-house) and Business Advisors to identify ways to make adjustments to revenue recognition for changes probability of customer payments. BRING in changes through adoption of proper Technical Accounting treatments.

7. STRATEGIZE AND NEGOTIATE: Review your existing vendor contracts. TAKE ACTION to reach out to your vendors, negotiate lower pricing and better payment terms. Transparency will build trust and a stronger relationship.

What Astute Offers



Q&A

HOW CAN WE HELP?

ASHWINI VASUDEVA
Ashwini@thinkastute.com

SANDHYA MUKKAMALA, CPA
Sandhya@thinkastute.com

ASTUTE

Adept . Prudent .Tactful

http://www.thinkastute.com +1 (925) 452-2205

4695 Chabot Dr., Ste 200,
Pleasanton, CA 94588

3031 Tisch Way, 110 Plaza West
San Jose, CA 95128

SUCCESS COMMUNITY
CEO Town Hall Series