

A detailed 3D rendering of a coronavirus particle, showing its characteristic spherical shape, textured surface, and numerous spike-like protrusions. A second, slightly out-of-focus particle is visible in the background to the left.

COVID-19: What You Need To Know

A vertical line of small white dots on the left side of the slide.

March 25, 2020

Welcome

- Build trust with your employees
 - Issues affecting work
 - Issues affecting personal life
- Focus on the customers
 - Immediate needs
 - Overall big picture concerns
- Internal versus external focus
 - Divide and conquer if at all possible
 - Both need critical attention

Agenda

- Introduction and Welcome
- Relief
 - Families First Coronavirus Relief Act
 - Tax Filing Deadline Relief
- SBA Loan Process
- HR/Employee Considerations
- Cyber Concerns
- Steps to Conserve Cash Flow
- Update on Pending Legislation
- What to expect from GBQ coming up



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The Families First Coronavirus Response Act

Tax Credits for Employers Providing Emergency Sick Leave

- Coronavirus Emergency Leave
 - Applies to employers with less than 500 employees; small businesses with less than 50 employees may be exempt
 - Leave is related to provide child care
 - Following 10 day period, worker receives at least 2/3 of pay, capped at \$200 per day with a maximum of \$10,000
- Emergency Sick Leave
 - Applies to employers with less than 500 employees
 - Leave is related to governmental isolation order, self-quarantine, COVID-19 symptoms or childcare
 - When leave is for an employee's own condition, pay is capped at \$511 per day and \$5,110 in total
 - When leave is for child care, the payment is 2/3 of employee's pay capped at \$200 per day and \$2,000 in total

The Families First Coronavirus Response Act

Employer Tax Credits

- Payroll tax credits provided to employers through 2020
 - Tax credits would equal 100% of qualified wages paid for leave
 - Immediate dollar for dollar offset against payroll taxes
 - If payroll taxes are insufficient to cover costs, IRS will repay amounts in two weeks or less
 - Self-employed individuals receive an equivalent credit
 - Clarification needed on effective date, as currently written, effective date is April 2, 2020

Tax Filing Deadline Relief

IRS Notice 2020-18

- Extension of time to file and pay 2019 taxes until July 15, 2020 – **FOR ALL TAXPAYERS**
 - Includes individuals, trusts, estates and corporations
- No limitations on amount due, includes Self Employment Tax
- Notice also includes extension of paying 1st quarter 2020 estimates until July 15, 2020
- Current 2nd quarter 2020 estimates are still due June 15, 2020

SBA Disaster Loans – Current Legislation

- Who Qualifies?
 - For profit business
 - Private and public non-profit
 - Total employees less than XX by NAICS code**
 - Total revenues less than \$XX by NAICS code**
 - Impacted by COVID-19
- Overview
 - \$50B in funding set aside
 - \$2M max loan
 - Annual interest of 3.75% (2.75% for nonprofit)
 - Personal guarantee is required
 - No prepayment penalties
 - Amount of loan and term based on case by case basis (up to 30 years)

** https://ecfr.io/title-13/se13.1.121_1201

SBA Disaster Loans – Pending Legislation

- Pending Legislation under CARES Act (**subject to change**)
 - Maximum loan is formula based on a multiple of payroll, mortgage, rent and debt expenses or \$10M, whichever is lower.
 - Loans are forgiven for the amount you use them for payroll for February 15 through June 30, 2020, as defined.
 - No collateral or personal guarantee required
 - Eliminates “credit elsewhere” test
 - Exclusion for the small business requirement as it relates to restaurants and hotels, based on location
 - Government guarantee increases to 100% through December 31, 2020
 - Government guarantee decreases to 75% for loans >\$150K and 85% for loans <\$150K
 - Allows complete deferment of 7(a) loan payments for one year

SBA Disaster Loans – The Process

What is the process beginning to end?

- Step 1 – Apply for the loan (based on being qualified)
 - Basic application submission
 - EIDL statement submission
 - Personal Financial Statements submission (all investors owning >20%)
 - Most recent tax return
 - Schedule of liabilities
 - Additional requests likely
 - Projection of economic losses are not required at this point
- Step 2 – Business applicant verified and loan processing decision made
- Step 3 – Loan closed and funds disbursed

SBA Disaster Loans – What to do...

- Setting Expectations
 - Expect a backlog of applications; patience will be important
 - Expect additional information requests (7 day turnaround of info expected)
 - Expect >20% investor financial backing to be scrutinized for ability to fund
 - Expect to prepare assessment of economic damages and assumptions challenged
 - If currently unqualified, wait for new legislation to pass
- Be Proactive
 - Prepare assessment of economic damages that tie into prior year records and reasonable assumptions for current year losses
 - Keep your books and records current
 - Gather legal documents for easy reference (e.g., organizational, leases, loans)
 - Keep listing of lease and debt guarantees current
 - Keep investor ownership records current
 - Keep investors apprised of overall status

Communication with employees

- Be open and transparent with all of your associates about your business plans and preparedness for COVID-19.
- Sharing information widely educates your team and reduces anxiety, which allows them to think more clearly and make better decisions about their work and family situations.
- Key topics include:
 - Remote working policies and opportunities to participate in adequate training to ensure productivity.
 - Communication and policies regarding travel restrictions, including to other company sites.
 - Procedures and expectations around illness, exposure and self-quarantine.
 - Employee Assistance Program guidelines and requirements.
 - Telemedicine and other pertinent insurance-related benefits.

Communication with employees

- Send frequent, straightforward, summarized communications on specific topics.
- Encourage every associate to be ready for sudden, unexpected changes in the situation, to stay in touch with your internal company guidance and reliable news sources.
- Ensure that you have multiple ways to contact every associate – and that they know who (and how) to contact for concerns.
- Consider the accommodations that you can (or cannot) make for individual associate situations. (ADA, FMLA and other labor law requirements).
- Develop explicit instructions related to 14-day self-quarantine protocols for employees who may have been exposed to COVID-19.

Employment Law & Policy Matters

- Familiarize yourself with recent changes in federal and state laws:
 - Ohio, Kentucky, Indiana and Michigan unemployment benefits have been extended, and several restrictions to qualifications have been lifted.
 - Employees may consider filing for Workers' Compensation in the event they believe they have contracted COVID-19 as a result of their employment.
 - Changes to FMLA eligibility result from the Families First Coronavirus Response Act, enacted as law as of March 18, 2020, which applies to companies with more than 50 and fewer than 500 employees. Understand the qualifying events for companies with fewer than 50 employees to qualify.
 - The Families First Coronavirus Response Act includes provisions for emergency leave.

Employment Law & Policy Matters

- Review and perhaps re-visit certain employment policies in your company:
 - Determine if any changes to paid time off are warranted to allow for additional time off in the event of illness (employee or family member).
 - Review 401(k) plans for hardship clauses, participant loans, etc. Consider whether plan amendments may be advisable to provide financial alternatives for employees.
 - Review existing flex time policies and update as necessary to accommodate employees who may be caring for small children or other family members as a result of school and daycare closures.

Cyber Concerns: Coronavirus Themed Attacks

- **Cyber criminals using COVID-19 fears to scare people into clicking on links, open malicious attachments, or give out confidential information.**
 - Bad guys use your emotions against you to get you to act in a way that without the emotional discomfort you likely wouldn't do.
 - Increased attacks are being reported
- **Be wary of topics related to the Coronavirus in emails, attachments, social media, texts on your phone, information online, etc.:**
 - Charitable contributions
 - General financial relief
 - Airline carrier refunds
 - Fake cures and vaccines
 - Fake testing kits
 - Amazon delivery issues

5 COVID-19 Cybersecurity Recommendations

- Create an organizational culture of cybersecurity from the top down
 - Raise security awareness with employees
 - Avoid email based financial transactions
- Harden computer network components
 - Quick change to remote working posture creates weaknesses
 - Focus IT resources on securing the remote network
- Continue Security Testing
 - Prioritize critical systems
 - Understand how operating changes impact compliance programs
 - Speak to vendors / third parties about their testing
- Monitor IT assets and employees
- Plan for more bad news
 - Review Incident Response Plans
 - Review / test disaster recovery plans

Forecasting your Cash Flow Needs

- Create a rolling 13 week cash flow projection to determine your 30, 60 and 90 day cash needs. Update daily and identify pre-determined triggers.
 - Understand break-even points and staffing levels
 - Create “what if” scenarios from best case to worst case
 - Complete closure of the business
 - Lag in AR collection
 - X% decrease in sales mix
 - Disruption in supply chain
- Evaluate whether outlet locations need to be closed entirely
 - Consider the drivers (e.g., sporting events, office workers)
 - Profitability of partial operations open for business
 - Maintain security to deter theft and looting
- Re-evaluate revenue streams and ways to expand allowable revenue streams

Preserving Cash through Vendor Management

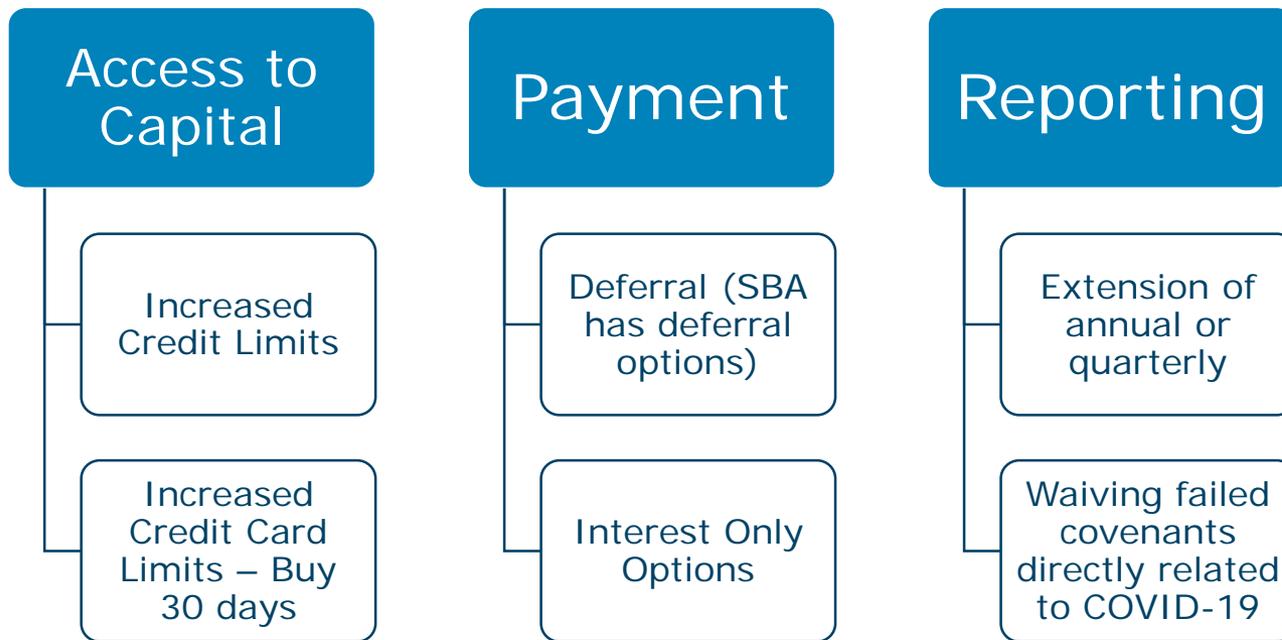
- Review each expense line item and cut to the bare bone
- Prioritize vendors and use them as a source of cash flow (payment deferral options)
- Keep inventory levels as low as possible based on revised expectations
- Reach out to your landlord and request payment deferment; consider spreading deferred payments over the next X months with no interest or penalties
 - Review the force majeure clause for rent abatements or extended closing
- Reduce utilities used, especially if office space or outlets are not being used
- Request deferral or abatement of royalty and/or ad fund fees from franchisors

Preserving Cash through Vendor Management

- Stay aware of governmental payment deferral programs (mortgages, lease and loan obligations, sales tax, workers compensation, health insurance premiums, property taxes, income tax payments)
- Revisit any prepayment methods used and stop immediately (e.g., insurance premiums, property taxes, sales taxes)
- Set strict approval process for R&M and capital expenditures
 - Consider pausing major capital projects, be it new outlets, remodels, or software implementations
- Review subscription type services and determine whether any can be frozen or level of service reduced (cable, BMI, cleaning, trash)
- Re-evaluate marketing efforts – discontinue or shift strategies that will reach customers

Banking Considerations

Communicate Early and Often



Update on Pending Legislation



What to Expect from GBQ

- **Knowledge.** We're reading and reacting all day every day so that we can share important information with you quickly.
- **Accessibility.** We're not in the office, but we're on high alert to help with whatever you need.
- **Reliability.** One of us may not know the answer, but our team will find it, whether inside or outside of GBQ. We will help you solve your problems.
- **Empathy.** We are learning every day, just like you. We are worried about our employees, our customers and our families, just like you.

Questions

