BGA CPA COVID-19 Small Business Update 3/24/2020

Format

- 30 minutes of content please use the question feature to ask questions.
- Questions will be addressed both during a slide if related to the slide or at the end if the topic is unaddressed.
- Don't know all the answers yet so part of the analysis is conjecture.

Representative war room plan

Launch (Day/Week 0)	Week 1	Week 2	We	k 3	Week 4	Week 5	Week 6	
Get set-up and manage the process	Lay the ground work and fix immediate priorities			Focus on critical action plans			Focus on medium- to-long-term	
Align your senior team with a wake up call Host workshop with senior leaders	Protect your employees and customers - Assess safety across all people: employees, customers, suppliers, etc. - Implement the most conservative CDC protocols Model your exposure; stress test P&L - Conduct initial assessment on external and internal scenarios across revenue, cost, cash and operations			Defend against revenue declines Develop immediate actions, and medium-to-long term actions Assess both downside and upside opportunities Stabilize operations to "new normal" Prepare critical operations: sourcing, manufacturing, supply chain Build contingency plan for other operations			Play offense, not just defense - Assess methods to outperforming competitors (M&A, product moves etc.) - Prepare for 'bounce-back' and recovery (assess marketing spend, leverage macro	
Establish a dedicated senior team in a "war room" setting Stand-up the team Specify work stream owners								
Est. decision rights Put in place complete tracking tool If needed, call in		e priorities / no regre		- Plan fo immedi	urgent cost take-out to r rolling 4 quarter and 1 late liquidity actions e cost position for mid-t	3 week, and	trends) - Plan for and leverage a 'leap- frog' change in customer behaviors	
external experts to help manage situation	 Maintain an ongoing program management office (using Agile; start building 2-wave list of 'handbrake' vs. 'break glass' initiatives) Build and execute on a communications and engagement plan 							
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Financial Modeling

- Start at 12 weeks beyond is unpredictable
- Revenue:
 - Permanent loss (retail even if partial, cancellations)
 - Delays in starts think in terms of customer segments
 - Delays in payments think in terms of customer segments
 - Assume shelter in place rules will apply

Financial Modeling

- Expenses:
 - Start with 'steady state' and look at where you go negative.
 - Look to where reductions can occur:
 - Delay in payables / break into payments
 - ► Rent abatement
 - Loan payment relief
 - Reduced work / furloughs
 - Owner pay sort out S-Distributions later
 - Model reductions

Financial Modeling

Sources of Cash In Flow - Details in Subsequent Slides:

- Lines of Credit including temporary over-rides
- Delay in Tax Payments
- Credit in Tax Payments
- Retirement
- SBA

What We Know - FMLA

- Mandatory 500 26 employees; 25 and below exception applies; up to 50 exception could apply.
- 25 exception:
 - Change in operations
 - Equivalent position
 - Offer if position becomes available
- > 50 and below exemption still awaiting guidance from DOL.
- Effective 4/2 12/31
- Any employee hired 30 days before 4/2

What We Know - FMLA (child care)

- First 10 days unpaid can use accrued or sick leave
 - ► However, required to pay sick leave gotcha (\$200/\$2,000) for 80 hours
- 12 weeks protected leave thereafter 2/3 pay up to \$200 max of \$10,000 doesn't have the ability to telework
- Applies to part-time as a pro-rata calculation
- Credit available against ALL payroll w/holding and taxes as the source of cash
 - > Ex. Owe \$10,000 but paid \$8,000 credit of \$8,000. Owe \$8,000 but credit of \$10,000 entire credit a/application for expedited refund.
- Guidance still pending from DOL / IRS
- Practical considerations:
 - Don't fund payroll and w/holding for the amount of credits you know won't apply?
 - ▶ If a worker has the ability to telework, but can't due to child obligations what then?
 - State by state considerations on mandatory use of accrued leave okay in NC but not others

What we Know - Income / Sales Tax

- Income Taxes
 - Delay in all federal payments until 7/15 including estimates
 - State by state delays follow federal, including NC but interest may apply (NC law)
- State Tax Payments Delayed State by State
 - ▶ NC currently paid by 4/15 could change
- Practical Considerations
 - Unlikely anything will be credited or waived but states may be liberal on applying penalties to installment agreements - especially w/track record of compliance.

What We Know - SBA Disaster Relief

- Application on-line
- Used to cover lost revenue to cover recurring bills, payroll, payables, etc.
- Damage calculation will be made based on analysis of historic sales but still need to wait on SBA to ask questions
 - Ex submitted on first day available in NC still 'pending review' status
- Have to exhaust existing sources of funds (e.g. lines of credit) first
- Practical considerations:
 - Don't hold your breathe unlimited money but limited resources to process requests

What's Coming - Senate Bill

- Working capital funding (up to \$10m) for small businesses (fewer than 500 employees)
- 2.5 3X average payroll
- Based on average FTEs pre 4/2 you have a time period to re-hire if needed
- Can be used for recurring bills subject to restrictions on employee salary size (e.g. up to \$100,000)
- Forgivable pro-rata based on average FTEs 6/30 for amounts used exclusively for payroll
- Ability to w/draw from retirement w/10% penalty waived, taxes paid over three years, ability to put back beyond existing limits
- ► NOL carry-backs

What's Coming - Senate Bill

Practical Considerations:

- Use of retirement as source of funding
- Use of NOL carryback as source of funding
- Consider use of FMLA to 'keep employees' until something passes
- Consider use of unemployment / furloughs to 'keep employees' until something passes (e.x. NC offers help w/replacement income if reduction in time worked)

Working with Banks

Practical Considerations:

- Communicate early / often about use of Line of Credit
- Consider use of possible Senate proposal as funding
- Most banks are offering some type of relief if requested

BGW Response - Key Themes

- Ensure that you guys all have the ability to get your work done safely and we still meet our client needs.
- Make sure that the firm still has enough cash to operate.
- Provide resources for our clients to help them get through this.

You Guys / Client Needs

- Expectation is that we're keeping normal work hours during busy season flex as you normally would if there wasn't a crisis - dealing w/crisis being the exception.
- If you can't work from home let Rebecca Cole know:
 - No Computer / Mic
 - No Internet Service
- Intern Mentors are checking in daily w/the interns to ensure they aren't getting stuck.
- Attest team kicking off daily huddle.
- Tax team Camden keep the status meeting rhythms already in place.
- Myrtle / Hendo start doing daily huddle.
- Daily huddle 15 minutes everyone:
 - Any roadblocks / issues?
 - Focus for the day.

You Guys / Client Needs

MS Teams:

- Everyone needs to be logged in at all times with their status what their status actually is.
- Someone 'chats' you that's no different than someone going to your desk - so expectation is that response will be similar.
- It's not okay to always say 'busy.'
- If you have questions post to BGW COVID 19 team.
- If you have internet and a computer you have MS Teams as it is an app you can use when you login to Office 365.
- Also MAC / Ipad / Iphone apps.

Client Needs

- No more live meetings use MS Teams we have had ZERO push back with this.
- Clients have set times they can drop tax information and pick tax documents off. This will be evaluated daily and will likely be cut off.
 - Fedex / Overnight
 - Portal
 - E-signatures
 - Sign / scan / picture
- Attest looking at workarounds for field work / covenant dates.
- Website / Phone system modified to reflect our policy of the day.
- Set up your signature / out of office to reflect what we are doing email was distributed already on Monday from Rebecca Cole.

Firm Continuity

- Our major risk is that our clients can't pay us and that doesn't mean you shouldn't continue doing work / invoicing.
- Implementing lockbox system so that we aren't depending on needing to be in the office to make a deposit - invoice remittance will be modified going forward.
- Owners approved pursuing SBA emergency bridge loan.
- Major vendors being contacted to discuss policy on deferring payments / shorting payments to preserve cash.
- ▶ L10 team meeting daily to react to issues as they arise.

Questions?