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## Save Benjamin\$ Now: Cash Flow Forecasting in a Time of Crisis – The Covid-19 Example

Presented by Leslie Shiner, owner of The ShinerGroup and Author of, *“Turning A Profit As a Contractor”*



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CEUs and inspiration for the design/build industry


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CONTROLS**  
Design + technology + life

**Design**  
planned wiring.  
Hidden black boxes.  
Bespoke solutions.

**Technology**  
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forever connected.  
Caring lifetime service.


**Life**  
Automating daily tasks.  
Helping the forgetful.  
Comforting anxieties.




# Save Benjamin\$ Now – Cash Flow Forecasting in a Time of Crisis: The COVID-19 Example


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## Introduction: Leslie Shiner



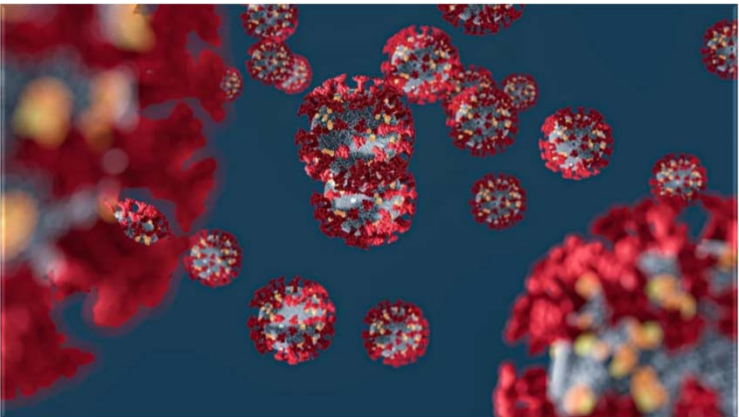
- Owner of The ShinerGroup
- Financial & management consultant for over 25 years
  - *MBA in Accounting and Finance from U.C. Berkeley*
  - *Advanced QuickBooks ProAdvisor*
  - *Sage Certified Consultant*
- Contributing Columnist
  - *Remodeling Magazine, JLC Magazine*
- CPA Practice Advisor Top Thought Leader
- CEDIA Fellow
- Author
  - *A Simple Guide to Turning a Profit as a Contractor*
  - ([www.MoneyMazeBooks.com](http://www.MoneyMazeBooks.com))






## COVID 19 – Global Pandemic

What should you be doing now?





## Need to Prepare a Cash Flow Forecast

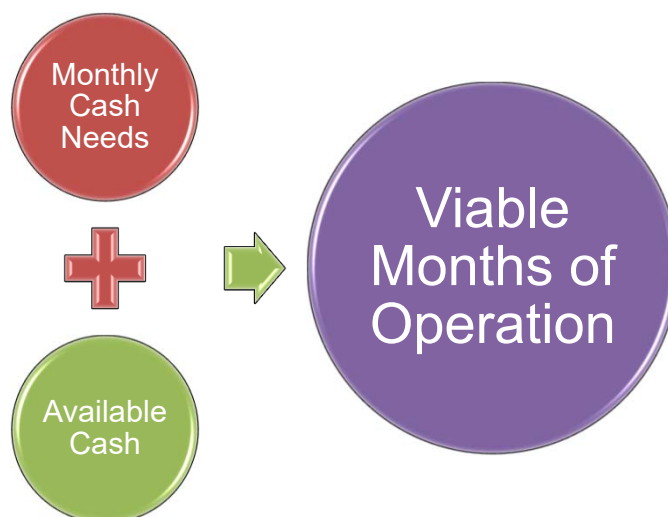
- First step: review current business standing
  - *Cash reserves*
  - *Receivables*
  - *Payables*
  - *Payroll expenses*
  - *Overhead expenses*
  - *Inventory and supply management*
  - *Employee relations*
  - *Customer relations*
  - *Additional cash resources*



## Cash Reserves

- A. What is the minimum cash needed to maintain critical infrastructure and payments required by law per month?
- B. How much cash in the bank plus what is the cash available from untapped lines of credit and credit cards?
- C. Obligations per month divided by cash available equals number of months you can continue to operate with no revenue

## How Long Can You Stay in Business?





## Cash Needs Considerations

- Key employees to be paid in order to maintain minimal operations
- Payroll taxes outstanding
  - *Unless special government delay exemptions*
- Remote collaboration and communication expenses
- Sick leave and FMLA policies
- Purchase of materials for jobs that are allowed to continue
- Continuation of health insurance for employees
- Any additional unexpected critical needs – purchase of Personal Protective Equipment (PPE), etc.




## Sources of Cash – Receivables

- Determine when and if outstanding receivables will be collected within current terms
- Contact each customer with an outstanding balance to determine expected date of receipt of cash and update billing contacts if they have changed
- Negotiate ability to invoice early for current retention and reduce future retention
- Maintain lien rights by filing if needed
- If contract terms allow, send invoices to customers immediately instead of waiting upcoming current billing cycle



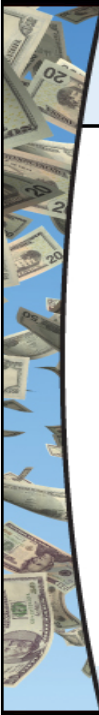
## Sources of Cash – Other

- Lines of credit
  - *Current untapped balance*
  - *Can you get an emergency increase?*
  - *Are there any payment deferral options?*
- SBA disaster and other loans (more on this later)
- Owner loans – be sure to create a paper trail and sign an agreement
- Identify available credit cards and request limit increase
- Request partial or full retainage release
  - *It doesn't hurt to ask!*



## Cash Out – Payables

- What expenses can you delay paying without penalty or negative consequences
  - *Attempt to get deferral agreements in writing*
- Utilities may allow you to defer payments
- Supply vendors may be flexible on terms
- Determine if vendors will accept credit cards to allow more time to pay



## Cash Out – Payroll Expenses

- Determine which employees are essential to keep
- Establish which employees may be furloughed or laid off and the associated cost savings
- Decide whether or not you will continue to pay health insurance for furloughed employees
- Keep up to day with new laws (more later)



## Cash Out – Overhead Expenses


- Carefully analyze all overhead expenses
- Review any commitments such as marketing, advertising, maintenance, memberships to see if they can be cancelled
  - *Temporarily or permanently*
- Review any lease obligations (vehicles, copiers, etc.)
- Look at all pending purchases to see if they can be cancelled or postponed (if the work has been put on hold)
- Research the availability of loan payment deferrals





## Inventory and Supply Management

- Do you have inventory that was recently purchased and can be returned for projects that have been permanently cancelled?
  - *Can you receive a cash back or only a credit?*
- Confirm that you have the required equipment and material for projects that are still ongoing
- Analyze the material and equipment needed for projects that will be the first to start when the pandemic hold is over
  - *Estimate the delivery time to help schedule future work*
- Continually research to see if your current vendors will be able to maintain supply chains
  - *Reach out to alternate suppliers as a contingency if your current supplier is not in business (temporarily or permanently)*



## Now Create Adjusted Cash Flow Forecast

- Start with Profit and Loss Statement
  - *Can use one month statement or average of last 12 months*
- Separate Cost of Goods Sold (COGS)
  - *Variable (direct) vs. fixed (indirect)*
- Separate Overhead
  - *Fixed General and Administrative (G&A)*
  - *Fixed Sales and Marketing*
  - *Are any costs variable?*

## Then Estimate Sales and Fixed Cost Reductions

- Estimate drop in sales (production)
- Review fixed costs and determine what can be cut or reduced
- Two 'what if' adjustments
  - *Reduced Sales*
  - *Reduced Fixed Costs*
- Determine available cash or shortage

## Adjusted Forecast Spreadsheet

Add your own numbers to the yellow highlighted cells

Create scenarios for different overhead reductions

	Current	Scenarios		
		-25%	-50%	-100%
Monthly Sales:	\$ 145,000.00	\$ 108,750.00	\$ 72,500.00	\$ -
Direct Costs Variable	\$ 80,000.00	\$ 60,000.00	\$ 40,000.00	\$ -
Indirect Costs Fixed	\$ 25,000.00	\$ 25,000.00	\$ 25,000.00	\$ 25,000.00
<b>Total COGS:</b>	\$ 105,000.00	\$ 85,000.00	\$ 65,000.00	\$ 25,000.00
Gross Profit \$	\$ 40,000.00	\$ 23,750.00	\$ 7,500.00	\$ (25,000.00)
Gross Margin %	28%	22%	10%	0%
Fixed G&A	\$ 20,000.00	\$ 20,000.00	\$ 20,000.00	\$ 20,000.00
Fixed Sales & Marketing:	\$ 5,000.00	\$ 5,000.00	\$ 5,000.00	\$ 5,000.00
<b>Total SG&amp;A</b>	\$ 25,000.00	\$ 25,000.00	\$ 25,000.00	\$ 25,000.00
% of Revenue	17%	23%	34%	0%
<b>Net Profit \$</b>	\$ 15,000.00	\$ (1,250.00)	\$ (17,500.00)	\$ (50,000.00)
Net Profit Margin %	10%	-1%	-24%	0%
<b>Adjustments to Cut Costs</b>		\$ (5,000.00)	\$ (17,000.00)	\$ (30,000.00)
<b>Adjusted Profit \$</b>	\$ 3,750.00	\$ (500.00)	\$ (500.00)	\$ (20,000.00)
<b>Adjusted Profit Margin %</b>		3%	-1%	0%
Months Affected:	3			
		\$ 11,250.00	\$ (1,500.00)	\$ (60,000.00)
		<b>Total Profit/Loss Over Months Affected</b>		
Starting Non-committed Cash:	\$ 90,000.00	\$ 78,750.00	\$ 77,250.00	\$ 17,250.00
		<b>Available Cash or Shortage</b>		
		Add your own numbers to the yellow highlighted cells.		
		Add your own numbers to the orange highlighted cells to create scenarios if you are able to cut fixed costs.		



## Importance of This Cash Flow Forecast

- Don't make rash decisions until you have a plan
- You need to create a plan quickly
  - *Determine the best use of your current cash and potential incoming cash*
  - *Determine critical needs to stay viable*
  - *Determine how to quickly raise cash to stay in business*
  - *Determine best way to take care of your employees*
- Test different scenarios as circumstances change
  - *New relief laws passed recently and more clarification to come*



## New Laws Related to Covid-19

- The situation is fluid and changes almost on a daily basis
- Business viability is key
  - *CARES Act (Coronavirus Aid Economic Relief Security)*
- Many employers want to help take care of their employees
  - *Two new laws to help you do that (with certain caveats)*
    - Families First Coronavirus Relief Act
    - Emergency Family and Medical Leave Expansion Act
  - *Unemployment benefits increase with federal addition to state benefit*

## SBA – Options for Funding

- There are several different SBA options

### Funding Options

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

			
<b>Paycheck Protection Program</b>	<b>EIDL Loan Advance</b>	<b>SBA Express Bridge Loans</b>	<b>SBA Debt Relief</b>
<small>This loan program provides loan forgiveness for retaining employees by temporarily expanding the traditional SBA 7(a) loan program.</small>	<small>This loan advance will provide up to \$10,000 of economic relief to businesses that are currently experiencing temporary difficulties.</small>	<small>Enables small businesses who currently have a business relationship with an SBA Express Lender to access up to \$25,000 quickly.</small>	<small>The SBA is providing a financial reprieve to small businesses during the COVID-19 pandemic.</small>
<a href="#">Learn more</a>	<a href="#">Learn more</a>	<a href="#">Learn more</a>	<a href="#">Learn more</a>

- Coronavirus (COVID-19): Small Business Guidance & Loan Resources:
- <https://www.sba.gov/funding-programs/loans/coronavirus-relief-options>

## SBA Loan: Cares Act – Paycheck Protection Plan (PPP)

- Also referred to as a “7(a) Loan”
- Can borrow up to average monthly payroll x 2.5
- Monthly payroll including gross wages, bonuses, health insurance, payroll taxes
- Potential forgiveness for expenses following 8 weeks after loan is paid to employer
  - *If all money used for payroll costs, loan may be forgiven*
  - *There are limitations if employee's gross is more than \$100,000/year*
  - *Any remaining balance not forgiven becomes term loan for 2 years at 1%*
- Stay informed and apply with your bank as early as possible



## But Do You Still Need Cash Now?

- Bridge loans available from SBA
- Check with bank regarding line of credit increase
  - *Or pull from line of credit now while still available*
- Credit cards should be the last resort for cash if will need to carry a balance



## Economic Injury Disaster Loan Emergency Advance

- This loan advance will provide up to \$10,000 of economic relief to businesses that are currently experiencing temporary difficulties
  - *For any small business with less than 500 employees*
- This advance will provide economic relief to businesses that are currently experiencing a temporary loss of revenue. Funds will be made available following a successful application
  - *This loan advance will not have to be repaid*





## Families First Coronavirus Relief Act (FFCRA)

Requires certain employers to provide employees with paid sick leave or expanded family and medical leave for specified reasons related to COVID-19

- *Two weeks (up to 80 hours) of paid sick leave at the employee's **regular rate** of pay where the employee is unable to work because the employee is quarantined (pursuant to Federal, State, or local government order or advice of a health care provider), and/or experiencing COVID-19 symptoms and seeking a medical diagnosis; or*
- *Two weeks (up to 80 hours) of paid sick leave at **two-thirds the employee's regular rate** of pay because the employee is unable to work because of a need to care for an individual subject to quarantine, or to care for a child (under 18 years of age) whose school or child care provider is closed or unavailable for reasons related to COVID-19*

<https://www.dol.gov/agencies/whd/pandemic/ffcra-employee-paid-leave>



## What Does This Mean?

- You may be required to pay your employees for 2 weeks
- But, the government will “reimburse” you via a tax credit
  - *You can deduct from your federal payroll tax liability payments the gross wage of these employees*
  - *You can deduct from your federal payroll tax liability payments the employer cost of the health care for the 2 weeks*
- If your tax liability is less than the cost, you can continue to deduct from future payroll tax payments or request a refund

## Emergency Family and Medical Leave Expansion Act

After the payment of the 2 weeks, you will then be required to pay *up to an additional 10 weeks of **paid expanded family and medical leave** at two-thirds the employee's regular rate of pay* where an employee, who has been employed for at least 30 calendar days, is unable to work due to a bona fide need for leave to care for a child whose school or child care provider is closed or unavailable for reasons related to COVID-1

## New Poster Required

Employee Rights:  
Paid Sick Leave and  
Expanded Family  
and Medical Leave  
under The Families  
First Coronavirus  
Response Act  
(FFCRA)

### EMPLOYEE RIGHTS

PAID SICK LEAVE AND EXPANDED FAMILY AND MEDICAL LEAVE  
UNDER THE FAMILIES FIRST CORONAVIRUS RESPONSE ACT

The Families First Coronavirus Response Act (FFCRA or Act) requires certain employers to provide their employees with paid sick leave and expanded family and medical leave for specified reasons related to COVID-19. These provisions will apply from April 1, 2020 through December 31, 2020.

#### PAID LEAVE ENTITLEMENTS

Generally, employers covered under the Act must provide employees:

Up to two weeks (80 hours, or a part-time employee's two-week equivalent) of paid sick leave based on the higher of their regular rate of pay, or the applicable state or Federal minimum wage, paid at:

- 100% for qualifying reasons #1-3 below, up to \$511 daily and \$5,110 total;
- ⅔ for qualifying reasons #4 and 6 below, up to \$200 daily and \$2,000 total; and
- Up to 12 weeks of paid sick leave and expanded family and medical leave paid at ⅔ for qualifying reason #5 below for up to \$200 daily and \$12,000 total.

A part-time employee is eligible for leave for the number of hours that the employee is normally scheduled to work over that period.

[https://www.dol.gov/sites/dolgov/files/WH/posters/FFCRA\\_Poster\\_WH1422\\_Non-Federal.pdf](https://www.dol.gov/sites/dolgov/files/WH/posters/FFCRA_Poster_WH1422_Non-Federal.pdf)



## Disclaimer

- The situation is very fluid
  - *New laws and clarifications arriving daily!*
- But you need to stay informed!
- This information is needed to create your adjusted cash flow forecast



## Summary

- Review all costs (fixed vs. variable)
- Make a plan
- Know the laws: stay informed
- Research, research, research
- Act fast to take advantage of relief loans

## Questions and Thank You!

**Thank You to:**

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