Surviving the Coronavirus:
A Quick Crash Course for the Small Business Owner
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IMPORTANT DISCLAIMER: THE FINAL RULES AND PROCEDURES ON HOW THE CARES ACT WILL WORK ARE STILL PENDING. THIS INCLUDES TWO IMPORTANT SBA LOAN PROGRAMS – ECONOMIC INJURY DISASTER LOAN AND PAYCHECK PROTECTION PROGRAM LOAN. THIS DOCUMENT DOES NOT NECESSARILY REFLECT HOW THE CARES ACT AND THE CORRESPONDING SBA LOAN PROGRAMS WILL FINALLY GET IMPLEMENTED. CHANGES ARE TAKING PLACE ON A DAILY BASIS. THIS DOCUMENT HAS BEEN RELEASED IN AN EFFORT TO PROVIDE SMALL BUSINESS OWNERS WITH EARLY INSIGHTS, ALLOWING THEM TO PLAN NOW IN ORDER TO IMPROVE THEIR PROBABILITY OF SURVIVAL GIVEN THE FACT THAT TIME IS OF THE ESSENCE AND THE ECONOMIC IMPACT ASSOCIATED WITH THE CORONAVIRUS IS ENORMOUS. PLANNING IS CRITICAL – THIS IS WHAT SCORE ADVOCATES FOR ALL SMALL BUSINESS OWNERS AND THEREFORE, WE ARE RELEASING THIS DOCUMENT WITH THE UNDERSTANDING THAT CERTAIN CONTENT CONTAINED IN THIS DOCUMENT WILL CHANGE.

Introduction

On March 27, 2020, Congress passed the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). This document highlights some important provisions in the Act as it relates to small business owners. In addition to this recently passed act, this document will touch on other resources that are now critical for the survival of small business owners. Finally, this document will provide some relief options for those businesses that simply have to close down.

The Big Picture

Let’s start with the big picture on how you can identify and leverage the most resources. This is best summarized by breaking down your options between: 1) Small Business Administration (SBA) Programs and 2) Non-SBA Programs. The Non-SBA Programs can cut across three levels of government (local, state and federal) as well as three types of support organizations (governmental, private sector programs, and non-profit or foundation programs). Most of the emphasis is on the SBA side of the plan vs. the Non-SBA side. Here is a breakdown of the plan:
In order to implement this survival plan, business owners will need to be extremely pro-active across a lot of touch points. For example, in order to secure city loans or grants you have to check every day. These opportunities pop up quickly and because funds are limited, these local windows close fast. Here are two examples announced on March 30, 2020: 1) City of Mountain View announces a Relief Program for Small Businesses with total available funds of $ 750,000; 2) City of El Paso announces a Relief Program for Small Businesses with total available funds of $ 1.7 Million. Try and sign up for email alerts at all of the touch points involved. Here is the SBA Updates Page: [https://www.sba.gov/updates](https://www.sba.gov/updates)

**Economic Injury Disaster Loan (EIDL)**

Let’s start with the first component in the recommended business survival strategy, applying for an Economic Injury Disaster Loan or EIDL. We recommend that businesses start here because they can receive a $ 10,000 advance. Businesses do not have to pay back the advance even if the EIDL is not approved. Additionally, if your EIDL is approved, you have 60 days to accept the terms, conditions and...
the loan. Therefore, if your situation were to change substantially after applying for the loan, you could decide to not take the loan. This is an absolute first step for every small business owner.

**IMPORTANT POINT:** If you applied for EIDL before Monday, March 30, 2020, you will need to go online and complete the process again in order to obtain the $10,000 advance. You will NOT lose your place in queue in regards to your original submission.

Here are some key features of EIDL:

- Borrow up to $2 million
- 3.75% annual interest rate
- Up to 30-year term
- 12 months deferred until first payment is due
- Collateral may be required if the loan is over $25,000
- Personal loan guarantee may be required if the loan is over $200,000

The loan is available for all small businesses that were operating as of January 31, 2020 and the business has one-full year of history as of this date. This is important because this is how the SBA will determine the loan amount. Funds can be used to sustain the operations of the business such as payroll, rent, utilities, meeting other loan payments and accounts payable. Accounts Payable items should relate to day to day operations. Keep in mind the intent of EIDL is to help the business pay ordinary and necessary operating expenses going forward and because of the Coronavirus, the business can no longer pay its bills.

The SBA has streamlined the EIDL Process so that you can apply online within 15 minutes. HERE IS THE LINK WHERE YOU APPLY ONLINE > [https://covid19relief.sba.gov/#/](https://covid19relief.sba.gov/#/)

You will NOT have to upload documents or complete any forms at this time. Additionally, you do not have to upload taxes or financial statements. However, you will need to provide 12 months of Profit and Loss Statements either from the previous calendar year 2019 or through March 31, 2020. Make sure the SBA Examiner can easily ascertain the Gross Profits of the Business. This will serve as the basis for your “first pass” loan amount which is expected to be six (6) months of gross profits.

If you want to include additional information with your submission, capture this information in a word document, referencing your application number. You can either fax it to the SBA at 202-481-1505 or email it to: [disasterloans@sba.gov](mailto:disasterloans@sba.gov) Once submitted, expect approximately 20 days to hear back from the SBA regarding your application.

Once again, apply online ASAP at [https://covid19relief.sba.gov/#/](https://covid19relief.sba.gov/#/)
The SBA is also advising small business owners to take a screen shot of the confirmation page once they have submitted their application. Use your Cell Phone to take the photo and save this image as hard evidence of your submission. We will now take a look at the CARES Act.

Easier and Expanded Process

In order to streamline loans for small business owners, the CARES Act removed several program requirements common to most loan programs. Unlike loans in the past, the CARES Act does three major things making it easier to get a loan (some of which do not apply to EIDL):

1. **Less Paperwork** – All loans are not subject to program bottlenecks such as:
   a. You are not required to seek out other financing sources before applying for the loan
   b. You are not required to sign a personal loan guarantee to secure the loan
   c. You are not required to pledge collateral to secure the loan
   d. The attestations that you must sign off on are less rigid – they are now simple “good faith” attestations (see Figure 2).

2. **Broader Reach** – Loans are available to a much larger audience of small business owners. This includes self-employed individuals, independent contractors who typically get a 1099 each year, and non-profits: 501(c)3 or 501(c)19.

3. **More Lenders** – Even if your bank is not a preferred SBA lender, they can still issue loans under the CARES Act provided they get authorization from the U.S. Treasury. Since the loans are backed by the SBA 100%, expect to see almost every bank participate. *Some Hard Advice: If your bank is not on-board with the CARES Act, consider finding another bank! The CARES Act essentially turns the bank into an ATM machine.*

Paycheck Protection Program

The CARES Act provides Paycheck Protection Program Loans (PPP Loans) for the period February 15, 2020 through June 30, 2020. This program is part of the existing 7(a) loan program administered by the SBA. The loan is designed to keep people on your payroll or reinstate all or a portion of your payroll that was laid off. Also keep in mind that by not laying people off, you are more likely to remain in compliance with state and federal laws such as the Worker Adjustment and Retraining Notification Act of 1988 ("WARN Act"). *Some Hard Advice: Because of increased legal exposure with changes to your workforce, you should seek out a good HR and/or Legal person to help you work through this.*

The business can borrow an amount equivalent to 2.5 months times your average monthly payroll. The maximum loan amount is $ 10 million. You should exclude annual pay above $ 100,000 and exclude employees who reside outside of the United States. Payroll cost include all compensation paid including sick leave, vacation, sales commissions and any insurance you paid for the employee such as health or life insurance.
Don’t forget – you do not have to collect a paycheck to get this loan! PPP Loans are also available to:

1. **Sole Proprietorships** – Must submit schedules from your most recent tax return (2018 or 2019) showing income and expenses (IRS Schedule C).
2. **Independent Contractors** – Must submit Form 1099-MISC for 2019
3. **Self-Employed individuals** – Must submit copies of self-employment tax returns filed in 2019 (Schedule SE)

You will need to collect Year to Date payroll amounts from 2019 in order to calculate the loan amount. The loan amount is based on your average monthly payroll in 2019. There are two approaches to calculating the loan amount, both of which arrive at the same amount. Here is an example of how this works:

**SUGGESTION:** To better understand schedules used throughout this document, you may want to load the Excel Workbook that accompanies this document (double click the icon below):

![Excel Workbook Icon](image.png)

NOTE: THIS DOCUMENT WAS PREPARED BY DC SCORE MENTORS USING THE MOST RECENT INFORMATION AVAILABLE FROM FEDERAL, STATE AND LOCAL GOVERNMENT SOURCES.
**Figure 3 - Calculate Loan Amount**

**STEP 1 - Determine Your Loan Amount**

<table>
<thead>
<tr>
<th>Employee</th>
<th>Base Pay</th>
<th>Sick and Health Insurance</th>
<th>Life Insurance</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>John Doe</td>
<td>$64,200</td>
<td>$5,500</td>
<td>$960</td>
<td>$70,780</td>
</tr>
<tr>
<td>Jane Smith</td>
<td>$54,100</td>
<td>-</td>
<td>$1,140</td>
<td>$55,400</td>
</tr>
<tr>
<td>Bill Johnson</td>
<td>$89,600</td>
<td>$13,400</td>
<td>$1,890</td>
<td>$100,000</td>
</tr>
</tbody>
</table>

Total $226,180

Months in Yr 12

Avg Monthly $18,848

Multiplier 2.5

**Loan Amount** $47,121

You can also calculate the Loan Amount by taking 2 months of your Monthly Average Payroll for the previous year and add 25%

You should come back to the same amount - see example below:

- Number of Months Allowed 2
- Total Payroll Allowed $37,697
- Add 25% to Total 1.25
- **Loan Amount** $47,121

Make sure to request this loan before the June 30th expiration date and remember, you can go back retroactively to February 15, 2020. The loan can be used not just for payroll, but to pay for qualified expenses that the business was incurring as of February 15, 2020. Here is a list of what qualifies:

1. Payroll costs including benefits
2. Interest on mortgage obligations incurred before Feb. 15, 2020
3. Rent, under lease agreements in force before Feb. 15, 2020
4. Utilities, for which service began before Feb. 15, 2020

**Remember, the SBA issues the EIDL Loan and the Bank issues the PPP Loan.** At this time, it is unclear when banks will be ready to accept the PPL Loan applications. An initial, not necessarily final application form for the PPP Loan was released on April 1, 2020. It is embedded below for your consideration:

![Paycheck Protection Program Application](image-url)
Forgiveness of Loan (Converts to a Grant)

After June 30, 2020, you can submit a request to the bank for forgiveness of your PPP Loan. The loan converts into a non-taxable grant. The CARES Act stipulates that the forgiveness amount is to be calculated over 8 weeks between February 15, 2020 to June 30, 2020. During this 8-week period, all qualified expenses up to the loan amount can be forgiven. IMPORTANT POINT: After June 30, 2020, go back and look at all of your expenses between February 15, 2020 to June 30, 2020 and choose an 8-week period where your payroll was the highest. This will maximize the forgiveness amount!

There is a little wiggle room for wage reductions. You can reduce the wages of an employee who is making less than $100,000 up to 25%. This will not reduce the forgiveness amount. Additionally, you will not get penalized for bringing back an employee who was previously laid-off. Make sure to track in detail qualified expenses during the 8-week period. Some Hard Advice: Flag all expense items during the 8-week period as either Qualified (Payroll, Rent, Utilities, Mortgage Interest) or Unqualified (Insurance, Legal, Web Hosting Fees, etc.), making it easier to determine the loan forgiveness amount.

Here is an example of how you might calculate the loan forgiveness amount which is $42,220:

![Figure 4 - Calculate Loan Forgiveness Amount](image)

Step 2b - Track expenses and summarize
Summarize your expenses for the period 3/15/2020 to 5/10/2020

<table>
<thead>
<tr>
<th>Expense Category</th>
<th>Flag (1)</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payroll Expenses</td>
<td>Q</td>
<td>$35,592</td>
</tr>
<tr>
<td>Mortgage Interest Expense</td>
<td>Q</td>
<td>-</td>
</tr>
<tr>
<td>Rent or Lease Payments</td>
<td>Q</td>
<td>$6,100</td>
</tr>
<tr>
<td>Utilities - Electric</td>
<td>Q</td>
<td>$396</td>
</tr>
<tr>
<td>Utilities - Gas</td>
<td>Q</td>
<td>$77</td>
</tr>
<tr>
<td>Utilities - Water</td>
<td>Q</td>
<td>$55</td>
</tr>
<tr>
<td>Total Expenses - Q</td>
<td></td>
<td>$42,220</td>
</tr>
<tr>
<td>Legal Fees</td>
<td>UQ</td>
<td>$1,750</td>
</tr>
<tr>
<td>Office Supplies</td>
<td>UQ</td>
<td>$220</td>
</tr>
<tr>
<td>Cleaning Services</td>
<td>UQ</td>
<td>$45</td>
</tr>
<tr>
<td>Facebook Ads</td>
<td>UQ</td>
<td>$65</td>
</tr>
<tr>
<td>Software Upgrades</td>
<td>UQ</td>
<td>$100</td>
</tr>
<tr>
<td>Shipping Expenses</td>
<td>UQ</td>
<td>$375</td>
</tr>
<tr>
<td>Total Expenses - UQ</td>
<td></td>
<td>$2,555</td>
</tr>
<tr>
<td>Total Expenses</td>
<td></td>
<td>$44,775</td>
</tr>
<tr>
<td>Payroll as % of Total</td>
<td></td>
<td>79%</td>
</tr>
</tbody>
</table>

(1) Flag all expenses as either Qualified (Q) or Unqualified (UQ) during the 8-week period.

NOTE: If you received a $10,000 advance under the EIDL Loan, this advance will most likely be deducted from the Forgiveness Amount under your PPP Loan.

NOTE: This document was prepared by DC Score Mentors using the most recent information available from Federal, State and Local Government Sources.
That portion of the loan that is not forgiven will be issued as a new 2-year loan at a maximum interest rate of .5%. Therefore, you now have a final loan for the amount that was not forgiven. In many cases this will not amount to very much assuming you continue to incur substantial qualified expenses after the loan origination date. Depending upon how severely the business has been impacted by the Coronavirus, the bank will allow you to defer loan payments between 6 to 12 months. Don’t forget to setup a Loan Amortization Schedule for the new 2-year loan amount – if applicable. (See Step 3 in Excel Spreadsheet that accompanies this document).

**Figure 5 - Required Documentation for Forgiveness of Loan**

1. documentation verifying the number of full-time equivalent employees on payroll and pay rates for the periods described in subsection (d), including:
   1. payroll tax filings reported to the IRS
   2. state income, payroll, and unemployment insurance filings
2. documentation to prove your mortgage, lease, or utility payments
   1. cancelled checks
   2. payment receipts
   3. account statements
3. a certification from a representative of the eligible recipient authorized to make such certifications that:
   1. the documentation presented is true and correct; and
   2. the amount for which forgiveness is requested was used to retain employees, make interest payments on a covered mortgage obligation, make payments on a covered rent obligation, or make covered utility payments; and
4. any other documentation the Administrator determines necessary.

**SBA Express Bridge Loan**

The third type of SBA loan that you should consider is a bridge loan which requires less paperwork compared to the EIDL and PPP Loan (only requires IRS Form 4506-T). You can borrow up to $25,000 while waiting on the SBA. You do NOT apply for this loan with the SBA. You apply for this loan with your existing bank.

The loan has an approximate interest rate of 7% with a 7-year term. There are no collateral requirements. The SBA Express Bridge Loan may or may not be necessary depending upon your financial needs; especially if you obtain the $10,000 advance under the EIDL. To learn more about this loan program, load the fact sheet file below:
IMPORTANT POINT: There are a lot of applications for the EIDL and PPP Loans. The line for the SBA Express Bridge Loan is substantially smaller. If you have a very good working relationship with your bank and you have a credit score above 680, you should apply for this loan.

Low Credit Scores

Traditionally, in order to obtain a loan your credit score must be 650 or higher. However, the CARES Act does not impose the typical standard credit score. Instead it allows increased flexibility by stating that lenders need to review the credit history of the applicant. Therefore, you still should consider applying for the EIDL and PPP loans, especially if you can provide proof that you have substantially met your obligations over the last six months. There are certain red flags that banks will usually not allow, such as the fact that the IRS has a tax lien against your house for over $10,000 or the fact that you owe over 12 months of child support. As long as you can make a reasonable case for some of your past delinquencies and your credit score is not too low, then go talk to your bank.

Check Your Credit Score > https://www.creditsesame.com/free-credit-score/

Defer Current Outstanding Loans

If you happen to have an existing SBA loan (namely 7a, 504 or Micro Loan), you can request deferral of payments up to 6 months. For Non-SBA loans that you have outstanding, you should consider asking your bank to defer your loan payments between 90 to 180 days until you have secured other sources of capital as outlined in this document.

Defer Employer Portion of Social Security Deposit

It goes without saying that all businesses will need to protect their bank accounts as much as possible. The CARES Act gives every business the opportunity to defer the 6.2% FICA the employer pays provided that the business has not taken out a Paycheck Protection Program Loan.

Assuming you qualify, employers can defer 50% of the employer’s portion for up to 12 months and the other 50% up to 24 months. For businesses that are labor-intensive, this can free-up cash for other critical expenses. Some Hard Advice: Although you can start using this payroll tax deferral on March 27, 2020, you may want to implement this on a cleaner cut-off date such as June 1, 2020 or July 1, 2020 to align to your monthly and / or quarterly payroll periods.
Reimbursement for Paid Leave – Contract with the Federal Government

The CARES Act also gave federal agencies some money to help their contractors. If you are a small business doing work with the federal government, you may have been unable to continue work due to the Coronavirus. Additionally, you had to let your employees and/or subcontractors go and in order to help them out, you gave them some paid leave. The CARES Act allows you to go back to the federal agency and get reimbursed for the paid leave.

No Penalty – Early Withdrawal from Retirement Plan

In some cases, you may find yourself having to pull money out of a qualified retirement plan to keep the business afloat. Under the CARES Act, you can withdraw up to $100,000 from a qualified retirement plan for Coronavirus related purposes without incurring a penalty of 10% for early withdraw.

Local and State Programs

In addition to the SBA programs, we can do a deep dive into any available local and state programs. Here in my home state of Maryland, the state has enacted an Emergency Loan Program that provides 0% interest loans with 12 month deferred payments. Here are some examples of local and state programs:

d. Chicago > https://www.surveymonkey.com/r/COVID19Chicago
e. Iowa > https://www.iowaeconomicdevelopment.com/programDetails?pid=136&ppid=26
f. Michigan > https://www.michiganbusiness.org/about-medc/covid19/small-business-relief-program/
g. New York City > https://www1.nyc.gov/nycbusiness/article/nyc-employee-retention-grant-program
h. Cities in the Southeastern United States > https://www.liftfund.com/

Larger Non-Governmental Programs

The final component in our overall strategy is to look at programs launched by the private sector. For example, Facebook has launched a $100 million cash grants program for 30,000 small businesses that qualify. Here is the link: https://www.facebook.com/business/grants?content_id=KKf6RWdyo87L7QO

Another example is the $10,000 grant offered through Hello Alice for small business owners:

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Some associations are also launching small grants. Here is an example for home-based freelancers:
https://www.freelancersunion.org/resources/freelancers-relief-fund/
For a more complete listing of grants offered, visit the listing compiled by GrantSpace:

Temporarily Shut Down

Unfortunately, for many business owners that have lost customers and have no means of providing services or selling products, the best option during the Coronavirus may be to temporarily close the business. If this is the case, then you and all others impacted should look to Unemployment. The good news is that the CARES Act expands unemployment to cover self-employed, 1099-workers and others who normally do not have access to unemployment.

Unemployment is available up to four months and the CARES Act encourages states to waive the one-week waiting period that most states impose when collecting unemployment. The benefit amount is set by the States; but the CARES Act adds-in more money up to $ 600 per week above what the state will provide. For example, if the State pays you $ 300 per week, the federal government will pay an additional $ 600 resulting in $ 900 per week. The CARES Act also extends the unemployment period by up to 13 weeks after the State unemployment period ends.
Locate Your Unemployment Office > http://www.statelocalgov.net/50states-unemployment.cfm

A little bit of more good news for everyone! Every single tax payer with adjusted gross income (AGI) up to $ 75,000 will receive a payment of $ 1,200 and every married couple with AGI up to $ 150,000 will receive a payment of $ 2,400. An additional $ 500 is paid for each dependent. Some Hard Advice: Since these payments are made electronically first, you should make sure you have filed your federal tax return electronically in 2018. If not, then file your 2019 tax return electronically as soon as possible. Do not wait until July 15th unless you owe taxes.

Mapping Out a Plan

Let’s now circle back to where we started and develop an overall plan for your business’s survival. Obtaining funds available through CARES Act loans and grants will be a critical first step for the survival of many businesses. As you receive funds from different sources, you need to be careful how you use the funds to pay for expenses. This is especially important for the EIDL and PPP Loans which have a lot of overlap. You can combine and use different programs so long as you do not co-mingle and overlap how you use the funds in paying your expenses. Some Hard Advice: You may want to consider setting up two separate bank accounts – one for the EIDL and one for the PPP Loan. That way, you can easily keep from co-mingling funding and expenses.

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Given the fact that you are now in “survival” mode, you must manage the business strictly around cash flows. This begins with knowing your burn rate. If you watch Shark Tank, they often ask a very simple question: How much cash are you burning through each month? Go back over your past expenses and categorize all expenses that you think will keep the business operating at an acceptable level of service to your customers. DO NOT WORRY ABOUT WHERE THE MONEY COMES FROM! You are trying to save the business and keep the lights on. Once you have this number (Monthly Expenses), then prepare an Operating Budget and flag the line items – EIDL or Non-EIDL? Here is an example of how this might work:

<table>
<thead>
<tr>
<th>Critical Expense Item (Required)</th>
<th>F/N</th>
<th>Monthly Amt</th>
<th>EIDL?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monthly Rent on Storefront</td>
<td></td>
<td>$3,500</td>
<td>Y</td>
</tr>
<tr>
<td>Minimal Labor Cost - Employees</td>
<td>(1)</td>
<td>$2,200</td>
<td>Y</td>
</tr>
<tr>
<td>Minimal Labor Cost - Subcontractors</td>
<td></td>
<td>$1,200</td>
<td>Y</td>
</tr>
<tr>
<td>Monthly Payment - Outstanding Loan</td>
<td>(2)</td>
<td>$950</td>
<td>Y</td>
</tr>
<tr>
<td>Monthly Payment - Outstanding Credit Card</td>
<td>(2)</td>
<td>$500</td>
<td>N</td>
</tr>
<tr>
<td>All Utilities</td>
<td></td>
<td>$450</td>
<td>Y</td>
</tr>
<tr>
<td>Minimal Marketing - Website, Social, etc.</td>
<td>(3)</td>
<td>$125</td>
<td>N</td>
</tr>
<tr>
<td>Minimal Legal Support</td>
<td>(3)</td>
<td>$75</td>
<td>N</td>
</tr>
<tr>
<td>Minimal HR Support</td>
<td>(3)</td>
<td>$165</td>
<td>N</td>
</tr>
<tr>
<td>Minimal Accounting / Tax Support</td>
<td>(3)</td>
<td>$95</td>
<td>Y</td>
</tr>
<tr>
<td>Provisions for Taxes, Fees, Insurance, etc.</td>
<td>(4)</td>
<td>$165</td>
<td>Y</td>
</tr>
</tbody>
</table>

**Monthly Burn Rate Amount**

| Monthly Burn Rate Amount | $9,425 |

**Enter Start Date of Operating Budget**

5/1/2020

**End Date of Operating Budget**

12/31/2020

**Number of Months in Operating Budget**

8

**Total 2020 Operating Budget**

$75,400

<table>
<thead>
<tr>
<th>EIDL Funded</th>
<th>$68,480</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-EIDL Funded</td>
<td>$6,920</td>
</tr>
</tbody>
</table>

(1): Includes all compensation paid including any payroll taxes, benefits, etc.

(2): Continue to seek deferral of payments with lenders and make minimal required payments

(3): Four critical expenses that you should consider to include in your estimate are some level of marketing + legal, accounting and HR support which are now very critical.

(4): Reviewed all of 2019 required expenses that we expect in 2020, calculated a total for the year of $1,980 and divided by 12 = $165

You now have some idea of what your short-fall amount is for the year ($6,920 in our example). Depending upon your financial situation, you may or may not have to raise more money. If the short-fall amount is high, then you have two options: 1) You can cut your Operating Budget (reduce the cash...
outflow) and / or 2) You have to raise more money (increase the cash inflow). If you can’t cut your Operating Budget, then you have three choices when it comes to bringing in more cash:

1. **More Sales** – You absolutely must find new ways of executing on sales transactions. See next section of this document for some ideas.
2. **Your Own Money** – Find ways by which you can put more of your own money into the business. Example: You can now withdraw money from your qualified retirement account without a penalty.
3. **Outside Sources of Money** – Seek out new sources of money in a comprehensive and focused way. Given the “shut-down” mode of the economy, more sales (choice 1) will be incredibly challenging and no doubt by now, you probably have exhausted your own funds (choice 2). Therefore, it has become imperative that small business owners explore outside sources very aggressively across the widest possible range of sources. This is exactly why this document was prepared!

Now that you have a Cash Flow Budget, set up a second schedule to manage the actual cash flows (all money coming in and out of your check book). As your loan money comes in, place it into a separate column and use the money against those expense items that “qualify” per the loan. Here is an example of how this might work:

<table>
<thead>
<tr>
<th>Date</th>
<th>Describe Cash Transaction</th>
<th>Amount</th>
<th>Item Code</th>
<th>EIDL Emg Grant</th>
<th>Express Bridge</th>
<th>EIDL 1st Pass</th>
<th>EIDL 2nd Pass</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning Cash Balance</td>
<td></td>
<td>$2,840</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4/6/2020</td>
<td>Bookkeeping Invoice</td>
<td>$ (120)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4/8/2020</td>
<td>Electric Bill</td>
<td>$ (75)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4/11/2020</td>
<td>Collected EIDL Emg Grant</td>
<td>$10,000</td>
<td></td>
<td>$10,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4/12/2020</td>
<td>Legal Invoice from BL&amp;K</td>
<td>$ (550)</td>
<td>BUS</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4/28/2020</td>
<td>Monthly Kitchen Insp Serv</td>
<td>$ (65)</td>
<td>EG</td>
<td>$ (65)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4/29/2020</td>
<td>Collected Cash from Frk Project</td>
<td>$500</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5/2/2020</td>
<td>Office Supplies</td>
<td>$ (34)</td>
<td>BUS</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5/6/2020</td>
<td>Phone Bill</td>
<td>$ (22)</td>
<td>EG</td>
<td>$ (22)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5/8/2020</td>
<td>Express Bridge Loan $</td>
<td>$25,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5/11/2020</td>
<td>Gas Bill</td>
<td>$ (26)</td>
<td>EX</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ending Balances (Cash Account and Loans)</td>
<td></td>
<td>$37,448</td>
<td></td>
<td>$9,913</td>
<td>$24,974</td>
<td>$ -</td>
<td>$ -</td>
</tr>
</tbody>
</table>

**Flag Item Codes:**
- **EG** = Emergency Grant Money
- **EX** = Express Bridge Loan
- **EIDL-1** = First Pass Amount Released based on 6 Months of Gross Profits
- **EIDL-2** = Final EIDL Loan Amount to be determined
- **BUS** = Business must pay for this item - does not qualify per the available loan pools

Notice in the cash flow schedule that EIDL money comes in on April 11,2020 and expense items that qualify start to draw down on this loan pool. However, on May 8, 2020 you get your Express Bridge Loan money and since this money has a shorter time frame, we switch and use this pool of money to start paying “qualified” expenses. If the expense is not qualified, the business (flag code BUS) must pay the

**NOTE:** THIS DOCUMENT WAS PREPARED BY DC SCORE MENTORS USING THE MOST RECENT INFORMATION AVAILABLE FROM FEDERAL, STATE AND LOCAL GOVERNMENT SOURCES.
expense. This is how you will need to manage your cash flow against the incoming pools of loan money during 2020.

Focus on Three Financial Components

Building on the previous section, let’s take a harder look at three financial touch points that materially impact your cash flow:

1. **Rethink Your Revenue Model** – You must find new ways of hitting the top line with money. Make changes to retain customers. This may include new pricing, waiving all shipping cost or launching new at home delivery. Here are some interesting examples of how some businesses are keeping their revenue models positive; i.e. some level of sales:

   a. **Selling and Delivering Unfinished Products** – Some businesses (such as Bakeries and Pizza Restaurants) are selling do it yourself kits so you can bake the cake or make your own pizza at home; thereby lowering their turn-around time and keeping “bored” people at home busy.
   b. **Partnering with Another Business to Expand the Value Proposition** – A photographer partnering with a candy shop is now shipping his photos with a box of candy. This adds renewed value and at the same time, helps out another small business owner.
   c. **Introduce New Products that are Similar** – Several Beer and Wine stores are delivering bottled teas, water and other beverages that they previously did not carry, but are now in much higher demand.
   d. **Virtual Online Delivery** – Yoga Studios are now doing their yoga sessions online.
   e. **Flip to All Delivery** – Suddenly dog walking businesses are no longer needed. They have started delivering pet food and groceries to their clients.

**Some Hard Advice:** Review your state’s listing of exempt businesses. Many of these businesses are overwhelmed. See if you can somehow pivot your business to one or more exempt businesses. Here are three examples:

   b. Louisiana > [https://gov.louisiana.gov/order/](https://gov.louisiana.gov/order/)

**Amazon Delivery Business:** One business model that is in high demand is the Amazon Delivery Business. Requires an approximate investment of $ 30,000. Amazon provides all the training, insurance and back-end support. You simply focus on local community deliveries. Click on the document below to learn more:
2. **Rent or Lease Abatement** – Don’t wait for the landlord to start sending you overdue notices. Get in touch with your landlord and let them know your situation. If your lease is coming up for renewal, request some interim relief over the next 90 days in return for renewing the lease. Try to negotiate or offer something to your landlord who is also challenged at his end.

3. **Labor Cost** – Take full advantage of the SBA loan programs described in this document to keep your key personnel in place. Determine what your labor pool should look like over the period after the survival plan and start thinking about a more digital, connected workforce. There are numerous online tools to help make work possible online such as Slack, Microsoft Teams and Zoom.

If the business can continue to operate, then research your full range of options (both SBA and Non-SBA). Once identified, apply for the money and as the funds become available, align the money to your on-going expenses between qualified vs. non-qualified in the context of an Operating Budget. If you can’t operate, then consider leveraging unemployment. Try and live for another day. Regardless of what you do, you should be prepared for potential “permanent” change. According to McKinsey and Company, a leading consulting firm, many of the changes we are experiencing now during the Coronavirus may become permanent.

**Excel Spreadsheet Used in this Document | CONTAINS IMPORTANT ADDITIONAL INFORMATION RELATED TO THIS DOCUMENT | Double Click on the icon below to load or download at:** http://www.exinfm.com/Surviving-the-Coronavirus-A-Quick-Crash-Course-4-3-2020.xlsx
Addendum:

The following survey results provide insights into what small business owners are saying. The survey was recently conducted by Goldman Sachs from over 1,500 small businesses across 48 states (about 50% men and 50% women):

**HERE’S WHAT SMALL BUSINESS OWNERS ARE EXPERIENCING:**

- **51%** say their business will only be able to continue to operate for 0-3 months
- **96%** say they have already been impacted by COVID-19
- **75%** say their business has been impacted by fewer sales
- **53%** say their employees don’t have the ability to telecommute
- **13%** are confident about their contingency plan to meet the needs of their business
- **67%** of small business owners are uncertain about how to access and apply for emergency funding
- **75%** feel they have no voice or not a very strong voice in the policy-making process

**THE OPTIONS SMALL BUSINESS OWNERS THINK THAT GOVERNMENTS COULD TAKE TO HELP:**

- **83%** Grants
- **77%** Payroll tax cut
- **75%** Reimbursement for paid sick leave
- **74%** Delay of tax payments (Federal & State)
- **73%** Delay of mortgage payments w/o penalty
- **70%** Offer loans at reduced interest rates
- **70%** Government-backed quick loan program
- **62%** Enhanced unemployment insurance

**ESTABLISH POSSIBLE TELEWORKING POLICIES**

- Review human resources policies and explore whether you can establish flexible workspaces (e.g., telecommuting) and flexible work hours. Consider cancelling large work-related meetings or events.

**COORDINATE WITH STATE EXTERNAL & LOCAL EXTERNAL HEALTH OFFICIALS**

- The intensity of an outbreak may vary by location, and local health officials will be issuing guidance specific to their communities. Employers should learn about the plans in place in each community where they have a business.

For more information about the coronavirus visit cdc.gov
April 3, 2020

References:
Entire Text of the CARES Act:
The Small Business Owner’s Guide to the CARES Act:
Coronavirus Tax Relief per the IRS:
https://www.irs.gov/coronavirus
Coronavirus Work From Home Check List:
COVID-19 Federal Contractor’s Survival Guide: