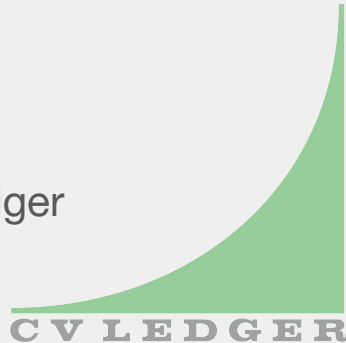


3 Ways to Protect Your Arts Business Right Now

April 9, 2020

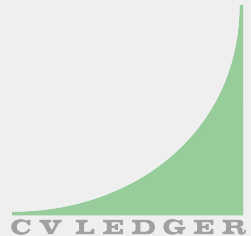
Claire Van Holland
CEO & Founder, CV Ledger
hello@cvledger.com



Jill James
CEO & Founder, Sif Industries
jill@sifindustries.com

About CV Ledger...

- Boutique accountancy for small business & creative entrepreneurs
- Specialize in the creation of tactical business operations, systems & processes for small business scalability
- Ongoing strategic planning, budgeting, payroll processing, tax support, accounts receivable support, accounts payable support
- Coming soon....Naked Finance video series
- Resources:
 - Website: CVLedger.com
 - IG: @clairevanholland



About Sif Industries...

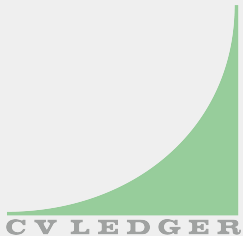
- Specialize in growing self-funded small business
- Support for self-funded founders from creative and non-managerial backgrounds to become CEOs of healthy companies
- Financial Health programs include strategic planning and coaching
- Resources:
 - Website & blog: SifIndustries.com
 - Daily LinkedIn updates & our founder: linkedin.com/in/jilldjames
 - Weekly newsletter & updates: bit.ly/SifNewsletter
 - Beta course, KEEP MORE: <https://mailchi.mp/sifindustries/keepmorelist>



Why are we doing this?

- To help as many self-funded small business owners as possible to realize their vision for self-employment
- Work together as a community of small business owners to stay in business and keep moving forward
- To share the guidance with our clients and the community who needs it most

*****When in doubt, talk to your accounting & legal professionals for decision support!***



PROTECTION 1

Small Business
Relief Programs

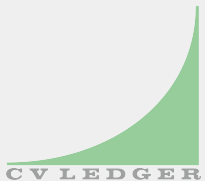
PPP & EDIL

Who's Eligible - CARES Act expansion

- **The self-employed**
 - Sole proprietors, side hustlers, freelancers, independent contractors, income property owners
 - Single-member LLCs, S-corps & C-corps
- Companies with fewer than 500 employees that meet NAICS small business standards for their respective industries
- Restaurant and hospitality companies with up to 500 employees *per location*
- Sole proprietors, partnerships, LLCs, LLPs, S-corps, C-corps, 501(c)3s, Tribal organizations, veterans organizations

Who's Not Eligible Today - Time Limits & Affiliation

- Companies or individuals who started businesses after February 1, 2020
- Companies backed by venture capital portfolios
 - The NVCA is lobbying to have affiliation restrictions lifted. Consideration may take up to 30 days. If this applies to you, contact your Congressional representatives.
- Companies with more than one investor that's a business (invested under an EIN)
- It's okay to have individual investors - be prepared to disclose anyone who holds more than 20% of your company and provide their SSN

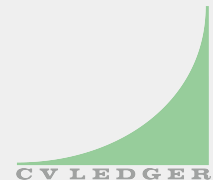


Paycheck Protection Program (PPP)

- A \$350B short-term **forgivable** loan program **through banks** until June 30
- Eligibility is 250% of your average monthly payroll, benefits, PTO, state payroll tax, and self-employment income over the past 12 months (w/other formulas for new and seasonal businesses and the self-employed who don't have salaries), capped at \$10 million
- **100% forgivable** if you use the money for payroll, benefits, rent & utilities expenses in the first 8 weeks but reduced for layoffs & salary cuts
- Balance of funds roll into a 2-year loan at 1%, 6 month deferral on first payment, or you can give it back with no penalty
- Best worksheet: US Chamber of Commerce
https://www.uschamber.com/sites/default/files/023595_comm_corona_virus_smallbiz_loan_final_revised.pdf

To Apply for PPP

- Online now for incorporated businesses, April 10 for self-employed & independent contractors. [Sample application form here](#)
- Call your bank OR choose from one of these [100 most active SBA lenders](#)
- Qualifying is based *only* on your credit score
- Items to organize:
 - **2019 Payroll**
 - **2019 Employees** — W-4s 2019 employees; exclude excess cash compensation over \$100,000 annually per employee
 - **Healthcare costs** — all health insurance premiums paid by the business owner under a group health plan
 - **Retirement** — your company retirement plan funding paid for by the company



PPP - Specific Documents Summary

Needed to help you calculate the eligible loan amount:

- ☑ Payroll reports for 2019 and 2020 year to date showing the following broken down by employee and/or officers:
 - Gross wages
 - Paid time off
 - Paid vacation
 - Pay for family medical leave
 - State and local taxes (form 940, 941 or 944)
 - 1099s for independent contractors (if applicable)
- ☑ Completed 2019 tax return OR 2019 Profit and Loss Report and Balance Sheet
- ☑ Filed 2018 Business Tax Return
- ☑ Documentation showing:
 - Funds received in the form of an Economic Injury Disaster Loan since Jan. 31, 2020, if any
 - Payments for group health care benefits including premiums paid in 2019 to 2020 year to date
 - Payment of any retirement benefits paid in 2019 and 2020 year to date

Needed for verification of forgiveness amount:

- ☑ Quarterly IRS forms 940, 941 or 944 for the following dates:
 - March 31, 2019 and June 30, 2019
 - March 31, 2020 and June 30, 2020, when available
- ☑ Documentation in the form of canceled checks, payment receipts and bank statements showing payment of the following items from Feb. 15, 2020 to June 30, 2020:
 - Mortgage Interest
 - Rent payments
 - Utilities

Economic Disaster Impact Loans (EDIL)

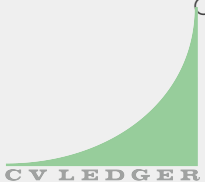
- \$300 billion administered by the SBA, 30 years at 3.75% for-profit & 2.75% not for profit, 6-12 months deferral on first payment; available to December 31
- No personal guarantee or collateral for loans under \$200,000
- As of Monday 4/3, the application has been radically simplified:
<https://covid19relief.sba.gov/#/>
 - Company information
 - Owners and stakes over 20%
 - Gross revenue and COGS from 2/1/19 to 1/31/2020 + operating expenses for not for profits
- Includes **an optional Advance grant of \$10,000** that you can receive within 3 days of applying, even if you're later denied, and **never have to repay**
 - If you've already applied, the SBA says to re-apply w/the short form and opt into Advance
- Forgivable element TBD

Things We Don't Know Yet...

- Both programs
 - **Program extension:** Will another round of relief be coming? TBD - apply as soon as you're ready
- EDIL
 - **Timeline:** SBA has said they're speeding up approvals & payout from 4-6 weeks to 2-3 weeks. Not yet proven, but dropping collateral requirements should help.
 - **Forgiveness:** there is a forgivable portion, but we don't know how that works yet
- PPP
 - **Qualifying:** What's a "good" credit score for these purposes?
 - **Availability:** Businesses from April 3, sole proprietors & independent contractors from April 10
 - **Timeline:** We expect these will initially take 7-10 days to underwrite.

Things to Keep in Mind...

- You can apply for both programs, as long as you don't use the funds for the same purpose (example: applying both to April payroll)
- You can take all, some, or none
 - Approved PPP stays open until June 30 *or until funds are claimed*
 - Approved EDIL stays open until December 31
- There is no pre-payment penalty
 - For PPP, you can give back any unqualified, unused funds on the first day of the 9th week to effectively close out the loan
 - For EDIL, you could draw the money and give it back if you don't need it for a minimal interest cost



Other Funding Sources

- CCI has compiled an [amazing list of arts-focused resources](#)
- State, local, and private loans and grants
 - City of LA has a [\\$500,000 grants program](#) (\$10k/business) starting 4/9
 - Most cities have microgrants, loans, and tax assistance available
 - WarnerBros & Netflix each have \$100M fund for those on suspended productions
 - [GoFundMe](#) + Intuit relief initiative to match donations
- In Los Angeles County, contact the [Business & Workers Assistance Hotline](#)
- [Contact your local SBDC](#) for assistance in finding & securing all the funds available in your local area

PROTECTION 2

Enhanced

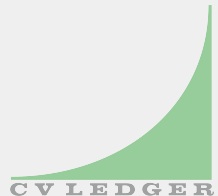
Unemployment

Who's Eligible - CARES expansion

- **The self-employed in all 50 states**
 - Sole proprietors
 - Side hustlers, freelancers, independent contractors
 - Single-member LLCs, S-corps & C-corps
- Those who've been furloughed but are still receiving health insurance
- Salaried employees under \$100k annually who have had salaries reduced
- Hourly workers with partial reductions

Expanded Benefits in All 50 States

- Eligibility period expanded up to 36 weeks through 12/31/20
- Possible waiver of 1st week nonpayment
- Up to +\$600 per week payment to encourage you to observe stay at home orders instead of job searching
- Self-employed “payroll” evaluated by what you paid in self-employment tax
- State-by-state summary of benefits from Gusto, updated daily:
<https://gusto.com/blog/people-management/covid-state-unemployment-insurance-benefits>
- Remember, **this is new!** Most states are not set up is not set up to administer self-employed unemployment. If you don't see the answer you expect, keep checking!



PROTECTION 3

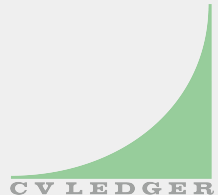
Managing

Cash Flow



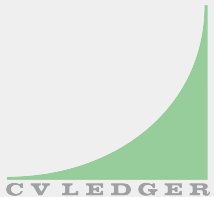
Federal Tax Relief

- **Note: IRS changes do NOT not exempt you from taxes in your state(s) of operation!**
- The press has covered our automatic personal extensions to July 15. However, the benefits for businesses have been less publicized.
- **2019 Federal taxes owed** - You may defer up to \$1 million in tax payments until April 15, 2021. Talk to your accountant.
- **Federal quarterly payments** - Automatically suspended until July 15. If you had a great Q1 but anticipate losses in Q2, you will be able to take back some of your quarterly tax reserve into working capital
- **2019 401k** - Deadline for 2019 contributions extended to July 15



State & Local Tax Relief

- **State sales taxes and deposits** - many states have waived Q1 payments and are allowing you to use the funds immediately
- **Local tax relief** - some cities can waive local taxes on the spot. Call the business office
- Avalara has done a fantastic job of updating their state-by-state tax summary daily & includes notes on local relief
- <https://www.avalara.com/us/en/blog/2020/03/coronavirus-tax-relief-roundup.html>



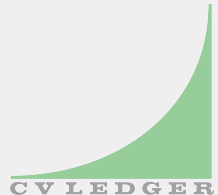
Staffing

- Furloughs vs. layoffs
 - If you can afford to pay health benefits, a furlough is a way to reduce or pause your team's work hours temporarily without kicking them to COBRA. You'll still need to pay your portion of health benefits
 - Those impacted are eligible for enhanced unemployment
 - Can use PPP forgiveness if 90% hired back by June 30
- Salary reductions
 - Temporarily reducing salaries for those paid over \$100,000 will not impact your PPP forgiveness
- Suspend 401k matching
- Contact SBDC for help with evaluating your best options

A caveat on the next slide...

**YOU MUST DISCUSS PLANNED
NON-PAYMENTS WITH THE IMPACTED
PARTIES**

NOTHING IS AUTOMATIC!



Who do you NOT have to pay this month?

- **Rent** - California has a 90-day stay on residential evictions. Wherever you are, if you can't pay, ask your landlord to work with you. They can get EDIL funds for unpaid rent. You may be able to pay commercial rent once you get PPP funds.
- **Mortgage and car loans** - Most banks have instantly activated their 2008 programs for 90-day, no-penalty deferrals. Do not accept forbearance as a balloon payment - should be added to the end of your existing loan term
- **Credit cards** - Call your lender - most can waive at least one month's late payment and adjust your interest rate on the spot
- **Gold / Platinum AmEx** - Shocking, I know, but they are making it very easy to use their hardship program to skip 2 payment deadlines, waive interest, and reinstate points
- **Federal student loans** - Dept of Ed issued a 6-month interest rate holiday. You can suspend your payments without penalty until October
- **Merchant fees** - Great time to ask your processor to negotiate!

RESOURCES



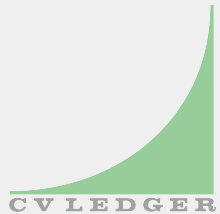
Support RN!

- CCI resource list <https://tinyurl.com/CCI-emergency-resources>
- [Freelance resource list](#)
- **Small Business Development Corp (SBDC)** - americassbdc.org
 - A free, federally-sponsored program with 600 locations
 - Professionals & business owners from your community provide free business consulting and support - 2 assigned to you within 24 hours
- **Silicon Valley Bank** - covid19businesscenter.com
 - A one-stop shop for finding and applying for a wide variety of assistance
- **Inc. Magazine** - <https://www.inc.com/brit-morse/sba-loans-coronavirus-stimulus-package-cares-act.html>

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CEO & Founder, CV Ledger
hello@cvledger.com
CVLedger.com



QUESTIONS!



Jill James
CEO & Founder, Sif Industries
jill@sifindustries.com
SifIndustries.com