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Accounting Executive Roundtable Summary --- Thursday July 9, 2020

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PPP money

How do you structure it on the balance sheet? What are the rules for paying it back?

Latest change is that you have up to 24 weeks or December 31st if you want to extend for comparing headcounts. Making it more forgivable.

Until you know the forgiveness, you account for it as a loan.

How do you deal with it if you figure you get 85% forgiveness, but won't have it forgiven in the 3rd or 4th quarter?

The baseline headcount for forgiveness is different now. One question is if you can count temporary employees in the headcount because the idea is to retain people permanently. But if you use temps on a regular basis like many manufacturers, how will that be counted?

Originally it was going to be 75% labor and 25% overhead, Now it is 60/40, making total forgiveness much easier.

Another new exclusionary item is if a person refuses to return or is fired for cause you can add them back into your numbers. They don't hurt you as far as your headcount is concerned. That makes it easier to get it completely forgiven even with a slightly lower headcount.

The forgiveness is going against operating expenses, and will be accounted for there. Being in the 24 month program it is necessary to figure out what percentage of the forgiveness goes into which quarter and which fiscal year.

Unless you get the lender to agree to the forgiveness number it may cause a problem with your lender to apply the forgiveness before it is finalized. ASC470 – debt extinguishment is the problem. It will be a problem with the bank.

If it is treated as a debt extinguishment, then you won't get to net it against operating expenses. Of course having no labor expenses would be unusual. But, the idea of the act was to keep people working. Since they would have been laid off otherwise, having a zero labor cost does make sense.

It might be included in miscellaneous income. It is a cash item. Cash coming in. Treatment for EBITDA is important.

RKL CPA firm is holding one hour seminars every Friday covering a range of topics. The topic for July 10th was how to deal with loan forgiveness.

SBA also had EIDL available, but no one on the call took it.

Shape of the recovery

Some people are seeing a bump in business. Most are not. What shape is the environment for those on the call?

(One participant) First quarter 105% of plan Disastrous April – 40% of plan, May and June at 80% rate. Looks like July and August will be the same. Awnings and tents, laminated vinyl. Automotive business hit very hard. The tent business is going strong. Lots of localities building temporary shelters. Hospital business for room dividers and other needs are going very strong. And tent shelters for restaurants. Event rentals were way down because of less events, but using the tents for businesses is very strong.

(One participant) April 50%, May 60%, June 80%, hope July and August will be 90% of plan. Automotive and clients are poor, but building component going very strong for them and carrying them in May and June.

Does anybody know what is happening in hospitality, restaurants, etc.?

Take out is happening, but no inside dining. It is a problem. No one on the call is affected by it.

Risk projections for clients and suppliers

(One participant) Every week we ask the salespeople if the orders are firm. They keep saying they are firm. Nobody is seeing problems with customers being hurt by supply chain disruptions. It looks like all the orders are real and firm.

(One participant) In April payments from customers REALLY slowed down, and that has come back. Now they are paying on time. Suppliers have not been a problem.

JIT has not been affected for major suppliers. A couple of stories of suppliers stopping, but not a major problem for those on the call. I brought up one company who had a major supplier go bankrupt, but no one is seeing it happen.

Difference between the 2008/2009 crisis and now is that in that crisis everyone was struggling as the economy shut down. In 2020 companies were going strong before they were shut down. So the companies have been in much better shape to survive the crisis.

(One participant) In 2008/2009 competitors went out of business, but this time, that is not happening. There is not the opportunity to pick up business that there was in 2008/2009.

Personnel

In the recruiting business I see bookings down 50% for professional searches. CFO, controller, computer programmers, engineers and lower level searches were put on hold. People are also getting more effective working from home than they were working from the offices. Accountants, computer programmers, etc. are being more effective. Some projects are getting done ahead of time.

Hourly people working from home are doing very well. Salaried people are putting in more work and more efficient because they don't have to commute. A lot of the salaried people who have been brought back are unhappy and maybe even less productive back at the office.

Folks with jobs are grateful they have jobs and stepping up their production. People are very happy that they were kept safe. The hourly people in the plants that weren't let go are very grateful that their pay and jobs have been kept. It has been a good development.

Virus cases in the plants and offices

Some of the office and manufacturing workers have been tested. Out of over 700 employees of folks on the call, ZERO have made it to work. There have been 3 cases of COVID-19 that never made it to the office or plant. They tested and self-quarantined.