COVID-19: RESPONSE GUIDANCE FROM BKD TRUSTED ADVISORS
We’ve heard this phrase countless times throughout our lives: “Hope for the best, but plan for the worst.” And while, at its core, this is good advice passed down from one crisis survivor to the next, we’re also keenly aware that hope isn’t a strategy we can rely on completely.

As business and community leaders, we understand that in times of great uncertainty, we must lead our companies and teams with optimism and confidence, believing wholeheartedly that the best is yet to come. However, we also must understand that to overcome the unprecedented challenges we’re facing, we can’t stand still and hope that our situation will suddenly turn around or financial aid from the government will be the magic solution to make our businesses whole again.

With that in mind, BKD Trusted Advisors™ have compiled guidance on key areas that business leaders should focus on to not only guide their teams through times of difficulty but also prepare them to come out stronger on the other side.

Wishing you good health and success,

Ted Dickman, CEO
BKD CHECKLIST – KEY CONSIDERATIONS FOR BUSINESS LEADERS

1. LEAD WITH PROACTIVE COMMUNICATION
   Internal
   • Develop a clearly defined communication plan
   • Prepare to transition to a remote work environment
   • Provide employees with resources directly related to their situation
   External
   • Develop a core customer communication and credit plan
   • Proactively communicate with outside organizations
   • Formulate a supplier plan to protect the supplier chain

2. CASH FLOW PLANNING
   • Communicate financial updates and remediation plans
   • Consider your available options
   • Review recurring, noncritical subscriptions
   • Be innovative – Embrace new ideas and don’t overlook updating your clients
   • Stay informed – Knowledge is power

3. UNDERSTANDING YOUR RELIEF OPTIONS
   Economic Injury Disaster Loan
   • Determine your eligibility
   • No application fee
   • Additional funding available
   CARES Act Provisions
   Paycheck Protection Program
   • No personal guarantees required
   • Available to those with fewer than 500 employees
   Business Interruption Claims
   FEMA Public Assistance

4. TAX PROVISIONS
   • COVID-19 Cash Flow & Tax Relief Flowchart

5. CYBERSECURITY CONSIDERATIONS
   • Beware of suspicious emails
   • Verify emails
   • Be aware of phone call scams
   • Adjust your social media privacy settings
   • Stay in contact with those you know

6. REMOTE WORK BEST PRACTICES
   Key Considerations
   • Remote access and capacity
   • Device security
   • Confidentiality
   • Remote workspaces
   • People
LEAD WITH PROACTIVE COMMUNICATION
EXTERNAL COMMUNICATION PRIORITIES

Develop a Core Customer Communication & Credit Plan to Reduce Collection Risk

It’s crucial that you communicate with your most important customers. As you step up collection efforts, do so from the stance of a business partner and not an adversary. In some cases, it may be worthwhile to temporarily offer a terms discount for faster payment. For noncore customers, make sure you have assigned someone to actively monitor collection activity. The unpaid small accounts will add up over time if you don’t monitor them.

Proactively Communicate with Outside Organizations

In addition to customers, many organizations interact with outside organizations such as banks or other lending institutions and insurance companies. Inform them of your action plan and review the terms and conditions of any agreements currently in place. It also may be beneficial to evaluate your company’s health insurance coverage and inquire about other insurance coverage that could mitigate risk in the event an employee contracts COVID-19 while performing job duties. Proactively addressing these items now can help you make sound business decisions in the future.

INTERNAL COMMUNICATION PRIORITIES

As the SARS-CoV-2 virus and incidence of COVID-19 continue to evolve, organizations that consistently communicate with their employees can help mitigate the pandemic’s effects on their operations. During a crisis, effective communication starts with the tone at the top. Organization leaders should develop a clearly defined internal communication plan. This includes providing regular updates from company leadership to employees and establishing an internal task force to monitor and respond to new developments.

Organizations transitioning their employees to working remotely should determine how this change will affect their technology and infrastructure. In addition, they should review their work-from-home policy and ensure employees have the tools to work effectively and securely in a remote environment. See Section 5: Cybersecurity Considerations for more guidance.

With the stress of navigating COVID-19’s ramifications on your business, it can be easy to overlook the challenges your employees face. Providing resources to your workers related to how the situation directly affects them can help give them peace of mind that you’re working to address their questions, needs and concerns. Consider creating a resource page on your intranet with guidance directly related to employees, e.g., a FAQ section related to the virus, information on health insurance coverage, etc.

EXTERNA LCOMMUNICATION PRIORITIES

Formulate a Supplier Plan to Protect the Supply Chain

Just as with key customers, it’s important to communicate with your critical suppliers. Suppliers you have a long-standing relationship with are more likely to accommodate you if temporary adjustments to payment terms become necessary. Don’t lose sight of your business’s importance to your supplier. If you find yourself falling behind with a key supplier, discuss options to continue paying for ongoing purchases while paying past-due invoices over an extended period.
CASH FLOW PLANNING
With each passing day, more noncritical industries are facing mandated stay-at-home orders. When combined with recommended social distancing and isolation orders, economic activity and related cash flow have come to a sudden halt. Without positive cash flow, the cash reserves of businesses can be depleted quickly. Below are five best practices to help you mitigate these effects:

1. **Communicate** – Be proactive in communicating with your financial institution and creditors to inquire about modified arrangements. Be ready with financial updates and your remediation plans, and don’t hesitate to seek assistance as federal, state and local agencies step forward with financial measures to help the economy bounce back. Be proactive—it may pay off. Similarly, don’t fall into the trap of abandoning sales and marketing efforts or making deep cuts to your customer-facing personnel unless absolutely necessary. You may find that a special, limited-time pricing offer will help you land important new clients during this critical time.

2. **Consider Your Options** – In addition to payroll tax credit and deferral options detailed in the chart linked on page 15, the Small Business Administration (SBA) has temporarily expanded two of its programs. See pages 10 and 11 to learn about the SBA Economic Injury Disaster Loan and the Paycheck Protection Program.

3. **Review Subscriptions** – Check your general ledger and examine any recurring subscription-based services. Work with vendors to put noncritical subscriptions on hold. Reach out to additional vendors to negotiate extended payment terms and terminate minimum purchase contracts.

4. **Be Innovative** – Get creative with your revenue cycle and get the digital word out. As many Americans are currently working remotely, digital media has been the sole source of getting this word out. Embrace new ideas and don’t forget to keep your customers updated.

5. **Stay Informed** – Knowledge is power, so stay on top of your accounting and numbers daily. Although government-mandated stay-at-home orders can be burdensome, there are cloud-based accounting solutions for all facets of the accounting cycle.
13-WEEK CASH ROLLER

Many businesses, communities and families across the nation have been responding to the unprecedented challenges caused by the COVID-19 pandemic. You are our client, and you are resilient. BKD Trusted Advisors are here to help you face these challenges head on. We are assisting clients with analyzing cash flows by constructing 13-week cash rollers to help identify critical liquidity gaps. This is an example of the type of inputs to consider when developing your cash flow roller.

1. Customer Plan
2. Vendor Plan
3. Labor Plan
4. Material Resource Planning
5. Financing Plan
UNDERSTANDING YOUR RELIEF OPTIONS
ECONOMIC INJURY DISASTER LOAN

Economic Injury Disaster Loan
The SBA’s Economic Injury Disaster Loan (EIDL) program is available to small businesses, small agricultural cooperatives, small aquaculture businesses and most private nonprofit organizations that have been directly affected by the COVID-19 pandemic.

Note: Agricultural enterprises are not eligible for disaster assistance through the SBA; instead, these businesses are encouraged to use emergency loan programs provided by the Farm Service Agency through the USDA.

ADDITIONAL ITEMS TO CONSIDER:
- Is your business an eligible small business in your industry?
- There’s no application fee or prepayment penalty associated with an EIDL.
- Current guidance from the SBA indicates applications will be processed, approved and funded within three to four weeks. Short-term conventional financing obtained during this interim period may be eligible to be refinanced with the EIDL proceeds.
- If approved, the borrower can request additional funding if the initial loan amount isn’t enough to cover the actual economic injury.
- Recent guidance indicates the SBA has suspended the requirement of taking real estate as collateral. Other collateral, if available, may still be required to be pledged.

For the latest news, updates and resources, follow us on social media or visit our COVID-19 Resource Center.
On March 27, 2020, President Trump signed the *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act) into law. Although the CARES Act includes significant tax, unemployment insurance and health-related provisions, this section will address the provisions affecting SBA loan programs available to small businesses and nonprofits.

- The CARES Act provides the following changes to the Economic Injury Disaster Loan (EIDL) program, available through December 31, 2020:
  - The CARES Act expands the definition of an eligible entity to include individuals who operate as a sole proprietorship, with or without employees, or as an independent contractor and any business, cooperative, employee stock ownership plan or tribal small business concern with not more than 500 employees.
  - Personal guarantees aren’t required for advances and loans of up to $200,000.
  - The requirement that the applicant needs to have been in business for at least one year prior to the disaster is waived; however, the applicant is required to have been in operation on January 31, 2020.
  - The CARES Act waives the requirement that the applicant be unable to obtain credit elsewhere.
  - The applicant may be approved based solely on credit score or an alternative method to determine repayment ability.
  - The applicant can request an advance of up to $10,000 to be funded within three days of application submission. The advance isn’t required to be paid back, even if an EIDL is ultimately denied.
- The CARES Act increases the amount available through SBA Express Loans from $350,000 to $1 million through December 31, 2020.
- The CARES Act expands the SBA 7(a) loan program to include the Paycheck Protection Program (PPP):
  - PPP loans are available to any business concern, 501(c)(3) nonprofit, veterans’ organization and tribal business that employs not more than the greater of 500 employees or applicable employee size standard as provided by the SBA.
  - The program also is available to sole proprietors, independent contractors and self-employed individuals.
  - The loan amount is determined as the lesser of two and a half times the average monthly payroll costs (as defined by the CARES Act) during the previous 12 months or $10 million.
    - Loans are 100 percent guaranteed by the SBA—no personal guarantee is required.
  - To the extent allowable, expenses have been incurred and paid for during the eight-week covered period, and these loans are eligible for forgiveness to incentivize employee retention and the reduction of wages by less than 25 percent when compared to the prior quarter, as detailed in the CARES Act.
- The PPP correlates with other provisions in the CARES Act.
  - Acceptance and receipt of the PPP loan eliminates the applicant’s eligibility to obtain employee retention credits as made available in a separate provision of the CARES Act.
  - In addition, should any PPP indebtedness be forgiven, the delayed payment options for the employer’s share of payroll taxes won’t be available to the applicant.

For additional information on your options, please contact the SBA or an approved PPP lender.
BUSINESS INTERRUPTION CLAIM

For anyone who has ever experienced a loss due to a natural or human-made disaster (and now a pandemic), picking up the pieces and getting your business back on track can be a difficult task. The recovery time is often longer than one might expect, and working with insurance companies, even when you have the appropriate coverage, can present challenges. Having a basic understanding of your insurance policy, its terminology and the methodology used to calculate your losses can help streamline the process and leave you better equipped to deal with issues as they arise. Business interruption coverage is intended to recover lost business income when an event occurs.

CONSIDER THESE STEPS:

• Get to know your policy specifics/definitions – Check to see if COVID-19 has in some way triggered a policy loss
• Identify where you’re incurring losses – It may be your entire business or particular segments
• Notify your insurance carrier
• Be diligent in tracking your expenses incurred due to the event:
  ○ Create new general ledger accounts
  ○ Retain supporting documentation
  ○ Identify costs incurred for alternative arrangements for employees
  ○ Identify costs incurred in order to save means of production and delivery
• Mitigate losses – Attempt to operate, if possible; consider alternative ways of doing business to help limit your losses

FEMA PUBLIC ASSISTANCE

On March 13, 2020, President Trump declared COVID-19 a national emergency, enacting the emergency powers of the federal government pursuant to Part 501(b) of the Robert T. Stafford Disaster Relief and Emergency Assistance Act of 1988 (Stafford Act). This allows the federal government to use approximately $40 billion from the Federal Emergency Management Agency (FEMA).

As a result of this declaration, state, territorial, tribal and local government entities and certain private nonprofit (PNP) organizations are eligible to apply for FEMA Public Assistance. Private for-profit organizations, including for-profit hospitals, aren’t eligible for assistance directly from FEMA. However, these entities may contract with a state, local, tribal or territorial government entity. FEMA will then reimburse the governmental entity for the cost of the eligible work, which would then be paid to the private provider for its services.

FEMA funding is designed to reimburse qualified organizations for much of their emergency response cost—but only if their application for funding is properly structured and timely presented. The eligible emergency protective measures under Category B costs related to COVID-19 include:

• Management, control and reduction of immediate threats to public health and safety
• Triage and medically necessary tests, diagnosis and prescription costs
FEMA PUBLIC ASSISTANCE

- Emergency medical treatment and transport
- Use or lease of necessary specialized medical equipment
- Purchase of personal protective equipment, durable medical equipment and consumable medical supplies
- Medical waste disposal related to eligible emergency care
- Evacuations and sheltering
- Force account labor

Reimbursement for costs is retroactive to January 20, 2020. As a best practice, applicants should formally track and document all costs. While lost revenue isn’t covered under the Stafford Act, it may be covered by other funding sources, such as Title V of the CARES Act.

Since the FEMA funds will come in the form of grants, applicants should be aware that these grant programs are subject to the Federal Procurement Standards (2 CFR Parts 200.317-200.326). These procurement rules include the following:

- State applicants are required to follow their own procurement procedures as well as the federal requirements for procurement of recovered materials and inclusion of required contract provisions per 2 CFR Parts 200.317, 200.322 and 200.326.
- For nonstate entities, 2 CFR Part 200 establishes requirements for the exigency or emergency exception that permits the use of noncompetitive procurement procedures. Failure to follow federal contracting and procurement requirements puts nonstate entities at risk of not receiving reimbursement or not being able to use FEMA grant funds for otherwise eligible costs.

For the latest news, updates and resources, follow us on social media.
SECTION 4

TAX PROVISIONS
COVID-19 CASH FLOW & TAX RELIEF

While the Families First Coronavirus Response Act (FFCRA) and Coronavirus Aid, Relief and Economic Security Act (CARES Act) include an overwhelming amount of guidance, it’s important to understand key provisions that could be most significant to individual and business taxpayers. We’ve included a flowchart below to help steer you in the right direction. We also encourage you to visit our COVID-19 Resource Center or speak to a BKD tax advisor for more tools and resources to help guide you on the best path forward in your current situation.

For a detailed summary of tax relief options, including payroll tax credit and deferral options, check out this helpful chart developed by BKD’s trusted tax advisors.

START HERE: What type of financial relief is your business in need of?

- Paid leave for employees who are unable to work or telework due to being subject to quarantine, sick or caring for someone else.
- Cash flow, e.g., make payroll, cover operating expenses, etc.
- Do you have NOLs arising in 2018 or 2019?
  - Yes: You may qualify for the employee retention credit. Contact your BKD Trusted Advisor for assistance with calculating this credit.
  - No: Consider NOL carryback provisions.
- Do you have AMT credit carryforwards?
  - Yes: You may be exempt from the paid leave provisions under the FFCRA. There is a hardship exemption for small businesses, and health care providers may exempt certain employees (on an employee-by-employee basis) from the FFCRA paid leave provisions. See Department of Labor guidance for more information.
  - No: Consider refundable AMT credits.
- Do you have 500 or fewer employees?
  - Yes: You do not qualify for the FFCRA paid leave tax credits and are not required to provide paid leave under the FFCRA.
  - No: You are likely to be subject to the FFCRA, which requires employers to provide paid leave of up to 12 weeks for eligible employees.
- Are you a health care provider OR do you have fewer than 50 employees?
  - Yes: You are likely not eligible for SBA programs. However, businesses in certain industries may still meet the SBA employee-based size standards.
  - No: Contact your BKD Trusted Advisor for assistance with calculating paid leave wages and associated credits.

You are likely not eligible for SBA programs. However, businesses in certain industries may still meet the SBA employee-based size standards.

1You must choose either the employee retention credit OR the SBA Paycheck Protection loan if you qualify for both.
2Businesses will be able to receive an EIDL and a Paycheck Protection loan as long as they are used for different costs. For example, a business can receive an EIDL for working capital and a Paycheck Protection loan for payroll assistance.
SECTION 5

CYBERSECURITY CONSIDERATIONS
Although economic activity has slowed down dramatically, activity from cybercriminals remains an ever-present and viable threat. Here are five things you should consider to help protect your business from bad actors who may be looking for vulnerabilities in your cyber defense.

1. **Beware of Suspicious Emails**: Many are already inundated with emails from organizations, ranging from travel and restaurants to even their own workplace. Be wary of emails from senders you don’t recognize. Don’t click on links or download anything from those emails.

2. **Verify Emails**: If an email gives you instructions to follow, verify it’s legitimate. Hover your mouse over the return address to make sure it’s from a source you recognize. If it’s not, you likely shouldn’t open it.

3. **Be Aware of Phone Call Scams**: Working remotely may require employees to increase their mobile phone use. There are many calling techniques used by cybercriminals to attempt to gather personal or business-related information. If you don’t recognize the number that appears, let it go to voicemail.

4. **Adjust Your Social Media Privacy Settings**: During a crisis, people will use social media to report their status and connect with others. Social media platforms can be an effective communication tool; however, malicious actors can use information on social media to take advantage of the situation. Here are a few tips to protect yourself and your employees on social media:
   - Adjust the privacy settings that many social media platforms offer to control who sees your content.
   - Limit your communications to only your friends or your network. Be wary of anyone you don’t know attempting to connect with you. Bad actors may use elements of emotion to get you to respond to them.

5. **Stay in Contact with Those You Know**: While staying wary of cybercriminals, do keep in contact with your friends, family and co-workers. Share information, especially as you learn of potential scams or social media attacks. Working together, you can help mitigate the potential risk.

Visit [bkdcyber.com](http://bkdcyber.com) for additional tips and guidance for managing cyber risk.
While there are many best practice recommendations for transitioning to a remote work environment, we’ve included some key considerations below that may be helpful when updating your business continuity plan now and in anticipation of future events.

**Remote Access & Capacity**
How will you allow employees to access data? A virtual private network (VPN) is the preferred method, but would a file-sharing solution like Microsoft Office 365 better fit your needs? Perform a stress test to identify bottlenecks or limitations within these channels. Test now, and periodically, under current conditions for future needs. Using a VPN may be ideal for simply accessing company data.

**Device Security**
A usage policy should be approved by management and reviewed periodically to help ensure that company needs are being met. Considerations should be made to secure equipment used for working remotely, i.e., laptops should never be left unattended in vehicles and endpoint protection, local drive encryption and multifactor authentication should all be considered to protect the data stored on the device.

**Confidentiality**
The confidentiality of client or company information should be carefully considered when working remotely. Phones should have screen lock policies and be protected by a PIN or password. Remind your employees to be mindful of what others can see or hear when in public. Employees working from home should determine who has access to their workspace and establish ways to protect sensitive information.

**Remote Workspaces**
It’s probably best to avoid working in public areas during this time. Employees may seek out other areas to work if their home isn’t conducive for work tasks. However, public internet hotspots may be monitored by criminals and you may not have the appropriate privacy. If you have employees working in a remote public location, you should consider implementing a VPN.

**People**
Always identify who’s deemed essential and what’s required of those individuals beforehand. Being on the same page regarding expectations may help avoid confusion during a crisis.
COVID-19 RESOURCE CENTER

The COVID-19 outbreak is an evolving crisis, and we want to keep our clients and friends up to speed on the latest updates. Visit our COVID-19 Resource Center for relevant news, changing guidelines and new regulations. Want these resources delivered straight to your inbox? Subscribe to BKD Thoughtware® for the latest insights on COVID-19 and other pertinent industry information.

CONCLUSION

The COVID-19 pandemic continues to affect more organizations around the world. BKD is committed to helping you find innovative ways to respond to the evolving crisis and adapt to the massive disruption of your businesses, employees and communities. If you have questions or would like assistance with navigating the current situation, reach out to a BKD Trusted Advisor today.

CONTRIBUTORS

We would like to thank the following BKD Trusted Advisors who contributed to this resource:

- John Mather
  National Industry Partner
- Jim Ashley
  Director
- Cindy Boyle
  Partner
- Rex Johnson
  Director
- Jesse Palmer
  Partner
- Julia Dengel
  Manager
- Yelena Bosovik
  Senior Associate II
- Sean Sarsfield
  Director
- Julia Mast
  Director
- Chris Schumann
  Managing Director
- Greg Knight
  Director