

CORONAVIRUS CRISIS MANAGEMENT FOR MUSEUMS

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INTRODUCTIONS



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THE MARCUM CORONAVIRUS RESOURCE CENTER

Stay up-to-date on how the coronavirus (COVID-19)
will impact your organization.

marcumlp.com/coronavirus

IMPORTANT

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LEARNING OBJECTIVES



After completing the session, participants will be able to...

- Understand tax relief provided under recent legislation – CARES Act and Families First Coronavirus Response Act
- Understand the two available SBA loan programs including structure, eligibility, amounts, timing and how to apply
- Identify opportunities to create financial liquidity and stay solvent
- Understand action steps to weather the tide of business challenges
- Understand financial statement considerations

“In the long run, men hit only what they aim at.” – Henry David Thoreau

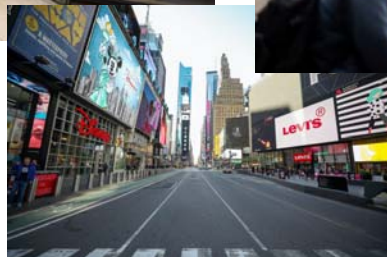
WE LIVE IN INTERESTING TIMES



Businessinsider.com



Newyorktimes.com



Businessinsider.com

DEVASTATING IMPACT ON MUSEUMS

- Before the crisis large percentage of museums already dealing with operating deficits
- Closures resulting in 100% loss of admissions revenue
- Canceled events resulting in 100% loss of rental and catering revenue
- Canceled galas and fundraisers leading to loss of donations
- Social distancing and lockdowns expanding and lengthening
- Layoffs, furloughs, decline in reserves, investment value declines
- Long term impact even after reopening

RECENT HEADLINES

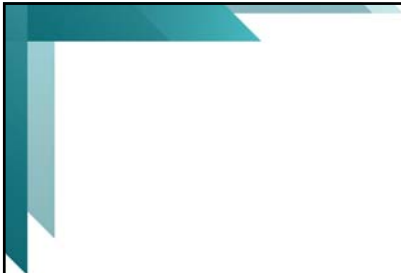
Met Museum Prepares for \$100 Million Loss and Closure Till July
[NYTimes.com March 18, 2020](https://www.nytimes.com/2020/03/18/arts/museum-of-modern-art-closure.html)

Museum Alliance Seeks \$4 Billion in immediate Relief From Congress With Coronavirus Closures Devastating Industry [Forbes.com March 19, 2020](https://www.forbes.com/2020/03/19/museum-alliance-relief-congress-coronavirus-closures.html)

The Arts Will Recover From the Coronavirus, As They did after 9/11. But They Might Look A Lot Different
[Washingtonpost.com March 19, 2020](https://www.washingtonpost.com/arts-entertainment/the-arts-will-recover-from-the-coronavirus-as-they-did-after-9-11-but-they-might-look-a-lot-different/2020/03/19/)

Coronavirus Closures Could Cost Hartford Arts Organizations \$7.7 Million in Revenue, Early Survey Says
[Hartford Curreant March 31, 2020](https://www.hartfordcourant.com/story/news/2020/03/31/coronavirus-closures-hartford-arts-organizations-revenue-survey/5241140002/)


Museums Nationwide Bracing For Economic Devastation Due to Coronavirus Closures
[Forbes.com March 19, 2020](https://www.forbes.com/2020/03/19/museums-nationwide-bracing-for-economic-devastation-due-to-coronavirus-closures.html)



CARES ACT AND FAMILIES FIRST CORONAVIRUS RESPONSE ACT

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FAMILIES FIRST CORONAVIRUS RESPONSE ACT

TAX RELIEF – REFUNDABLE PAYROLL TAX CREDITS

- Business Tax Credits for Paid Sick Leave and Paid Family Medical Leave (FFCRA Section 7001 and 7003)
- Private Companies with Less than 500 Employees – now required to offer paid family and sick leave, subject to conditions.
- 100% Refundable Tax Credits of the sick wages paid plus proportionate share of health care costs incurred

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FAMILIES FIRST CORONAVIRUS RESPONSE ACT (2)

Sick Leave paid at employees regular rate

- Pay employees full wages up to \$511 for 10 days (\$5110, total) if unable to work:
 - To quarantine because the employee is diagnosed with coronavirus;
 - To seek a diagnosis or preventive care for coronavirus;
 - To comply with a recommendation or order by a public official with jurisdiction or healthcare provider on the basis that the physical presence of the employee would jeopardize the health of others due to exposure of the employee to coronavirus or exhibition of symptoms by the employee; or

FAMILIES FIRST CORONAVIRUS RESPONSE ACT (3)

Sick Leave paid at two-thirds employee's regular rate

- Pay employees 2/3 of full wages up to \$200 for 10 days (\$2000, total) if unable to work:
 - Employee caring for individual subject to quarantine or advised to self-quarantine
 - Employee caring for child when school/care facility is closed

FAMILIES FIRST CORONAVIRUS RESPONSE ACT (4)

Family Leave

- Employee unable to work due to care for child under 19 when school/care facility closed
- Paid leave - 10 week maximum
- 2/3 of regular pay, \$200/day, \$10,000 total

- Credit for health insurance coverage during leave period

• Paid Sick Leave	\$5,000	\$10,000
• Payroll tax liability	\$8,000	\$ 8,000
• Pay/(refund)	\$3,000	(\$ 2,000)

FAMILIES FIRST CORONAVIRUS RESPONSE ACT (5)

Other provisions:

- Expanded food assistance and unemployment benefits
- Federal grants to states to help process and pay unemployment claims
- COVID testing at no cost to insured in healthcare plans

CARES ACT – Employee Retention Credit

- Refundable tax credit against SS tax up to 50% of wages paid during COVID-19 crisis, up to \$10,000 per employee.
- Wages paid between 3/13 – 12/31/20
- Eligible employer
 - Whose operation is fully or partially suspended due to orders from an appropriate governmental authority limiting commerce, travel or group meetings due to COVID-19; or
 - Who has a “significant decline” in gross receipts (i.e., there is a decrease to less than 50% of the gross receipts for the same quarter in the prior year).

CARES ACT – Employee Retention Credit

- For employers with more than 100 employees, this credit is for wages paid to employees that provided no services during the shut-down.
- For employers with 100 or less employees, all wages qualify for the credit without regard to whether the employee worked or the employer was in operation.
- Not eligible for obtaining loans under PPP
- Excludes paid sick leave or paid family leave wages paid under the FFCRA, however, this credit may apply to wages paid to the same employee once they return to work.

CARES ACT – TAX PROVISIONS

- Cash rebates -\$1,200-single; \$2,400-married; \$500/child
 - If income less than 75,000; 150,000, amounts in excess begin to phase out
- Delays payroll tax payments for 2020 until 2021 and 2022
 - Begins April 2020, may elect to defer the 6.2% SS tax.
 - Not eligible for PPP if deferring taxes

CARES ACT – UNEMPLOYMENT RULES

- Expands benefits to self-employed and independent contractors
- \$600/week increase to 7/31
- Additional 13 weeks of benefits beyond what states allow for those needing it
- Jobless claims last week were 3.3m – 4X PREVIOUS RECORD

Tax provision that may affect UBIT

- Rules governing net operating losses (NOLs)
- Temporary acceleration of refund ability of corporate alternative minimum tax credits
- Suspension of limitation on loss rules for tax-exempt trusts
- Extension of filing and payment deadline for Form 990-T due 4/15

TAX RELIEF – FEDERAL INCOME TAXES

Charitable Giving Incentive

New above-the-line deduction

- Up to \$300
- Cash contributions made in 2020

Contribution Limitations

Individual Itemizers:

- Suspend existing cap on annual contributions from 50% or 60% of AGI for cash to 100%

Corporations:

- 10% AGI limit increased to 25% of AGI
- Donation of food by corporations would be capped at 25% up from 15%

TAX RELIEF – FEDERAL INCOME TAXES

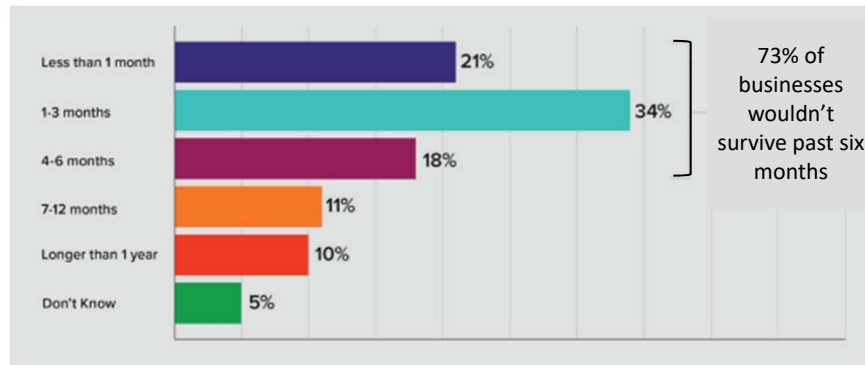
- Automatic Extensions to File **and Pay** Federal Income Taxes until 7/15
 - Applies to individual, partnership or corporation
 - No interest or penalties
 - Does not apply to gift, estate, payroll or excise taxes
 - Applies to first quarterly estimated payments due 4/15 (2nd quarter June payment not yet deferred)
 - Most states likely to follow

No nonprofit filing extension as of yet (other than 990t's for retirement vehicles due 4/15)

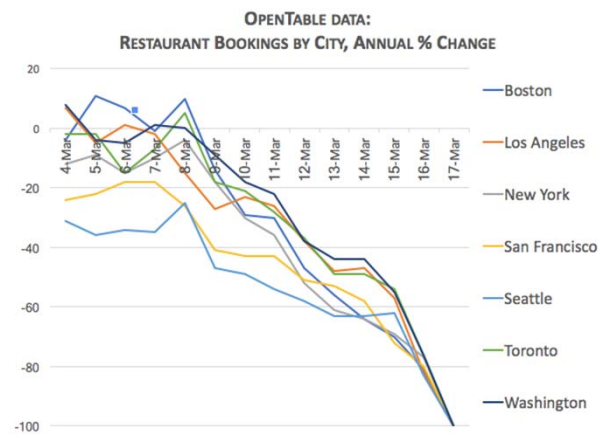
IRS call centers shut down but IRS still accepting mail

SBA LOAN PROGRAMS

HOW LONG WOULD YOUR BUSINESS SURVIVE IF SALES STOPPED COMPLETELY?



RESTAURANT BOOKINGS – MAR 4TH – 17TH



THERE ARE TWO SEPARATE DISASTER RELIEF LOAN PROGRAMS FOR SMALL BUSINESSES

ECONOMIC INJURY DISASTER LOAN (EIDL) PROGRAM

- Suffered substantial economic injury in a declared disaster area (US).
- For-profit or Not-for-profit
- Substantial economic injury means the business is unable to meet its obligations and to pay its ordinary and necessary operating expenses.
- EIDLs provide the necessary **working capital** to help small businesses survive until normal operations resume after a disaster.

\$300B EMERGENCY CORONAVIRUS RELIEF

- Included in the \$2T stimulus relief package working through congress
- Part of *Keeping Workers Paid and Employed Act* (CARES)
- Funds used to pay workers, lease and utility payments

Paycheck Protection Program

- Lender Authority
 - Loans by banks, not SBA
 - Less SBA oversight
- Eligibility
 - Less than 500 employees (all employees)
 - Sole proprietors, self-employed, independent contractors


Paycheck Protection Program

1. 15 day approval
2. Loan Amount – 12 month average monthly PR costs X 2.5 (10M max)
3. PR costs – wages, healthcare costs, retirement benefits, certain taxes
 - Exclude >100k, residence o/s US, sick/family leave
4. Payment Terms – Payments deferred 6-12 months
 - Interest max 4% on unforgiven, max 10 years
5. Uses – PR costs, Interest, Rent, Utilities
6. Other – SBA disaster loans 1/31 – 3/27 – can refinance as 7a(P3)
 - No Fees
 - Express Loans Max 1M
 - Cancelled debt – not revenue
 - No collateral, no personal guarantee
 - “No credit elsewhere” waived


Paycheck Protection Program

- Loan forgiveness – cost during 8 week period beginning on loan date
 - PR Cost
 - Interest
 - Rent
 - Utilities
- Forgiveness reduction
 - FTE eliminated 8 week before loan funded
 - Total wage reduction > 25% (Ees < 100k)
 - If rehired, not reduced by above
- Need proper documentation for loan forgiveness

SBA: ECONOMIC INJURY DISASTER LOAN (EIDL) (1)




Eligibility	<ul style="list-style-type: none"> Small businesses affected by the disaster
Criteria	<ul style="list-style-type: none"> Credit History: Acceptable to SBA Repayment: Ability to repay Eligibility: Suffered working capital damage
Borrowing Limit	<ul style="list-style-type: none"> Up to \$2 Million
Interest Rate	<ul style="list-style-type: none"> 3.75% - For Profit / 2.75% - Not For Profit
Use *	<ul style="list-style-type: none"> Fixed debts, payroll, accounts payable, and other bills
Collateral	<ul style="list-style-type: none"> Required where available




* - not for existing debt reduction, replace lost sales or expansion

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SBA: ECONOMIC INJURY DISASTER LOAN (EIDL) (2)

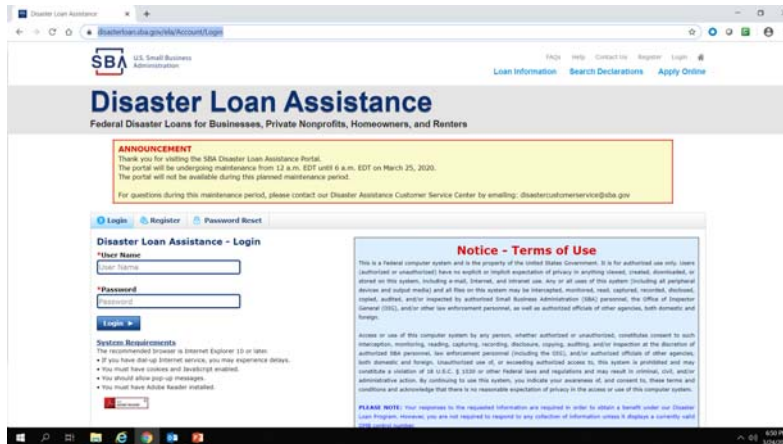


Applying	<ul style="list-style-type: none"> Online or through mail
Documents	<ul style="list-style-type: none"> Loan Application Signed and dated IRS Form 4506-T allowing the IRS to provide SBA your tax return information
Payment Terms	<ul style="list-style-type: none"> Based on borrowers ability to pay
Timing (Estimated)	<ul style="list-style-type: none"> Decision: 2 – 3 weeks Disbursement: 5 days
Link	<p style="margin: 0;">https://disasterloan.sba.gov/ela/Account/Login</p>



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SBA DISASTER LOAN ASSISTANCE LOGIN PORTAL



PAGE 1 OF THE EIDL APPLICATION


It is critical that the ECONOMIC INJURY box be checked on Page 1 or you are applying for the wrong loan

\$300B EMERGENCY CORONAVIRUS RELIEF (1)



Notes: This Bill has not yet passed the House (as of March 26)
 This Bill is different from the SBA EIDL
 Business are not eligible for both programs


Covered Loan Period	<ul style="list-style-type: none"> March 1 – December 31, 2020
Eligible Businesses	<ul style="list-style-type: none"> Up to 500 Employees, In business on February 15, 2020
Borrowing Limit	<ul style="list-style-type: none"> Increases 7(a) loans up to \$10Million thru Dec. 31
Delegated Authority	<ul style="list-style-type: none"> Increases decision making of 7(a) lenders without going thru SBA channels




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\$300B EMERGENCY CORONAVIRUS RELIEF (2)



Repayment Eligibility	<ul style="list-style-type: none"> Simply in business February 15, 2020 and employees with payroll
Fees	<ul style="list-style-type: none"> Waives borrower and lender fees for 7(a) loans
Loan Guarantees	<ul style="list-style-type: none"> Increases government guarantees of loans to 100% through December 31, 2020 (*)
SBA Express Loans	<ul style="list-style-type: none"> Increases maximum loan to \$1M from \$350,000 through December 31, 2020 (*)
Non-Profits	<ul style="list-style-type: none"> Reimbursement for ½ of unemployment costs incurred thru Dec. 31, 2020




(*) – Returns to normal following December 31, 2020

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\$300B EMERGENCY CORONAVIRUS RELIEF (3)



Unemployment Comp.

Soc. Sec Tax Deferral

- Additional \$600 per week pay to each recipient of unemployment or pandemic unemployment assistance for up to four months
- Allows deferral for employers and self-employed to defer employer ½ of Soc Sec Tax to Dec 31, 2021 and 2022

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OTHER CONSIDERATIONS

- Business Interruption Insurance
 - Most BII policies exclude interruptions for viruses
 - Check your policy for specific exclusions
 - Consult with counsel and insurance broker
- Contact your lender about other lending options
- Discuss with your lender options:
 - Payment deferment options (principal and interest for three months)
 - Interest only payments
 - Fee suspension programs
 - Other options

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ACTION STEPS TO WEATHER THE TIDE OF BUSINESS CHALLENGES

1. BE PREPARED: HAVE A PLAN

Product Line:	PUU	QTY	Make Ahead	Total QTY	Raw Material	Raw Material Qty (Cases)	Time Start	Time End	Line No.
Product 254	2284	250	100	350	RM112	7	06:15	07:45	
Product 436	2436	350	0	350	RM435	5	08:00	10:15	
Product 885	2885	500	0	500	RM442	10	10:30	12:30	
Product 915	2915	120	100	250	RM656	6	13:30	14:30	
Product 101	3101	150	100	220	RM445	6	15:00	16:00	
Product 201	3201	120	50	170	RM230	6	17:00	18:00	

- Develop/Refine a Plan
- Conduct Scenario Planning
- Identify Risks / Risk Management
- Identify New Markets, Donors and Products that are Recession Resistant
- Review Reserve Policies

2. MANAGE CASH FLOW

	Jan- Wk1	Jan- Wk2	Jan- Wk3	Jan- Wk4	Feb Wk1
OPENING BALANCE	32,030	26,852	19,535	16,395	8,000
RECEIPTS					
Customer A/R	1,196	7,222	5,467	5,328	5,910
VAT	10	2,611	4,204	3,884	6,910
Intercompany Funding	0	3,285	4,311	4,401	4,440
Corporate Tax	0	1,196	2,174	2,509	3,060
Dividends	4,741	1,100	5,104	6,104	2,710
External Interest	1,000	1,641	1,418	1,407	2,650
Debt Factoring	1,367	2,572	4,404	1,191	4,750
Special Projects	4,241	4,158	8,378	2,184	4,100
Foreign Exchange	287	1,528	1,353	832	1,640
Intercompany Trade	0	0	0	0	0
TOTAL RECEIPTS	12,842	25,313	36,811	27,838	36,210
PAYMENTS					
Total Outflow	3,139	4,838	5,273	7,065	5,330
Salaries	1,682	6,629	1,682	4,177	3,540
VAT	0	804	707	343	570

- Develop 13-Week Rolling Cash Flow Forecast
- Accelerate Receivables
- Decelerate Payables
- Expand Lines of Credit
- Eliminate Expense
- Develop a One Year Forecast with Best and Worst Case Scenarios

3. MANAGE CAPITAL



- Limit Capital Purchases
- Reduce Debt
- Expand Lines of Credit
- Review Endowment Policies

4. ATTEND TO STAFF



- Address Low Performers
- Retain Valuable Staff
- Decisions on Furloughs, Layoffs, Voluntary Retirements
- Utilize Temps for Demand Fluctuations
- Outsource Non-Strategic Centers
- Communicate frequently

Common Response is Fear
Drop Everything (Including Staff) and Run

5. ATTEND TO DONORS



- Reach Out to Your Donors
- Prioritize Critical Donors
- Build Further Trust
- Communicate Positive Impact You are Having
- Get Creative with Donor Engagement and Alternative Events
- Communicate!

6. FOCUS ON ADVANCEMENT AND MARKETING

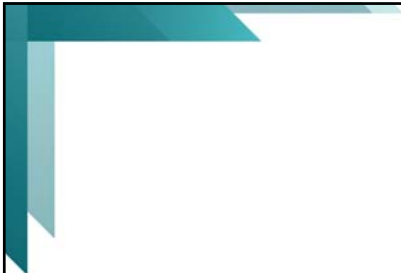


- Continue Marketing
- Understand Your Value in Times of Crisis
- Train/Retrain Staff
- Increase Marketing to the Public through the Internet and Social Media

7. UTILIZE A DASHBOARD AND TRACK EARLY WARNING INDICATORS



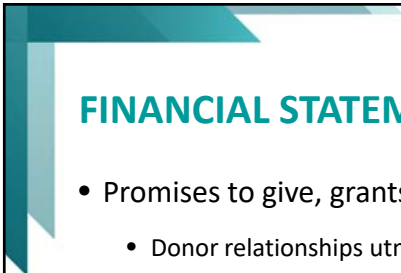
- Monitor, Monitor, Monitor
- Track What Drives the Organization
- Include Early Warning Indicators



UNDERSTANDING FINANCIAL STATEMENT CONSIDERATIONS

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FINANCIAL STATEMENT CONSIDERATIONS

- Promises to give, grants, contributions
 - Donor relationships utmost importance
 - Reclassifications based on changes in donor intent
 - Approval from major donors to redirect restricted funds
 - Sponsors and special events gifts
 - Allowances and reserves for returned funds

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FINANCIAL STATEMENT CONSIDERATIONS

- Endowment, Reserves and Investment management
 - Review of policies with the Board
 - What is allowed by management vs. what requires approval by the Board
 - Unrestricted reserves may be withdrawn or used as collateral (for example, a margin account)
 - Loans from endowment accounts
 - Compliance with your state UPMIFA and various other legal considerations
 - Policy or donor may not allow
 - What interest rate to charge? Prevailing thoughts

FINANCIAL STATEMENT CONSIDERATIONS

- Subsequent Events
 - Two types - Recognized and Unrecognized events
 - Unrecognized events that need to be disclosed
 - Generally subsequent declines in the fair value of financial assets and liabilities measured at fair value on a recurring basis are not required to be disclosed/recognized

FINANCIAL STATEMENT CONSIDERATIONS

- Other Financial Statement Considerations

- Loan and Financial Covenants
- Accounting estimates
- Risks and Uncertainties
- Commitments and contingencies (loss contingencies)
- Liquidity disclosures
- Going concern considerations

SOURCES OF ADDITIONAL INFORMATION



sba.gov/page/coronavirus-covid-19-small-business-guidance-loan-resources



cdc.gov/coronavirus/2019-ncov/index.html



marcumllp.com/coronavirus

UPCOMING WEBINAR

How Your Nonprofit Organizations Can Get the Most From COVID -19 Legislation

Monday, April 6th
1:00 – 2:30 PM EDT

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QUESTIONS

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