



CASH FLOW PLANNING & CONSIDERATIONS

As of April 16, 2020

Planning and forecasting for the next 3-6 months are key, especially in this time of crisis and uncertainty. The actions and decisions you take now and make in the next few months will make an impact on the future of your practice.

We encourage you to reach out and connect with your fellow Eye Recommend members for peer support and guidance as we all navigate through these challenging times.

Eye Recommend is happy to connect you – email admin@eyerecommend.ca.

Monthly Cash Flow Planning



(Reference Cash Flow Planning Excel Worksheet)

1. CASH INFLOW

Monthly Accounts Receivables to Date

- Run an accounts receivable report from your EMR (remember to add in provincial billings which can be anywhere from 15-50 days behind, depending on submission and payment cycle)

2. LESS: CASH OUTFLOW

Monthly Overhead

- Rent, lease or mortgage costs
- Property tax and building liability Insurance
- Commercial insurance (leaseholds, inventory, equipment)
- Utilities (gas, electricity, water, garbage) and other fixed occupancy costs
- Equipment leases
- Staff costs (ongoing costs for extended health, dental, disability premiums)
- Association and/or College dues
- Phone, IT, computer, EMR leases and/or maintenance costs (security)
- Advertising, marketing, website, hosting
- Other general office overhead (office supplies, subscriptions, cleaning)
- Business loan payments (principal and interest), bank overdraft interest, bank account charges
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Monthly Accounts Payables

- Eye Recommend statement shows amounts owing for April, and estimates for May, June, and July (remember additional purchases will be added to statement estimated base amounts)
- Consider upcoming annual expenses such as liability insurance (July), property tax (July), strata fees, other insurance, EMR annual license fees, and taxes
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3. EQUALS: MONTHLY BALANCE

Monthly Surplus/Shortfall

4. FACTOR IN BANK BALANCE

Opening Months Bank Balance

Closing Months Bank Balance

Recommend referencing previous years numbers to ensure nothing is missed in your planning.

Cash Flow Action Plan Checklist

- Reduce staff costs via temporary layoffs and/or use of government subsidy plans (CEWS & TWS)
- Negotiate reductions or extensions on rent from your landlord (letter template available)
- Use options for deferral of tax payments (plan cash flow as this will need to be paid back eventually)
- Reduce unnecessary expenses including cell phone plans, office supplies, subscriptions, advertising, etc.
- Manage account receivables – be proactive in contacting all patients that have unpaid invoices
- Get an up-to-date balance sheet and income statement from your accountant or bookkeeper
- Schedule appointments and or calls with your financial institution account manager – some questions you can ask:
 - How can you support my business and help me increase cash flow?
 - Is a mortgage, loan and/or credit payment deferral an option?
 - Am I eligible for credit facilities and/or extensions and what are the rates?
 - Do I qualify for the any government funding and/or income replacement?

Additional Checklist Items (add any additional items)

Apply for Funding

CEBA: Canada Emergency Business Account

Up to \$40,000 zero interest loan available through major financial institutions with up to \$10,000 forgiven if paid in full by the due date, December 31, 2022

CERB: Canada Emergency Response Benefit

\$2,000 per week for up to 4 weeks – option for personal income

CEWS: Canada Emergency Wage Subsidy

75% wage subsidy for any remaining staff or for owner income (if paid salary)

TWS: Temporary Wage Subsidy

10% wage subsidy deducted from monthly source remittance

BDC: Business Development Bank of Canada and Federal Government Backed Business Loans

Up to \$100,000 available through online application with larger amounts are available through a BDC representative

Alternate Funding: Including home equity loans, line of credit extensions and province specific options

Run a Forecast for Cash Flow



(Reference Cash Flow Planning Excel Worksheet)

Consider different scenarios over a 6-month period to understand assumptions and things that may come up. This will also support any conversations with professional advisors, so they understand what is behind the numbers.

Example scenarios:

- Best case – your practice may reopen in May, but due to social distancing protocols the gross revenue is 25% of normal for the first 2-months, then 50% for July and August, 75% for September and October and 90% for November and December.
- Worst case – your practice does not reopen until the beginning of August, and revenues remain 50% normal for 2-3 months, and then there is another partial shut down for a fall resurgence in COVID-19 and revenues go back to 0-25% for the rest of the year.
- Expected case – your practice reopens in early June, with 50% income for the first month, 75% for the next 3-months (July, Aug and Sept) and a slow build back to 90% (still expecting general economic recession) for the last few months of the year.

Federal Government Program Overview and Links

Canada Revenue Agency: <https://www.canada.ca/en/revenue-agency/campaigns/covid-19-update.html>

Canada COVID-19 Relief: <https://www.canada.ca/en/department-finance/economic-response-plan.html>

Canadian Emergency Wage Subsidy (CEWS)

<https://www.canada.ca/en/department-finance/economic-response-plan/wage-subsidy.html>

- 75 per cent wage subsidy to eligible employers for up to 12 weeks, retroactive to March 15, 2020
- To qualify, eligible employers must see a decline in revenues of at least 15 per cent in March 2020, and at least 30 per cent in April 2020 and May 2020
- The amount of the subsidy for an eligible employee on eligible remuneration paid between March 15 and June 6, 2020 is the greater of:
 - 75% of the amount of remuneration paid, up to a maximum benefit of \$847 per week; and
 - the amount of remuneration paid, up to a maximum benefit of \$847 per week or 75% of the employee's *pre-crisis weekly remuneration*, whichever is less

Temporary Wage Subsidy (TWS)

<https://www.canada.ca/en/revenue-agency/campaigns/covid-19-update/frequently-asked-questions-wage-subsidy-small-businesses.html>

- 10% subsidy, taken off at source as a payroll tax deduction
- Employers who meet the CEWS revenue test for the CEWS can also claim the TWS but any benefit from the TWS "would generally reduce the amount available to be claimed under the CEWS"

Canadian Emergency Response Benefit (CERB)

<https://www.canada.ca/en/services/benefits/ei/cerb-application.html>

- Provides a payment of \$2,000 for a 4-week period for up to 16 weeks
- CERB applies if you have stopped working due to COVID-19 for at least 14 days in a row (new government announcement indicates a loosening of this rule to allow for some work – 10% of normal hours)

Government Program Applicability

For Owner-OD personal income, it is recommended you consult with your accountant and the CRA website. Subsidy rules are still evolving, and situations are different for everyone including you taking personal income in salary or dividends from your company and if you are still working (seeing emergency patients etc.).

Eligibility is roughly as follows:

Program Eligibility and Situation	Salary	Dividends
CERB – working	No	No
CERB – not working or <10% work	Yes	Yes
CEWS/TWS	Yes	No

Canada Emergency Business Account (CEBA)

<https://www.canada.ca/en/department-finance/programs/financial-sector-policy/business-credit-availability-program.html#a1>

- Zero interest business loans available up to \$40,000 with up to \$10,000 forgiven if re-paid prior to December 31, 2022