

[VIRTUAL SUMMIT 2020] FINANCIAL SUSTAINABILITY IN AN UNCERTAIN FUTURE

This is a video transcript from the Fresh Arts Virtual Summit, Session 2: "Self-care for Your Creative Business: Financial Sustainability in an Uncertain Future" with Kathy Ploch which was live streamed on August 8, 2020.

<https://fresharts.org/summit-2020-financial-sustainability/>

Kathy Ploch:

Good morning everyone. Good morning everyone. Hopefully everybody can hear me. I wanna welcome everybody, to the Virtual Fresh Arts Summit. I'm sorry that we can't be in person here today. I remember last year was a lot of fun. My name is Kathy Ploch. And I am a certified public accountant and have been in the tax arena in public accounting for over 35 years now. I was the president of TALA many years ago. And have been a volunteer for TALA for probably at least 20 years. So today unfortunately I don't think I'm gonna be quite as exciting as the presentation we just had a little while ago, with Outspoken Bean and David and Carla Sue. But, I'll try my best.

So-- One thing, as we're going through the presentation, please make sure that you, if you have questions, to post them in the comments section. And we will leave time later on to be able to answer those as best I can. So here is the agenda. So-- The first thing that we're gonna talk about is the lessons learned from the C.A.R.E.S. Act, that's what we've been dealing with so far, since back in end of March. The art of bookkeeping in a COVID-19 environment. We're gonna talk about, some bookkeeping things to help you with your business. How to obtain financial stability in an uncertain future. I think that, if we were in person, I'd be asking Everybody what does Financial Stability look like to you and put what you think Stability is. Gonna ha-- We can get-- As we go. Find stabil-- Kind of like, the-- The way people-- Is living through your means. You're able basic-- Expenses. Got money-- [Technical Difficulties for 23 seconds].

Then back in May he lost his job and is still out of work. So he's not able to get unemployment due to the company that he worked for. It's kind of an unusual situation. But had they not planned ahead and budgeted for and actually stuck with that budget, they wouldn't have had enough money to spend-- They wouldn't have had enough money saved up to be able to spend for their living expenses. So you know we don't know how much longer he's gonna be without a job, but you never know. You know even if he gets a new job next week, that doesn't necessarily mean that he's gonna have the same salary as what he did before. So, yeah I know it's difficult right now in these financial economic times to be able to do that. But there's still a lot of things that we can do.

I thought it was interesting that we're gonna do a SWOT Analysis. I put this in here, maybe a lot of you may or may not really know what a SWOT Analysis is. But, after listening to the kickoff last night and the presentation I just listened to at 10, I think this is really a good thing for people to be able to look into. So we'll kind of go that a little bit. So let's just quickly talk about, the C.A.R.E.S. Act. That's the Coronavirus Aid and Economic Security Act. It was signed back on March 28th. Basically one of the thing, there was many things in there, but one of the main things that it was doing, gave, was these PPP loans or the Paycheck Protection Program Loans. I'm not gonna go into it real in depth or whatever. And if you'd like to know more about the PPP Loan and then the other one the auto loan that we're gonna talk about, TALA and Fresh Arts did a Facebook Live presentation back on April 23rd. And so you can view it on the Fresh Arts website.

So let's recap. The maximum loan amount, was two and a half times your average monthly payroll cost. And, although it's an SBA loan, you're actually dealing with the bank directly. And will pay them back if the loan is not forgiven. So, one of the questions was how do you calculate it if your self-employed? That was, many questions that people had at the beginning. And, especially since self-employed people don't actually get a paycheck. You know with withholdings like I do. The second question was, many people pay independent contractors, and they're not employees. So the problem was, you can't use those people to calculate as payroll because they weren't employed. W2 employees.

So, the third lesson learned here from the C.A.R.E.S. Act was that if any of you have ever been to my taxes for artists workshop that TALA and Fresh Arts do, usually in February, you know that I'm always telling everybody to make sure that you have a separate bank account from your personal account. I know many individual artists especially they don't have a separate bank account for their art. They usually use their personal account. Well now I'm going to update what I am going to be saying from now on, that now I need to say, you need to have a separate business bank account.

In the beginning some of you may have heard that some of the banks were only processing PPP Loan applications to those people that were already existing customers with a business bank account. And not a personal one. So that was really, a drawback for a lot of people. The second lesson learned was whether or not we should revisit the age old problem of whether someone should be paid as an employee or versus or as an independent contractor status. This has always been an issue with the IRS and the Texas Workforce Commission. Although we don't have time to discuss this topic, but it is something that maybe in the future you may wanna consider. There are special rules and criteria that you would have to pay people as an independent contractor. But you know hindsight as they say is 20/20 so we may have, you know some of these people that maybe you had been paying as independent contractors, maybe really should've been employees. And if that was the case, this would be a whole different realm of what that calculation for the PPP Loan may have been. And the third lesson learned here was what am I to give the bank so I can get a PPP Loan? And now, many people have already done that.

So now we may even be looking about the forgiveness and what am I gonna have to give them to have this loan forgiven? And this is the time where it's really very important to know where you stand financially. Remember, as a self-employed person to calculate your monthly payroll. You need it to look at what you had on your Schedule C for 2019 of course provided that you had already filed your tax return. Many of you may not have. But if you hadn't, then you either look for 2018 or else you maybe hopefully had a way of calculating what you have for 2019. So you would take that net income that bottom line profit that you would have on your Schedule C, you would take that amount, you would

divide it by 12, and then you would multiply that by two-and-a-half. So like I said if you hadn't filed your return then you would really need to know what your net income was. And for example what if you had a loss during that year. If you had a loss then there was no loan for you. If you were keeping a set of books, if you weren't keeping a set of books, sorry, this would've been a little bit more difficult for you to be able to have accumulated the information. I know some, what I remember hearing early on, was they were saying, well take all of your 1099's that you've got. Well that's fine for the income side, but you don't wanna turn around and you know, use that amount, because you've got expenses to offset that. I won't, like I said I won't go into the rules, but this loan should be forgiven provided that it was all used for payroll and all other approved costs. Which, I would find very difficult and anybody would have a problem with that.

The PPP Flexibility Act which was signed on June the 5th, that was gave the extended time for the PPP Loan to August 8th which is today. It also extended the cover period for the loan forgiveness from eight weeks after the loan disbursement day to now 24 weeks. If you had already received the loan prior to that date, then you have the option to choose whether you want eight weeks or 24 weeks. It also lowered the 75 percent you had to use for payroll expenses, down to 60 percent. It increased the loan payback if it didn't get forgiven to five years. Plus there was some other favorable positions on that. The other thing that the C.A.R.E.S. Act gave allowed was what they called the Economic Injury Disaster Loan or EIDL Loans. These loans are through the small business administration directly. They actually have been around for a while but they were usually used for businesses that had an effect with a natural disaster such as hurricane Harvey. Since the president had declared the COVID-19 as a pandemic this was considered, you know a natural disaster, and that's why these businesses were able to get this loan, or apply for this loan. Basically the way it worked is you would receive an advance up to of a thousand dollars per employee up to ten-thousand dollars or 10 people or 10 employees with no payback. Didn't have to worry about paying 'em back it's just a thousand freebie money. The SBA will determine how much you receive. But it's generally about six times what your monthly business expenses are. And so that would kind of give you help for you know maybe about six months worth of expenses.

This is, maybe another reason to say that it's maybe better to have an employee as opposed to an independent contractor. Because if you had employees, you know, if you had been paying that person as an employee instead of an independent contractor, you might've gotten more than just one-thousand dollars 'cause you would at least got the one-thousand dollars for yourself. The interest rate, you have 30 years to pay back the loan. The interest rate is 3.75 percent. But if you're a non-profit organization you get 2.75 percent. You have, like I said, you've got a year to start to begin paying that back. And it's basically, you know what they call a working capital loan. So in other words, you can use you know as the PPP Loan you had to only use it for payroll and rent and very specific items. But with the EIDL Loan you can use that for rent, you know payroll of course, accounts payable or your vendors, and other bills that you may have to pay. Like I said, since this is coming from the SBA, they're gonna want more financial type information. And so they are definitely gonna want what we call a balance sheet and a profit and loss. And we'll talk about that in a sec. Texas Workforce Commission.

For me I think that dealing with the TWC during this pandemic has been much worse than dealing with the IRS. So many people, I can't blame them totally, but so many people you know were unemployed, and they were absolutely inundated with phone calls and claims. And I know there were just stories on the news all the time about people not being able to get through to them. And part of the problem too, was the fact that, independent contractors, which have never been able to get unemployment, were now being able to get unemployment. And so that just added to the number of claims and phone calls. And so, I believe that, the minimum amount people were eligible to receive was I think it was the minimum was 207 a week. But then they also got this 600 dollars per week in addition to that. Which was given by the C.A.R.E.S. Act.

Unfortunately that 600 dollars per week stopped last Friday. And so-- There have been many many questions as to what I am supposed to report to TWC. Do I include the PPP Loan? What about the EIDL Loan? I know many artists have contacted TALA about this

issue. And TALA reached out to the Texas Workforce there in Austin to try and get an answer. Because it wasn't readily available on their website, which was no help at all. And I don't know unless one of you that have already experienced this, maybe can share

your experience or your knowledge. But what we had received, we didn't really get a definitive answer.

But the guidelines was, that could be used, was basically what is it you're getting that money for, that grant for? If you're receiving it as for you know, compensation, for work that you're performing, then it would be considered reportable earnings. If it's an emergency grant, I know, there was certainly here in Houston, and all over probably the state, there was a lot of things that the city and the county and various church and other you know kind of organizations were giving people money to help for their food. Their living expenses, their food, their rent. Then that type of funds are not considered income and it would not be reported to the TWC. So just a reminder though, the unemployment that you're receiving is taxable income to you, and you should be receiving a 1099 G by January the 1st, excuse me, January the 31st of 2021 next year. I know when you signed up there was a question under the application. Where it asked if you wanted to have withholding taken out. I think they take it out at a 10 percent rate. I don't know how many people did this, but, even if you had chosen to have withholdings taken out of your unemployment, it still may be not enough to consider it may be not enough to have all your taxes paid by the end of the year. So I want you to keep that in mind because I see too many people, when I'm preparing their tax returns, that a lot of times they weren't expecting to owe any money but it's because of you know not having any kind of withholding taken out of that money. And especially if you end up to be in a situation where you get, I think it's like 39 weeks or whatever, so you may get, you could in essence get a lot.

I know right now today, you know I say what's next. Congress is still trying to determine, how much people should get. I know that the claim, you know I think the Democrats are wanting the 600 dollars per week. The Republican's aren't. Congress is still, you know battling with that. And hopefully they'll come up with something very quickly. But I know, one of the things that had been said, was that they thought that that 600 dollars a week was something that you know was incentivizing people not to work. Which, I really don't know that I totally agree with that. But, I've just kind of did a quick calculation, and if you had started receiving the total, it would be a total of 807. So if you started

getting that 807 dollars a week starting April 17. And receiving that until July 31st which is when the 600 dollars stopped. You would've received a total of 12,105 dollars. And at 40 hours per week, that is basically 20 dollars and 18 cents an hour, or 41,975 dollars annually. In my opinion that's still low income. I still think everybody really needs to have that you know income, and you know I hope they can come up with something shortly. Okay so the art of bookkeeping in a COVID-19 environment.

Let's talk some things that we can do on the bookkeeping side to help us, with-- some of our record keeping and trying to have all of these records that people are needing. Okay. I imagine that most of you by now probably have received some kind of monetary assistance in one form another. Whether you got the EIDL, the PPP Loan or something. When I talk about record keeping best practices, it's usually in the context of your income tax return, and what you would need to keep in order, if the IRS ever audited you. But the best practices are used also for if you need business loans or a home mortgage, automobile loans, and even sometimes vendor credit lines. I don't know, how many of you really have that. I know a lot of businesses, they actually have a credit line with the business for their supplier. So, you wanna keep your checks, receipts, invoices, credit card statements. The IRS actually wants to see the receipt part. So if you buy something with your credit card or whatever, they don't wanna see just that credit card statement. They actually wanna see the receipt itself. And by the way it is okay to scan documents. The IRS will accept any kind of scanned documents, that's not a problem.

And, there's also talk in Congress, you know we're talking about the PPP Loans and the forgiveness. I know when it first originally came out and you start reading about all the rules of what you were gonna have to give them for the forgiveness, to you know be able to have that amount forgiven, there was all kinds of records and stuff that they need. Right now in Congress they are talking about a possibility of that if anybody received 150,000 dollars or more, or I'm sorry or less, than 150,000 dollars, that for a PPP Loan, that they would not be required to fill out that loan forgiveness form. Along with all of the documentation that is required. Now, since this is really coming from your bank, your bank may have a different requirements on that. So I know from what I understood or what I heard on a webinar Thursday, that I don't think any of the banks were even

able to take the loan forgiveness applications until Monday. And many of them I know were still working on some kind of online thing. So that's kind of still up in the air. But anyway, this is you know one of the reasons why you definitely need to keep all of your records so that if they do make you do that you will have them to give to them.

There are different methods of tracking your income and expenses. Such as an Excel spreadsheet, you can do it manually, I know in my class I talk a lot, there's something called Domebook and that it's got a capital dome on the front of it. It's a nice book that you can you know write in, and it's got places, preformed places to put income and expenses and stuff on there. It's helpful, but. But you know everybody needs to keep in mind that you're a business, and really hopefully not a hobby of what you're doing. And that you really need to have some kind of software to track your finances. Because it's just part of the business that you need. And you know to be able to know where you are so you can use that information to be able to grow.

I said back earlier about lessons learned under the C.A.R.E.S. Act about that you should have a separate account. I'm putting, you see business, I put in red. Separate business bank account. I was tellin' people that when they got the calls that I was receiving, when they got the PPP Loan, to make sure that they had put it in a separate bank account. Because it'd be a lot easier to track those expenses to be able to do that. Now if you happen to be self-employed, the way that would kind of work, is that, because maybe you know I had one client where he was like "well I don't really have very many business expenses, "but I need to you know get paid "so I can pay my personal expenses." And so what he'd basically did is he had it in a separate bank account and then any time he needed money in his personal account, he would just kind of take a said amount, like 500 a week, he would draw it out of there, transfer it over to his personal account, and then pay those expenses. His personal expenses, out of that. So that's one of the reasons how you can use that.

I've also recommended businesses, especially new businesses, to apply for an IRS federal identification number an EIN. And I know a lot of you, especially the individual artist, you know even, it doesn't really matter, many LLC's actually do have a federal

identification number. But if you're still self-employed and you're utilizing your social security number, that's why I suggest getting an EIN. In today's environment with the identity theft you just don't want to have your social security number out there for everybody. It's required, you know that you have that for reporting so you can get a 1099, but you know that's really the main thing. And then if you are, excuse me if you're actually paying independent contractors or certainly if you have employees. If you have employees for some reason, you definitely need to have an EIN. But if you are paying independent contractors over 600 dollars, you're required to give them a 1099 at the end of the year. And so I'd much rather receive a 1099 from you that has your EIN on it, and not your social security number. So, that's the reason for that.

And then computer bookkeeping software. Use some kind of software such as QuickBooks, and we'll talk about this more in detail a little bit later. So I'm telling you here to keep your records to substantiate your income and your expenses. So I thought I needed to at least throw this slide in, to let you know how long you need to keep them. If you scan everything in it's not so much as an issue, but if you still have paper, here are the rules. So your tax returns and supporting records, it's the later of three years after the return is due or filed, or two years after the tax is paid. The three years, the reason why that is for a tax return is that's because the general statute of limitations that the IRS can come back you. Employment records it's a little longer. That's four years, after the return is due or filed. Or four years after the tax is paid. The other documents would be something like your loan documents. Like if you got a PPP loan or an EIDL loan you would wanna keep those. Any contracts, any rent agreements, purchase of fixed assets. These types of documents need to be kept as long as you have the asset or as long as you have the loan. So, hopefully if you've got one of those EIDL Loans yeah, please don't take 30 years to pay that back. But, if you did then you need to keep that loan document for 30 years.

So, as I mentioned before, if you aren't using some type of software, bookkeeping software, then you really need to get one as soon as possible. So just so I wouldn't be accused of being advertising, only for QuickBooks, I've included this link up here that is a good comparison for software. It's some of the more popular software programs. It's

got a list of those, what they do, how much they cost. I can tell you within the accounting community though, QuickBooks online or QBO as we call it, or QuickBooks for self-employed, excuse me, or the QuickBooks desktop are the ones that are most widely used. You can also get the QuickBooks for self-employed, and I'll come back to that.

I also wanna-- Probably the next one in line is that Xero, but Xero is only online. So I don't know about the other ones, I think they may only be online too. But at least QuickBooks still has the opportunity if you wanna use the desktop version. And those of you that may be on the call here, that are non-profit organizations, keep in mind that you can get QuickBooks either online or the non-profit desktop version from TechSoup, for a very very reasonable price. So you know I've been usin' the desktop version of QuickBooks since 1995. My recommendation is to go ahead and get QuickBooks online. They like I said they do have the self-employed version. But the online plus and the self-employed version of QuickBooks online, is still the same price. But you can do so much more with the online plus version. So, I would suggest that one. That cost right now is 70 dollars per month for either of them. But they're having a 50 percent off special for 3 months. So for if you signed up this weekend, it's 35 dollars a month for three months. And then it'll go up to 70. Remember, that the cost of this software is a business expense that you can deduct. So QuickBooks online has made bookkeeping really easy for you.

I'm reminded of what, what Carla Sue said, and I wrote it down here. She was talking about that, you know, when she wants to know when can I create, and stop doin' the business stuff? That was her pain point. Well QuickBooks online can make bookkeeping at least a little bit easier for you. You can link the bank, your bank account, or bank accounts, to the QBO. It'll download the transactions for you automatically. Then all you have to do is review them and determine what income or expense account that it goes to. You can set up rules so that repetitive type entries get automatically, go into the right account. So for example you can set a rule up that says hey every time I see ExxonMobil, then automatically put it to automobile. Every time I see, you know AT&T, Mobil, Verizon, whichever, you know, put it to you know telephone expense. Also you can use your smartphone to scan receipts in. And they will download automatically and put it in the right account. It's a way to keep track of your mileage. I know, you know one of the

things IRS is always saying you need to keep track of your mileage. But especially business than personal but, with an app and your phone, it uses the GPS, and it's really really helpful. QuickBooks online when they first, when they came out with it, is really designed to be used with apps. And there are over a thousand of them right now to choose from. So using technology to your advantage to be able to do the bookkeeping for you is so important so that you can create, you can focus on your creative business, and not trying to do some creative accounting. Which is not something I would like to hear.

In December of 2018 QuickBooks did a survey of a little over a thousand self-employed people on how they tracked their business expenses. And how they handle the strain of tax season. If you're interested, the full survey is on the QuickBooks self-employed website. But, it's saying, you know out of the survey they say 39 percent keep physical receipts to track expenses. 14 percent keep track of expenses with an app. 82 percent create a budget for their business. That's great, but only 22 percent always adhere to it, that's not good. Unexpected expenses are the number one reason why they overspend their budget. Well I would imagine that if they did that survey today, the number one reason that they would have overspent their budget is due to the pandemic, and all of the implications that it's had on our economy right now. Working hard to keep within a budget is one of the main focuses that you should really try and have in order to keep financial stability. QBO can really help this, help you in this area. Because it has an budget in the system, where you can enter in, you know what your budget is. And then you can print out, a budget versus, you know actual profit and loss statements. You know those non-profits that are on the call are definitely ones that are used to having budgets. I don't know, necessarily that individual artists are. Maybe they have a budget for just that particular grant or that particular project that they're doing. But we're talking about kind of an overall budget. However, even you know regardless whether you're a non-profit or not, many prepare the budget for the year, but yet they never go back and look at it they never review it, they never revise it.

I hope that everyone this year has gone back if they've had a budget, is reviewing it and adjusting it for the remainder of the year. I know I've got a non-profit client right now that she just sent me their revised budget. They have a December year end so they had

six months. And so now they're revising it for the next six months, which is a good thing that they need to be doing for that. So, I thought this was kinda funny. As a tax payer I know y'all think I'm crazy, but I actually look forward to tax season. But based on this survey here are some things that the self-employed workers prefer to do to tax season. 63 percent prefer flying, 57 percent prefer clowns, 51 percent prefer public speaking, and 50 percent prefer needles. I'm sure some of you could come up with some additional items you'd prefer to do. Why don't you type in the comments section and tell me what you'd prefer to do as opposed to having tax season and having to deal with taxes. So when it came the discussion on taxes, here's what the survey said. 73 percent say that they deduct things that they shouldn't. Now I don't like hearing that, that's too high a percentage for me. 81 percent say they feel confident in their expenses if the IRS audited them. Well that's good. The younger self-employed workers, the 18-44 age group, they spend less on their businesses than the 45 and older age group does. But the younger age group tracks expenses, so they know how much they're actually spending. Whereas the older age group does those expenses to make tax time easier. And I thought that was kind of interesting. 'Cause I wouldn't have thought that would be the case, but congratulations to you younger age group folks. 'Cause that's what you should be doing is tracking how much expenses you're doing.

So, here's QBO. Here is an expense example, a screen shot, I don't know if you can see that very well. The top part you can't see, but the top part would actually be where you have your date and who you paid the expense too. Then you've got the category and this one is meals and entertainment. But what I wanna really point out to you at the bottom where it says attachments, got a little paper clip. And that's where you would, scan and upload your receipt that you had for that particular expense. So, it's a really great way of you know being paperless and having that at your fingertips at any point in time that you might need to you know refer back to it or if you indeed are gonna have to send all of these, you know expenses that you've gotten from these two you know loans back to the bank or whatever. Then you could very easily get to those. So as another example let's say you're a photographer and you went out and purchased some camera equipment, then you would go ahead and show, you know you would enter that expense, and then you would attach that invoice to that expense. And even though this is an

expense side of an example, you can do the same thing with the income side. So if somebody had sent you a check, that you would be depositing, you can turn around, do that, upload the PDF, and it'll have it right there. So that's, you know, really helpful for you to have.

Okay so the next topic is the balance sheet. I know most of you know what a profit and loss is, and what that report looks like. But many of you may not know actually what a balance sheet is and why it's so important. Many self-employed individuals don't really particularly focus on this statement, but and that's one of the drawbacks that I see from the QuickBooks self-employed version. Is it does not give you this balance sheet. And I know in some of the past seminars that I've taught with Fresh Arts and TALA that a lot of people are actually using QuickBooks for self-employed and it's you know it's a great tool. But I think you know you need to step up your game a little bit, and especially now. So you know that's why I said, especially with the price being the same, I'd go ahead and get the regular QuickBooks online for, plus, or at least if you're gonna use one of the other softwares, make sure that it has that balance sheet capability in there. And the two sides that are next, these are actually coming out of the desktop version and not the QuickBooks online version. And the only reason why I use the desktop version is the desktop version has a lot of sample companies, different ones in there. And it was just easier to do that. So let's look at this balance sheet real quick. I'm gonna look at mine, which is a little bit larger, so I can see. This is what they would call a condensed, where it takes all of the accounts and kind of puts it into one. So in other words in this particular case, the checking and the savings. They had both a checking and a savings account. So you know that's what you have, that's the balance that you have in there at any given point in time. Accounts receivable of course is what you have for if anybody owes you, if you're a non-profit it could be you know pledges receivable or grants receivable. Other current assets, I think in his case it was some pre-paid expenses or whatever. Then you have your fixed assets where you know in this case they had a truck. So they had the original purchase price and the accumulated depreciation. Going to our photographer, then he would have you know his camera equipment listed in there. So the total assets that they have is a little over 160,000 dollars.

Then we have the liabilities. So the liabilities are who you owe money to. And so the accounts payable that's usually your vendors, your suppliers. Credit cards, of course that's, you know whatever credit cards you have. Other current liabilities. The detail isn't here but that's usually if you actually were paying payroll you would have that in there. But also sales tax. Many of you probably have to pay sales tax and so that would be, you know another current liability. Then we have the long-term liabilities and that's where your notes would be. You know bank loan, if you had equipment loan or whatever. So the total liabilities here are 39,000. So-- If for some reason that you know Larry decided, I'm gonna shut my business down today, then he would at least, you know he would have just in his bank account alone he would have enough to pay for those liabilities. 'Cause he's got 105,000 dollars of cash. Equity. Now this is kind of a, you know, kinda confusing for a lot of people. But as a sole proprietor, you're an owner. And generally, and it's not that much different with an LLC. You're still, even though you're considered a member, manager a member and manager, you don't get a salary.

So, you would have owners equity which is you know or owners capital which is the money you may have put in, and owners draw. And so whenever you need money out, as I've mentioned before, if you need money personally to pay some personal expenses, then you know you would take money, you would take a thousand dollars out or whatever. And then you would code that to your owners draw. And then if for some reason your business bank account didn't have enough money in it and you needed to pay some business expenses, then you would deposit you know the thousand dollars back into the business account. And then you would show that as the owners equity. So you know that's kind of what that is. And then, on here, open balance equity that's just an account that QuickBooks has. But that and retained earnings it really should be together. And basically what that represents is all from the time that you started your business, all of the income and expenses that you've had during that period of time. As far as profit and loss are concerned.

And then we have the net income. So when people you know when you're looking at this, you know banks what banks will do, is if you're getting a loan or a mortgage or somethin', or even with the SBA, one of the things that they're looking at is for the la--

Asset. Lia-- Have-- What they call-- Statement. Similar. You're-- Out-- Of town. You might-- Assets-- You're lia-- Credit cards and things. One of the things you do, sort of be aware of, hopefully won't be in your case, but-- for some reason you find in your credit-- and they end up in-- Years from now-- That you would end up, where they would write that off on their end. You will get, a what they call a 1099 C which is a cancellation for debt. And what they will do, what will happen, is you will actually have to pay that, you will have to pay taxes on that money.

Now the thing about it is, is if you are what they call insolvent at the time, then you wouldn't have to pay taxes on that. So if there's a form that the IRS has, to fill out to show them you were insolvent at the time that that debt, that you couldn't pay that debt. And so once again this is where, on that form, you would literally have to do this personal financial statement, or this balance sheet. So that's why it's really important to have that kind of information. The profit and loss by class, I just wanted to quickly show this to you. This is probably more used for the non-profit organizations.

With classes are used in QuickBooks as programs. But if you're a self-employed person you can use this just as much. What you can do is, let's say for example that you do two different, you know I'm thinkin' about you know Outspoken Being and all the different things he said he did. Each one of 'em you would have you know, like a class for. So if you did watercolors and then you also did pottery maybe then you would have two classes for that. Those of you that may already have QuickBooks and you got a PPP Loan, one of the ways to track it into QuickBooks is, to set up a customer, and call it PPP Loan. And then every time you put an expense or an income in that, then you would put that PPP Loan there, and that way it will track both the income and the expense. And so you can keep track of that.

So I'm kinda running out of time. Okay, SWOT Analysis. I wanna just really keep in with the theme of creating financial stability in an uncertain future. I was kinda reminded of this SWOT Analysis which we learned back, I think probably in the last semester of my accounting degree. This is something, I'm not gonna go into detail on it, you can certainly Google it and get all kinds of stuff about it. But-- This is a good analysis to

think about doing now if you haven't. With everything that's going on, to really analyze your business. I know we're looking, you know you guys are small businesses, which are so important to this economy. But you know the large businesses are doing this too. I mean the airline industry, you know some of these huge corporations which are probably used to doing this, are really doing this now. And SWOT means strengths, weaknesses, opportunities and threats. And the strengths, or what you do, the strengths are things that you do well. So you know you look at what your business is doing and you know what do you do well? What separates you from other you know, competitors in your field? When I think about, internal resources is another thing.

And when I think about internal resources, I think about Fresh Arts, and I'm gonna pick on them. I'm gonna think about Fresh Arts in the sense of what the amazing team that they have, that Marci Dallas has put together, to help artist and help this community. And you know that is a huge strength that they have. And not a lot of organizations necessarily have that. So weaknesses are things that your company lacks. What does your competitors do better than you do? Of course you know resource limitations. I know right now I think everybody's got some resource limitations, because of the fact of you know not having the funds like we maybe used to. Opportunities. Boy I tell you what, opportunities looking into under serve, markets few competitors in their area. But I was listening to Outspoken Bean last night talk about or doing his presentation on the kickoff. And I was struck about how many times he talked about all the different opportunities that he had. And, David Maldonado talked about him. We heard two of 'em you know today. Both David, and Carla Sue. I mean Carla Sue, we talked about what she had done. They took, they tried to figure out, now that we've got COVID what are the opportunities? What can we do different? And of course the threats are the emerging competitors, or the emerging environment that we have especially with COVID-19.

So, when all this pandemic started, to me I thought, you know I'm seeing and hearing so many artist in other organizations in companies really thinking about different things that they can do. That they're really having to do now. And I urge you to sit down, and kind of look into this a little bit more. And maybe that might help you to go forward a little bit in your business. So I know we've about run out of time here so, to sum up,

here's some of the things that we learned. Please get a bookkeeping software. I don't care what it is. QuickBooks is just easier. We know what a balance sheet is, and why it's important. Find a personal financial statement form. You can get them online, your bank can get 'em. Work on a SWOT analysis, prepare a revised budget, for the remainder of the year. And I certainly hope that we've given you some tools to create some financial stability in this very uncertain future.

And I just briefly wanna hear this last slide is TALA, Texas accountants and lawyers for the arts. TALA matches members with pro bono attorneys, and accountants at times. Members are financially qualified individual artists, non-profit arts organizations. The annual fee is 75 dollars for individuals and 250 for organizations. TALA right now and still is currently wavering that fee, if you have a specific COVID-19 related issue. That is why I've probably had so many conversations with so many people about this. But, this is a great deal. It is a business expense you can deduct it. So, with that being said. I'm finished with my presentation, so hopefully, we have some questions maybe? So is there--

[Viewer Question] Okay so the first question is, can you-- This one's easy. Can you get an EIN as a DBA, absolutely. A DBA all that is, is just basically, a name, it's just saying I wanna use this name, and you know, don't want anybody else using it. So definitely you can get an EIN, because you're still, if you're a sole proprietor you're still gonna be getting that EIN as a sole proprietor. Because you're a DBA.

[Viewer Question] Can you remind us of what the name of the app for tracking personal and business miles? I don't know if it's a specific app but I know it's within the QuickBooks online software.

[Viewer Question] Is there advice for a business about what they should consider before taking out a non-forgivable SBA loan? I would certainly make sure that you have, you know a good balance sheet and good records. Because although I don't believe that they're gonna ask you specifically in the beginning to send all of that, you are gonna have to tell them how much, you know what is your income and expenses for the year.

So that they can be able to calculate that information. So, I would say that, and make sure that you have all of your ducks in a row as far as your bookkeeping is concerned. And that it's caught up-to-date.

[Viewer Question] Okay. Should a freelance independent contractor start using these tools if the money isn't there to spend on-- I know it's very difficult, as far as what that money is. I don't know if this person has received a PPP or an EIDL loan, maybe that's something that they need to consider. I know, that's the one thing that I don't like particularly about the QuickBooks online version. Is that it is a subscription price, and it's something that you have to have, you know every month. The desktop version, I don't know what that cost is right off the bat, but it's usually around in the 400 dollar range. But I mean you can use that desktop version, at least for three years if not longer.

[Viewer Question] Let's see, could you recommend some best practices with regards to scenario planning for-- Oh I have, no idea how long our industry is gonna be affected by the pandemic. I don't know. Everything that I see and hear from people, excuse me, it looks like, I would say that you definitely need to be considering something through the rest of the year. I just read this morning, that, the Alley Theater is not gonna open or start doing any performances until November. I don't know if that's even gonna be good. It seems like they keep pushing it and pushing it back and pushing it further and further along, so. Don't really-- I wished I had, I mean, you know does anybody have that crystal ball please let us know so we can figure it out ourselves. As far as best practices, I would just you know kind of going back to what I said earlier. You need to do everything that you can to make sure that you can, not spend money on things that you really don't have money for. And I know that's difficult. You know some people are better about it than others. But you know, just think about it that it's only, hopefully only gonna be for another few more months. I mean I can't believe that it's been lasting as long as it has. So-- I think you just really need to you know budget as best you can, try and not expend things. I mean, there's some things that you know I know for a fact I'm working at home, I know certainly my gas bill went down. As far as, 'cause I'm not drivin' to work every day. But yet at the same time, there, you know maybe my electricity bill, has gone up. So you know there are some give and take in that.

I don't know, is there any other questions? Did I-- Make sure I got all of them.

[Viewer Question] Okay, so if you have an EIN and you get another DBA can you have it under the same EIN number and how do you let the IRS know to link the two together? I guess, maybe my question back to you might be, as far as are you doing something totally different? I mean if you're doing an artist, if you're an artist and you've got a DBA under that, but yet now you're over here doing auto mechanic repair or something. I think that, it might be best to have a separate EIN. It doesn't cost you anything to get an EIN. You can get it on the IRS website, you know for free. So it's you know it doesn't really matter. And the IRS, because what's gonna happen is even though you have this EIN it's gonna, when somebody gives you the 1099 it's gonna have both your DBA and your name on it. It's kinda the same way with LLC's. So I don't think the IRS right now. Because when you're filing that return, you're still filing that Schedule C under your actual social security number, not the EIN. The EIN is just, another, to let you know that's got another line to put it on.

So. All right well I think we're out of time. Thank you very much for everybody, appreciate it. Good luck!