CARES Act: PPP Loan Management and Forgiveness

Agenda
- General Overview
- Essential Requirements
- Documentation
- Q&A

Collect for the Right Use of God’s Gifts

Almighty God, whose loving hand has given us all that we possess: Grant us grace that we may honor you with our substance, and, remembering the account which we must one day give, may be faithful stewards of your bounty, through Jesus Christ our Lord. Amen.
Disclaimer!

● This is not legal or accounting advice!
● We are sharing our best current understanding of the Act.
● Go to Episcopalcolorado.org for updates!
● https://episcopalcolorado.org/congregational-resources/development-stewardship/cares-act/

What is the Eligible Period for use of the funds?

The eight-week period begins on the date the lender makes the first disbursement of the PPP loan to the borrower.

The lender must make the first disbursement of the loan no later than ten calendar days from the date of loan approval.

You must have incurred and paid the qualifying expenses in the 8 week time period.
When and How do I Apply?

- After the 8 week period is over.
- Apply through the bank according to the bank and current SBA guidelines.
- A lender must issue a decision regarding loan forgiveness within 60 days after the date it receives the application for loan forgiveness.

75% for Salary and Benefits

- Must not layoff or reduce staffing FTE before June 30, 2020.
- If staffing was reduced through retirement or layoffs must rehire the same # of FTEs by June 30, 2020.
- Salaries must be maintained at the same level.
How do I calculate the level of staffing?

For purposes of loan forgiveness, the CARES Act uses the standard of “full- time equivalent employees” to determine the extent to which the loan forgiveness amount will be reduced in the event of workforce reductions.

What Benefits are eligible?

- A housing stipend or allowance provided to an employee as part of compensation
- Pension Payments
- Health Insurance
- Vacation, medical, sick, and Severance Pay
- State and local taxes (not federal)
What Else Can I Use It For?

- Rent
- Mortgage interest (but not principle)
- Mortgage, rent, and lease payments include such obligations that were in existence on or before February 15, 2020, and include obligations with respect to both real property (e.g., your church building) and personal property (e.g., a church-owned vehicle or equipment, such as a copier)
- Utility payments (gas, electric, phone & internet, trash, etc.)
- Interest payments on other debt incurred before February 15, 2020.

What is Not Included?

- Salary and wages paid to an employee in excess of $100,000 computed on an annualized basis.
- Wages paid to employees under the Expanded Family Medical Leave Act and Emergency Paid Sick Leave Act (both contained within the Families First Coronavirus Response Act (FFCRA)) for which the employer receives the credits provided by the FFCRA.
- The employer’s share of FICA and Medicare taxes.
- Payroll costs related to employees whose principal place of residence is not in the US.
- Pay for contract (1099) workers.
What Might My Lender Ask for?

- Proof of Salary Payments
  - IRS 941
  - Checks to Payroll Company
  - Check stubs
- Pension Payments
  - Payments to CPG
- Health Payments
- Vacation, severance, documentation.
- Copies of all invoices for utilities.
- Mortgage or lease invoices.
- Other documentation

Specific Documentation

- Documentation verifying the number of full-time equivalent (FTE) employees on the payroll, hours worked by part-time employees (to facilitate the FTE computation), and rates of pay during both the eight-week period and the prior year measurement periods
- Documentation, such as invoices, canceled checks, payment receipts, and account statements or transcripts showing mortgage payments, rent payments, and utility payments.
- A mortgage statement or transcript from your lender verifying the amount of interest paid with each mortgage payment.
- A certification by an officer,
Specific Documentation

- The average number of FTE employees per month employed by the borrower between February 15, 2019, and June 30, 2019; or
- The average number of FTE employees per month employed by the borrower between January 1, 2020, and February 29, 2020.
- Average FTE during the 8 week period.
- Salary totals during the 8 week period and previous periods.

Can I Be Partially Forgiven?

Yes.

- 5 key factors result in less than 100% forgiveness
  - <75% used for salaries and benefits. (have to repay the portion that does not meet that threshold)
  - Headcount reduction
  - Salary and Wage Reduction
  - EIDL Advance
  - Wages paid to an employee for Expanded Family Medical Leave Act paid leave or Emergency Paid Sick Leave Act
What Happens if I am not Forgiven?

- You must repay the remaining amount and any accrued interest within 2 years.

Loan Management Best Practices

- Keep a separate account for PPP loan and pay directly from that account.
- Keep detailed records of all payment receipts.
- Have at least two individuals monitoring expenses.
Keep Watching the CARES Act resource page:
Many Unknowns!

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Watch for another Webinar at the end of May.

Q&A