Paycheck Protection Program (PPP) Loan Documentation

Assumptions/Overview
Your organization finalized a PPP loan with an identified bank in the amount of $xxx,xxx on xx/xx/xxxx. This loan is intended to cover payroll-related expenses for an 8-week period after the loan is awarded, and the funding was received by your organization on xx/xx/xxxx. If your organization incurs approved expenses without a significant reduction (25%) of its workforce during that time, the loan will convert into a grant. Current details around PPP loan next steps (after receipt of the loan) are somewhat cloudy. Below are some tips to maximize the potential for your PPP loan to convert to a grant.

Overall – Documentation is key. Any loan of $2 million or greater will be subject to audit. (We recommend that organizations expect to be audited for any loan amount.)

Bank Account – There is no requirement to segregate the funds. A separate bank account may allow for easier record keeping; however, this could cause business disruption. Each organization should explore what option is best for their situation.

Covered Period – The 8-week covered period starts the day the funds are deposited into the loan recipient’s bank account.

Method of Accounting – Pending the U.S. Department of the Treasury’s final guidance, many organizations are using Cash-Basis accounting. Documentation again is key – maintain documentation on all invoices related to expenses that are paid during the covered period.

Documentation

Payroll Costs:

- Copies of all internal payroll reports (i.e., Payroll Registers)
  - Most likely 4 payroll cycles

- Back-up associated with making payment (check(s) or ACH debits from bank account)

- Reconciliation adjusting any ineligible expenses to be excluded from loan forgiveness:
  - Payments to staff greater than an annual salary of $100K
  - Salary expenses that will be reimbursed by CARES ACT Tax Reimbursement
  - If payroll expense and payment documentation include retirement contributions, back out any employee contributions

- Copies of invoices/supporting documentation for payments related to benefits included in “payroll costs:”
  - Healthcare invoices/payment back-up
  - Dental invoices/payment back-up
  - Other approved “payroll costs” invoices/payment back-up
Number of Employees:

- Back-up/documentation from internal systems that support the number of employees on payroll and/or payroll figures
- Form 941 (when available for Q2, or possibly Q3)
- Other regulatory filing that supports the number of employees during the 8-week period
- CARES Act defines a Full Time Equivalent Employee (FTEE) as one that averages at least 30 hours per week.

Rent/Utilities:

- Copy of Lease agreement(s) showing lease agreement was in force prior to February 15, 2020
  - Copy of invoice/payments made during the 8-week period
- Documentation of utility services prior to February 15, 2020
  - Allowable uses:
    - Electricity, Gas, Internet, Transportation, Telephone, Water
  - Copy of invoices/payments made during the 8-week period

UPDATE

The U.S. Small Business Administration (SBA), in consultation with the U.S. Department of the Treasury, released on May 15th the application for seeking forgiveness of loans granted under the Paycheck Protection Program (PPP). Details and Links below:

- SBA / Treasury Department news release
- Loan forgiveness application
  - Loan Application
- U.S Chamber - Guide to PPP Loan Forgiveness
- Treasury Department - frequently asked questions about the PPP

We’re here to help...

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