

Paycheck Protection Program (PPP) Loan Documentation

Most recent current guidance resources included

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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