

I Got Approved for the Paycheck Protection Program (PPP), Now What Do I Do?

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Congratulations, you have been approved and have received a forgivable loan under the CARES Act related to the [Paycheck Protection Program](#). This is one of the few Small Business Administration (SBA) loan programs that non-profits are eligible for.

Now what counts as forgivable under the program is where it can get a little bit tricky. The following expenses qualify for forgiveness:

1. Payroll costs, including benefits
2. Interest on mortgage obligations, incurred before February 15, 2020
3. Rent, under lease agreements in force before February 15, 2020
4. Utilities, for which service began before February 15, 2020

There are further limitations on what counts as payroll costs:

1. Salary, wages, commissions or tips (capped at \$100,000 on an annualized basis for each employee) –

2. Employee benefits including vacation, parental, family, medical, or sick leave, group healthcare and payment of any retirement benefit
3. State and local taxes assessed on compensation

The loan will be forgiven if the loan amount is used only for the above criteria. In addition, the non-payroll amount must be no more than 25% of the forgiven amount. However, only 100% of the payroll costs will be forgiven. The non-payroll portion that will be forgiven will be limited by that 25% calculation. One thing to note is that payroll costs do not include the employer portion of payroll taxes nor qualified sick and family leave wages for which a credit is allowed under the Families First Coronavirus Response Act.

The organization will also owe money if you do not maintain the following requirements related your staff and payroll:

1. Number of Staff – loan forgiveness will be reduced if you decrease your full-time employee headcount
2. Level of Payroll – loan forgiveness will be reduced if you decrease staff wages in excess of 25% for employees that made less than \$100,000 annualized in 2019
3. Re-Hiring – you have until June 30, 2020 to restore full-time employment and salary levels for any changes made between February 15, 2020 and April 26, 2020

The amount of forgiveness of the PPP loan depends on the borrower's eligible costs over an eight week period. The eight week period begins on the date the lender makes the first disbursement of the PPP loan to the borrower and there is no extension.

The organization is required to maintain the following pieces of documentation to support the PPP loan forgiveness:

1. Verification of the number of full-time employees
2. Pay rate information
3. Support for eligible mortgage interest, lease and utility payments

The organization must certify in good faith that the current economic uncertainty has made the loan necessary to support ongoing operations, the funds will be used appropriately, you have not received another loan under this program and other certifications including the truthfulness of information provided and statements made.

After the organization submits the application and required documentation including the certifications, the lender then has 60 days to make a decision on forgiveness. The CARES Act states that as long as the lender receives the required documentation and certifications from the borrower, the lender should forgive the loan and will not subject to SBA enforcement action or penalties.

Any portion of the PPP loan that is not forgiven will be required to be repaid over two years, after a six-month deferral period, at an interest rate of 1%. In addition, the SBA has issued

an [FAQ document](#) that will hopefully answer some questions. These FAQ's are updated daily, and we recommend checking back occasionally to keep up with any clarifications.

One thing to note is that the SBA issued new information (see questions #31 and #43 in the FAQ) that allows organizations, who had applied for/received the loan prior to the issuance of the guidance, and who now believes they do not demonstrate the necessity for the loan, until May 14, 2020 to repay the loan in full. Any organization that does so will be deemed by the SBA to have the required certification in good faith.

Finally, the best measure your organization can take to ensure the PPP loan is forgiven is to document, document, document. As some of the details about the administration of the program are still being decided not all of the questions can be answered at this time. I would encourage you to work with your SBA loan provider, auditors and/or financial consultants to ensure your organization is in compliance. The [Alliance of Arizona Nonprofits](#) is also a great resource and has been hosting webinars to help ensure that organizations are acting appropriately. Although the best things in life might be free, there is no such thing as free money, so be sure that your organization is meeting the requirements for your PPP loan.

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