Paycheck Protection Program Loans: Managing Your PPP Loan & Forgiveness 101

With Updates as of April 30, 2020
Continue to Check SBA’s Website

This information is provided for general informational and educational purposes only and does not constitute legal advice. Please note guidance is changing regularly and we encourage you to check with the SBA and your lender for updated information.
What are we covering today?

- Allowable Uses of the Loan & PPP Loan Accounting 101
- Forgiveness 101
- Additional Implications of PPP For Your Organization
- Resources Available
Paycheck Protection Program Toolbox

Friday, 4/17 11:45 am ET UPDATE: We are continuing to update our guidance according to the latest information on the Paycheck Protection Program. See our latest email bulletin right here. Time-stamped resources below include our latest FMA guide for how to apply, FAQs, and an average monthly payroll calculator. Space is still available in our free public PPP clinics offered daily through April 17th from 4-5 pm ET, as well as 10am and 11am ET on some days.

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https://fmaonline.net/ppptoolbox/
How do we reach FMA with additional questions and support on PPP after today?

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FMACARES@fmaonline.net

OR

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One of our experts will assist you with your questions as soon as possible
Basics of the PPP

- Federal loan administered by the SBA
- It is a loan with conditions on how it can be used
- There is an opportunity for it to be fully forgiven
- Whatever is used for allowable costs and not forgiven, continues as a loan at 1% interest

Caution Ahead: Guidance is Still Evolving & You Will See Where We Have Open Questions in Red Boxes
What Can We Use the Loan For?
What Can We Use the Loan For?

- **Payroll** (total loan must be at least 75% for payroll)

- **Utilities, rent, mortgage interest, interest payments** on other debt obligations (with arrangements in place by 2/15/20)

There are consequences of spending on unallowable expenses, including needing to return funds used for these unallowable purposes. If done knowingly, this could be considered fraud with certain penalties.
What Can We Use the Loan For?

Allowable:
- Gross Salaries, Wages, Paid Leave, Severance
- Employer Paid Health* & Retirement Benefits
- Employer Paid State & Local Payroll Taxes
- Rent & Mortgage Interest, Other Interest
- Utilities (Water, Gas, Electr., Transport. Internet, Phone)

Unallowable: All Other Expenses Including
- Excess Wages for Salaries > $100k
- Payroll for Employees Perm. Outside USA
- Employer Portion of Federal Taxes & FICA
- FFCRA Credits for Sick and Family Leave
- Independent Contractor Pay (1099s)

*Group health benefits includes medical, dental, and vision. There is no indication that life insurance, short or long-term disability, and health savings account contributions would be allowable.
What Can We Use the Loan For?

Open Questions:

- Are health benefits for furloughed employees allowable?
- Is vacation payout for employees who resign or are terminated allowable?
- What kind of transportation is allowed in the definition of utilities?
- If you reimburse staff for internet, telephone, or home office use rather than pay a vendor directly, are those expenses allowable?
## What Can We Use the Loan For?

<table>
<thead>
<tr>
<th>Key Nonprofit Expenses</th>
<th>Use PPP Loan?</th>
<th>Must Use Other Revenue Sources</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries &amp; Wages</td>
<td>Up to $1,923/wk/ee</td>
<td>Salaries &gt; $1,923/wk/ee + Int'l Employees</td>
</tr>
<tr>
<td>Health &amp; Retirement Benefits</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>FICA &amp; Federal Taxes (Employer)</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>State &amp; Local Taxes</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Life Insurance &amp; Disability</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Rent &amp; Mortgage Interest</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Mortgage Principal</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Utilities</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Contractors &amp; All Professional Services (Legal, Audit, etc.)</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Liability Insurance</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>IT, Computers, Supplies, Software</td>
<td>X</td>
<td></td>
</tr>
</tbody>
</table>
Other Considerations and Questions

- Organizations with related nonprofit entities, e.g., 501(c)(4)s and (c)(6)s, should keep in mind that those types of organizations are not eligible for PPP funding. Therefore, PPP loan proceeds should not be used to pay for expenses tied to those organizations. See more guidance on this issue in Appendix II.

- Given it is unclear if the forgiveness portion will be deemed a federal grant or forgivable debt, what other provisions of federal law might you have to adhere to?

- What guidance will be put in place to prevent abuse (e.g., ensuring staff do meaningful work and random staff are not added to payroll)?
PPP Loan Accounting 101: Recording & Tracking Funds
Overview: How to Manage the Loan

- Record loan in your general ledger
- Record interest monthly
- Record expenses as you normally would, and tag allowable expenses
- Submit forgiveness paperwork
- Prepare to pay back what isn't forgiven

Consider materiality
What Do We Do When We Receive The Loan?

- Re-read through promissory note and save with other key financial documents

- If not already in place, create new accounts in your chart of accounts for **PPP Loan Payable** (Liability Account), **Forgiveness of Debt** (Revenue Account), and **Interest Expense** (Expense Account)

- Create a way to track the allowable expenses associated with the loan (e.g., Customer/Job function)

- Record the Cash when received and offset with Total Loan Amount as Liability on your Balance Sheet

- Begin planning for any personnel adjustments to bring people back on payroll. See Forgiveness 101 section
What Accounting Do We Do During the Loan Period?

- As related invoices and payments are processed through accounts payable, book as you normally would.

   But also determine portion to be tracked as allowable and later considered in the forgiveness process. Code accordingly.

- Accrue interest as **Interest Expense** at 1% APR against the total loan amount until full forgiveness confirmed or all funds paid back.

**Open Question:** Timing of Allowable Expenses Eligible for Forgiveness. See Forgiveness section.
How Will We Record the Amount Forgiven?

After your lender confirms your amount for forgiveness:

- Reduce **PPP Loan Payable** account by the amount (principal + interest) forgiven
- Increase **Forgiveness of Debt** account by the amount forgiven
What Are Other Accounting Issues Should We Consider?

Open Questions:

- Will the loan or forgiveness trigger a subsequent event on your audit?
- Will you need to record a gain contingency given the possibility of forgiveness?
- Will the loan be subject to a federal Single Audit?
PPP Forgiveness 101
Overview: How Much Will We Get Forgiven?

How much will be forgiven? What we understand so far...

Up to 100% of the funds you spend in the first 8 weeks following loan disbursement if you keep or increase your FTEs, maintain salaries of employees and spend the loan on what it is supposed to be spent for (payroll, rent, mortgage interest, utilities)

BUT - if you have to decrease salaries of employees making less than $100,000 by more than 25% or reduce FTEs, you will get a partial reduction in forgiveness.

- Reductions made between 2/15/20 – 4/26/20 will be disregarded/not reduce forgiveness if replenished by 6/30/20
Timing of Allowable Expenses Eligible for Forgiveness

We continue to have an open question about the timing of which allowable expenses made related to the 8-week period will be eligible for forgiveness.

• For example, if the 8-week period starting with the day of loan disbursement is 4/15 - 6/14, and your rent for April was paid on 3/31, can you a) prorate and count half of the rent to cover 4/15 - 4/30 or b) is it excluded from PPP inclusion because it wasn’t paid between 4/15 - 6/14?

• The same open question applies to payroll. If your payroll for 6/7 - 6/20 gets paid out on 6/21 can you a) prorate the portion from 6/7 - 6/15 or b) is it excluded from PPP inclusion because it wasn’t paid until after 6/15?

We will clarify this with you as we get more guidance. For now, you can plan on the prorated strategy focused on coding expenses associated with the 8-week period rather than simply what’s paid during the 8-week period, but keep in mind this may evolve and you may want to consult with your lender.
Formula: How Much Will We Get Forgiven?

Amount of Loan Spent on Allowable Expenses* During 8 Weeks Following Disbursement

Option 1: Average # of FTEs Per Pay Period
Feb 15 – Jun 30, 2019

Option 2: Average # of FTEs Per Pay Period
Jan 1 – Feb 29, 2020

Wages for Salaries Reduced By More than 25% for Those Making < $100k

Amount Forgiven (Up to the Full Loan Amount)

Grace for bringing back FTEs or reinstalling salaries reduced between 2/15 – 4/26 if Done by 6/30 (see Appendix II)

*Cap of $15,385 in salaries per employee given the $100k annualized salary cap

^ Seasonal Employers see Appendix II for FTE measurement period
Forgiveness Scenario Examples

SBA guidance allows you, the borrower, to pick one of two options to compare to your PPP 8-week period to understand how much you'll be able to get forgiven. So assuming you do not reduce staff salaries...

<table>
<thead>
<tr>
<th>Scenario 1</th>
<th>Scenario 2</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Between 2/15-6/30/19 (Option 1) you had...</strong></td>
<td>Monthly Average: 10 FTEs</td>
</tr>
<tr>
<td>You grew so that in <strong>January and February of 2020 (Option 2), so you had...</strong></td>
<td>Monthly Average: 15 FTEs</td>
</tr>
<tr>
<td>The crisis resulted in layoffs, so when you received your loan you had...</td>
<td>5 FTEs</td>
</tr>
<tr>
<td>With PPP funds you can rehire during the 8-week period...</td>
<td>You rehire 5 FTEs for a monthly average of 10 FTEs for the 8-week period</td>
</tr>
</tbody>
</table>

**Forgiveness Result**

- Fully Forgiven
- Partially Forgiven

In both scenarios, you would compare to Option 1 – the lower FTEs option.
Forgiveness Calculator Coming Soon

**Step 1 - Enter Loan Details**
- **Loan Amount**
- **Loan Origination Date**
- **Loan End Date**

Notes:
- Loan origination date is the first day the loan funds are dispersed into your account.
- Loan end date is 56 days after origination date.

**Step 2 - Calculate Average FTEs**
- 3/1/2019 - 3/31/2019
- 4/1/2019 - 4/30/2019
- 5/1/2019 - 5/31/2019
- 6/1/2019 - 6/30/2019

**Step 4 - Est. Forgiveness Amount**
Select an average number of FTEs during the loan to model.

<table>
<thead>
<tr>
<th>Date Range</th>
<th>First Four Weeks Total</th>
<th>Last Four Weeks Total</th>
<th>Overall Loan Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2/15/2019 - 2/28/2019</td>
<td>$</td>
<td>-</td>
<td>$</td>
</tr>
<tr>
<td>3/1/2019 - 3/31/2019</td>
<td>$</td>
<td>-</td>
<td>$</td>
</tr>
<tr>
<td>4/1/2019 - 4/30/2019</td>
<td>$</td>
<td>-</td>
<td>$</td>
</tr>
<tr>
<td>5/1/2019 - 5/31/2019</td>
<td>$</td>
<td>-</td>
<td>$</td>
</tr>
<tr>
<td>6/1/2019 - 6/30/2019</td>
<td>$</td>
<td>-</td>
<td>$</td>
</tr>
</tbody>
</table>

Total Allowable Payroll Costs:
- $
What Will the Forgiveness Process Look Like?

Guidance still coming but probably will include:

• Gathering payroll information, relevant IRS Forms 941’s, and documentation backing up every expense you are looking to get forgiven

• Filing a forgiveness application with certain certifications

• Lender will have 60 days to return result

• Secretary Mnuchin announced on 4/28 that loans above $2M would be subject to an audit. More details to come.
Additional Considerations Outside of Managing the Loan
Additional Considerations

- Depending on your projected cash flow situation for the summer and fall and your comfort managing the loan payments, **you may strategically decide to not return funds** that are not forgiven, so long as you **continue to use them for allowable expenses**.

- Organizations receiving **other federal funds** cannot "double dip," meaning you cannot claim to the federal government you spent different federal funds on the same expenses. You should consider comparing your allowable expenses for PPP vs. your federal grants and contracts. There may be other allowable expenses your other federal funding can cover, including during the 8-week period.

- When bringing staff back on and managing contractor decisions, be careful about the impact of **changes on employee morale** and **labor laws**. Consult an HR attorney.
Engaging with Other Parts of CARES

- Cannot include amounts covered by credits related to sick and paid leave from the FFCRA in your PPP

- **EIDL** – the amount of grant received (up to $10,000) will reduce the forgiveness amount of the PPP

- Once your PPP loan is forgiven, you are no longer eligible to defer deposit and payment of FICA (employer’s share of social security tax)
Additional Resources
StrongNonprofits.org

In collaboration with the Wallace Foundation, FMA has created a library of tools and resources to help organizations become “fiscally fit”

Four Topic Areas: Planning | Monitoring | Operations | Governance

Planning Resources for Nonprofit Financial Management

Good planning finds the most effective ways to deploy your organization’s resources – and meet your overall objectives.

Materials here include help with budgeting, cost calculations and cash projections.

Strengthening the Budget Development Process
## Cash Flow Planning Tool

### Cash Flow Projection Template

<table>
<thead>
<tr>
<th></th>
<th>Current Yr Budgeted</th>
<th>July</th>
<th>Aug</th>
<th>Sep</th>
<th>Oct</th>
<th>Nov</th>
<th>Dec</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Cash Receipts</strong></td>
<td>$2,892,560</td>
<td>$356,422</td>
<td>$426,701</td>
<td>$230,383</td>
<td>$188,433</td>
<td>$258,953</td>
<td>$204,699</td>
</tr>
<tr>
<td><strong>Total Cash Disbursements</strong></td>
<td>$2,816,563</td>
<td>$234,251</td>
<td>$233,492</td>
<td>$218,821</td>
<td>$214,360</td>
<td>$230,503</td>
<td>$214,524</td>
</tr>
<tr>
<td><strong>Excess (Shortfall) from operations</strong></td>
<td></td>
<td>$122,171</td>
<td>$193,209</td>
<td>$11,562</td>
<td>($25,927)</td>
<td>$28,450</td>
<td>($9,825)</td>
</tr>
</tbody>
</table>

### CAPITAL AND FINANCING

<p>| | | | | | | | |</p>
<table>
<thead>
<tr>
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<tbody>
<tr>
<td><strong>Cash Receipts</strong></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Cash received from loans/financing</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfers from savings/investments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td><strong>Cash Disbursements</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital purchases</td>
<td>36,442</td>
<td>2,983</td>
<td>2,993</td>
<td>3,002</td>
<td>3,012</td>
<td>3,022</td>
<td>3,032</td>
</tr>
<tr>
<td>Repayment of loan principal</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfers to savings/investments</td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

### NET CASH EXCESS (SHORTFALL)

<p>| | | | | | | | |</p>
<table>
<thead>
<tr>
<th></th>
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<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$119,188</td>
<td>$190,216</td>
<td>$8,560</td>
<td>($28,939)</td>
<td>$25,428</td>
<td>($12,857)</td>
<td></td>
</tr>
</tbody>
</table>

### ROLLING CASH BALANCE

<p>| | | | | | | | |</p>
<table>
<thead>
<tr>
<th></th>
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<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$374,883</td>
<td>$565,098</td>
<td>$573,658</td>
<td>$544,719</td>
<td>$570,147</td>
<td>$557,290</td>
<td></td>
</tr>
</tbody>
</table>
## Revenue Scenario Planning Tool

### Revenue Analysis Worksheet

<table>
<thead>
<tr>
<th>Program/Department/Function</th>
<th>Funding Source</th>
<th>Total Possible Revenues (Current Year Portion Only)</th>
<th>Likelihood of Receipt (%)</th>
<th>Variable Revenue Assumption:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>100%</td>
</tr>
<tr>
<td>Pre-Kindergarten Program</td>
<td>Government Contract A</td>
<td>$275,000</td>
<td>100%</td>
<td>Best Case 275,000</td>
</tr>
<tr>
<td></td>
<td>Government Contract B</td>
<td>$75,000</td>
<td>75%</td>
<td>Moderate Case 75,000</td>
</tr>
<tr>
<td></td>
<td>Grant from Foundation A</td>
<td>$40,000</td>
<td>50%</td>
<td>Worst Case 40,000</td>
</tr>
<tr>
<td></td>
<td>VARIABLE: Earned program revenue</td>
<td>$75,000</td>
<td>n/a</td>
<td></td>
</tr>
<tr>
<td></td>
<td>FY Expense Budget for Pre-Kindergarten Program</td>
<td>$400,000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Revenue Scenarios</th>
<th>Best Case</th>
<th>Moderate Case</th>
<th>Worst Case</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue Subtotal</td>
<td>$465,000</td>
<td>$410,000</td>
<td>$320,000</td>
</tr>
<tr>
<td>Expense Budget</td>
<td>$400,000</td>
<td>$400,000</td>
<td>$400,000</td>
</tr>
<tr>
<td>Surplus/Deficit</td>
<td>$65,000</td>
<td>$10,000</td>
<td>($80,000)</td>
</tr>
</tbody>
</table>

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[www.strongnonprofits.org](http://www.strongnonprofits.org)
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Appendix I:
General Ledger
Step-by-Step Directions
1: Loan Funds Disbursed To Nonprofit

- PPP proceeds are initially recorded as a liability
- Later, lender will determine what portion of the loan funds will be forgiven and what portion will remain a loan
- Record one-time entry when loan funds are received in cash

<table>
<thead>
<tr>
<th>Date</th>
<th>Account</th>
<th>DR</th>
<th>CR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date of cash receipt</td>
<td>Cash/checking (balance sheet account)</td>
<td>$50,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>PPP loan payable (balance sheet account)</td>
<td></td>
<td>$50,000</td>
</tr>
</tbody>
</table>
General Ledger Recording: Allowable Expenses

2: Spending PPP Loan Proceeds

➢ Proceeds of a PPP loan are to be used for allowable expenses: payroll costs, mortgage/other loan interest payments, rent payments, utility payments (as defined by regulations)

➢ As related invoices and payments are processed through accounts payable, determine portion to be tracked as allowable and later considered in the forgiveness process.

Reminder: Keeping track of allowable expenses during the 8-week period after loan disbursement will assist your organization in optimizing the amount of loan forgiveness.
## General Ledger Recording: Allowable Expenses

### 2: Spending PPP Loan Proceeds

<table>
<thead>
<tr>
<th>Type</th>
<th>Account</th>
<th>DR</th>
<th>CR</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Utilities</strong></td>
<td>Utility expense **</td>
<td>$750</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Cash or accounts payable</td>
<td></td>
<td>$750</td>
</tr>
<tr>
<td><strong>Loan Interest</strong></td>
<td>Interest expense **</td>
<td>$550</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Loan principle (balance sheet)</td>
<td>$300</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Cash</td>
<td></td>
<td>$850</td>
</tr>
<tr>
<td><strong>Payroll</strong></td>
<td>Payroll expense **</td>
<td>$1,500</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Cash or payroll payable</td>
<td></td>
<td>$1,500</td>
</tr>
</tbody>
</table>

** Further chart of account dimensions based on each organization’s chart of account structure. See consideration of coding to funding source to follow.**
QuickBooks – PPP Allowable Expenses

Sample Chart of Account Structure

Account
- General Ledger Expense (such as payroll, interest or utilities)

Class
- Program
- M&G
- Fundraising

Customer /Job
- Source – PPP Loan
Example:

- An organization incurs $3,500 of PPP allowable payroll for the afterschool program staff during a bi-weekly pay period:

<table>
<thead>
<tr>
<th>Account</th>
<th>Class</th>
<th>Job/Customer (Source)</th>
<th>DR</th>
<th>CR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payroll Expense</td>
<td>Afterschool Program</td>
<td>PPP Loan</td>
<td>$3,500</td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td></td>
<td></td>
<td></td>
<td>$3,500</td>
</tr>
</tbody>
</table>
### General Ledger Recording: Loan Forgiveness

#### 3. Forgiveness is Determined
- Following notification of forgiveness of all or a portion of loan funds, reduce loan balance and record revenue.
- Remember – Any loans NOT forgiven have accrued interest since the disbursement date.

### Journal Entry (for portion forgiven)

<table>
<thead>
<tr>
<th>Date</th>
<th>Account</th>
<th>DR</th>
<th>CR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date of forgiveness</td>
<td>PPP loan payable (balance sheet account)</td>
<td>$50,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Revenue – forgiveness of debt</td>
<td></td>
<td>$50,000</td>
</tr>
</tbody>
</table>
Appendix II: Special Circumstances
501(c)(3) / 501(c)(4)
Related Entities
What We Know:

• 501(c)(3)s are eligible for the PPP
• 501(c)(4)s, and therefore their expenses, are not eligible for the PPP
• Put another way, loan proceeds cannot pay for (c)(4) work.
• If you use PPP funds for unauthorized purposes, SBA will direct you to repay those amounts.
• If you knowingly use the funds for unauthorized purposes, you will be subject to additional liability such as charges for fraud.
What To Do: Therefore, if your organization has shared employees and resources between a (c)(3) and a (c)(4) and a robust resource sharing agreement in effect, you seem to have two options during the 8-week loan period, keeping in mind that when in doubt, it is best to connect with your tax and/or legal professional.

**Option 1** - Presuming the (c)(3) has received PPP loan proceeds to cover 100% of shared employee payroll expenses for the 8-week period, staff members whose payroll is being covered through PPP proceeds cannot work for (c)(4) during the 8-week period. However, we understand this would be quite restrictive.

**Option 2** – Presuming the (c)(3) has received PPP loan proceeds to cover shared employee payroll expense in excess of what is necessary to fund the (c)(3) activities, continue to track shared payroll expenses the (c)(4) owes to the (c)(3), including understanding how much the (c)(4) owes the (c)(3) during the 8-week loan period and continue to transfer funds as required by your resource sharing agreement. If, during the 8-week period, the (c)(3) did not incur PPP eligible expenses related to (c)(3) work, net of (c)(4) reimbursement, for salaries, health and retirement benefits, state taxes, rent, utilities, and mortgage/loan interest you must return the difference to the lender and therefore that amount would not be eligible for forgiveness.
## 501(c)(3) / 501(c)(4) Related Entities: Scenario A

<table>
<thead>
<tr>
<th><strong>Total Amount</strong></th>
<th>Org. spends on salaries, health and retirement benefits, state taxes, rent, utilities, and mortgage interest between 5/1/20 – 6/26/20</th>
<th>$100,000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Amount the (c)(4) owes the (c)(3)</strong></td>
<td>on salaries, health and retirement benefits, state taxes, rent, utilities, and mortgage interest for work between 5/1/20 – 6/26/20</td>
<td>$10,000</td>
</tr>
<tr>
<td><strong>Total PPP Loan</strong></td>
<td>is used on at least 75% salaries, health and retirement benefits, state taxes; as well as rent, utilities, and mortgage interest for work between 5/1/20 – 6/26/20</td>
<td>$50,000</td>
</tr>
<tr>
<td><strong>Forgiveness Result:</strong></td>
<td>Do not need to return funds*</td>
<td></td>
</tr>
<tr>
<td></td>
<td>*Ultimately, forgiveness would be based on changes in FTEs and any adjustments of more than 25% to those with salaries below $100k</td>
<td></td>
</tr>
</tbody>
</table>
### 501(c)(3) / 501(c)(4) Related Entities: Scenario B

<table>
<thead>
<tr>
<th>Total Amount</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Org. spends on salaries, health and retirement benefits, state taxes, rent, utilities, and mortgage interest between 5/1/20 – 6/30/20</td>
<td>$100,000</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Total Amount the (c)(4) owes the (c)(3)</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>on salaries, health and retirement benefits, state taxes, rent, utilities, and mortgage interest for work between 5/1/20 – 6/30/20</td>
<td>$30,000</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Total PPP Loan</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>is used on at least 75% salaries, health and retirement benefits, state taxes; as well as rent, utilities, and mortgage interest for work between 5/1/20 – 6/30/20</td>
<td>$80,000</td>
<td></td>
</tr>
</tbody>
</table>

**Forgiveness Result:** Need to return $10,000 ($100k-$30k-$80k)*

*Forgiveness would be based on the remaining $70,000 analyzing changes in FTEs and any adjustments of more than 25% to those with salaries below $100k.
501(c)(3) / 501(c)(4) Related Entities: Scenario B

Total Amount Org. spends on salaries, health and retirement benefits, state taxes, rent, utilities, and mortgage interest between 5/1/20 – 6/30/20 $100,000

Total Amount the (c)(4) owes the (c)(3) on salaries, health and retirement benefits, state taxes, rent, utilities, and mortgage interest for work between 5/1/20 – 6/30/20 $30,000

Total PPP Loan, is used on at least 75% salaries, health and retirement benefits, state taxes; as well as rent, utilities, and mortgage interest for work between 5/1/20 – 6/30/20 $80,000

Forgiveness Result: Need to return $10,000 ($100k - $30k - $80k)

Forgiveness would be based on the remaining $70,000 analyzing changes in FTEs and any adjustments of more than 25% to those with salaries below $100k

FTE Calculation for Seasonal Employers
**Seasonal Employers: FTE Comparison Period**

**What we know:** the Act indicates that seasonal employers using the seasonal measurement period to calculate monthly average payroll must use Feb 15, 2019 – June 30, 2019 to compare FTE levels for forgiveness.

- Amount of Loan Spent on Allowable Expenses* During 8 Weeks Following Disbursement
- Average # of FTEs Per Pay Period Feb 15, 2019 – June 30, 2019
- Average # of FTEs Per Month During 8 Week Period
- Wages for Salaries Reduced By More than 25% for Those Making < $100k
- Amount Forgiven (Up to the Full Loan Amount)

**Open Question:** SBA issued interim guidance on April 28, 2020 introducing additional measurement periods that Seasonal Employers may chose to use to calculate average monthly payroll to determine the loan amount. **Will the SBA allow or require seasonal employers to use the same measurement period to determine their FTE level comparison for forgiveness?**

**New measurement periods for calculating the maximum loan amount:**
- Feb 15 or March 1, 2019 – June 30, 2019
- Any 12-week period between May 1, 2019 and September 15, 2019
FTE & Salary
Restoration Grace Periods
What We Know about the Grace Period Exemption

The standard formula for forgiveness based on reduction in FTE and/or salary levels is described in the main portion of this deck. (See Forgiveness 101 section for forgiveness equation).

You could take advantage of the ‘grace period’ exemption in the law to offset reductions in forgiveness if you reduced staffing or salaries between Feb 15, 2020 and April 26, 2020 – a time when federal aid was uncertain, and leaders had to make quick decisions - and you have restored staffing and/or salaries by June 30, as detailed in the following slides.

• For any staffing or salary reductions made outside of this Feb 15 – April 26, 2020 window, you can not take advantage of this grace period exemption
If your organization laid off or furloughed staff, or otherwise experienced a reduction in FTE levels, when the crisis hit, your PPP loan could still be eligible for up to full forgiveness IF:

• The staffing reductions occurred between Feb 15, 2020 – April 26, 2020 (when compared to Feb 15), and
• By June 30, you restore the FTE reductions made from Feb 15 – April 26 to FTE levels as of Feb 15.

If you take these steps, you can calculate FTE levels for the 8-week loan period as if you had not made the FTE reductions between Feb 15 – April 26.

Open Questions: How long must staff stay on payroll after June 30, 2020? How will this grace period be managed if your 8-week period ends before June 30, 2020? Can you prorate for partial restoration?
If your organization reduced salaries/wages by more than 25%* for any employee making less than $100k/year when the crisis hit, your PPP loan could still be eligible for up to full forgiveness IF:

• You made salary reductions between Feb 15, 2020 – April 26, 2020 (compared to Feb 15), and
• By June, you restore the per employee salary reductions made from Feb 15 – April 26 to salary levels as of February 15, 2020

If you take these steps, you can calculate salary levels for the 8-week loan period for forgiveness purposes as if you had not made the salary reductions between Feb 15 – April 26.

*Measured in the standard forgiveness calculation by comparing salaries/wages during the loan period against the full quarter preceding the loan disbursement (i.e. January-March 2020).

Open Questions: How long must staff stay on payroll after June 30, 2020? How will this grace period be managed if your 8-week period ends before June 30, 2020? Can you prorate if you restore salaries for some staff?
How do we reach FMA with additional questions and support on PPP after today?

Please reach out to

FMACARES@fmaonline.net

OR

Call (646) 416-6053 between 2-3pm EST

One of our experts will assist you with your questions as soon as possible