Navigating the Interaction Between the Use of PPP Loan Proceeds, PPP Forgiveness and Restricted Funding
Updated July 2, 2020

As a result of the pandemic, nonprofits are facing revenue losses, business interruption, programmatic shifts, and other challenges. In responses to these pressures, nonprofits are seeking to ensure that all available funds are fully utilized and that financial stability and sustainability are achieved. Generally, this requires careful management of multiple sources of revenue and funds.

The relationship between the Paycheck Protection Program (PPP) and use of restricted funds has been an area of confusion for nonprofits and funders. In particular, there is a desire to ensure that nonprofits utilize PPP loan and forgiveness opportunities and restricted funding awards without inadvertently “double dipping.”

This guidance is intended to help nonprofits navigate choices they are making about which funds to use where and to make clear that “double dipping” only occurs if a nonprofit is reimbursed twice, e.g., obtains reimbursement for certain payroll expenses from restricted funding and forgiveness of their PPP loan for the same exact expense. To be clear, use of the loan proceeds as a loan does not trigger “double dipping.”

Below is a description of the rules at play and the steps we suggest that nonprofits and their funders take in determining how to utilize PPP forgiveness and restricted funding and avoid double dipping.

**How does the PPP loan work?**

**PPP Loan**
- The PPP loan is a loan with conditions as to its use.
- When received, it is booked in the general ledger as a loan and treated as a loan up to that point when some or all it is forgiven with the approval of the SBA.

**Conditions regarding use of PPP loan proceeds**
- Loan proceeds can be used, as loan proceeds, to pay for allowable payroll and nonpayroll expenses (Section 1102 - new Section 7(a) 36 (F) Allowable Uses of Covered Loans). See other FMA guidance for more details: [https://fmaonline.net/forgiveness](https://fmaonline.net/forgiveness).

**Forgiveness of the PPP loan**
- The potential forgivable amount of the PPP loan is equal to the sum of the allowable payroll and nonpayroll expenses.
- This amount is then reduced by any workforce and wage reduction penalties.
- The amount remaining after any reduction penalties is the forgivable amount (up to the amount of the loan and provided that payroll costs equal at least 60% of the total.)

**How does restricted government and restricted private philanthropic funding work?**

**Restricted government and restricted private philanthropic funding is awarded for restricted purposes**
- This funding is generally made available for specified time and/or use.
- Cost reimbursement contracts allow nonprofits to be reimbursed for expenses for these specified uses within the time provided.

This information is provided for general informational and educational purposes only and does not constitute legal, accounting or financial advice. Please note guidance is changing regularly. We encourage you to check with the SBA and your lender for updated guidance, check our FMA toolkit for updated materials and consult your legal and accounting professionals, as needed.
How will the prohibition on “double dipping,” i.e. being reimbursed twice for the same expense, work for nonprofits that have PPP loans and government funding?

Defining double dipping
- “Double dipping” is being reimbursed twice for the same expense.
- The federal government prohibits “double dipping,” from different federal funding sources, i.e., being reimbursed twice for the same expense.
- Government or private philanthropic funds which are restricted generally prohibit “double dipping” as well, i.e. being reimbursed twice for the same expense.

Does the prohibition against “double dipping” apply to PPP forgiveness and restricted funds?
- While the CARES Act that established the PPP does not specifically prohibit double dipping, the Office of Management & Budget, as of June 18th, has clarified that the PPP program and other federal funders will treat the PPP program as federal funds.
- The prohibition against “double dipping”, i.e., being reimbursed twice for the same expense, will apply to PPP funds that are forgiven.
- OMB notes specifically, “payroll costs paid with the Paycheck Protection Program (PPP) loans or any other Federal CARES Act programs must not be also charged to current Federal awards as it would result in the Federal government paying for the same expenditures twice.”
- In general, we think it is likely that state and local government funders, as well as private philanthropic funders who have made restricted grants, will follow the same approach as the federal government.

How would the prohibition be applied?
- It is likely that nonprofits cannot be reimbursed for an expense and obtain PPP loan forgiveness for that same expense. That would be “double dipping.”
- Example: A nonprofit could not be reimbursed for a payroll cost under a government contract and obtain loan forgiveness for that same payroll expense.

What are the steps a nonprofit needs to take in evaluating their restricted funding?

1) Identify potential overlap
   As a first step, we suggest that nonprofits review their existing restricted funding from government and private philanthropic sources relative to expenses that they could receive PPP forgiveness for and develop a schedule of the overlapping expenses, if any

2) Explore options to modify existing funding, if needed, to best enable the nonprofit to avoid overlap between expenses for forgiveness and restricted funding and to achieve financial stability and sustainability
   As a next step, nonprofits should explore with their existing funders whether their existing funding could be modified to cover other expenses to avoid overlap and help the nonprofit to achieve financial stability and sustainability.
   - We expect that some government funders will allow grantees to extend their grant, use their grant funds for other eligible expenses or even treat their grant funds as if they were unrestricted funding.
- Other funders, including both government and private philanthropic funders, will not allow modification of existing grants or contracts.

3) **Determine whether to utilize restricted funding or loan forgiveness for overlapping expenses**
   1) As a final step, nonprofits should identify where any overlaps exist which could trigger “double dipping” if forgiveness were obtained and create a schedule.
   2) Nonprofits will then need to choose whether to obtain reimbursement from existing restricted funders or accept forgiveness for these expenses; these decisions will generally be considered in the context of achieving financial stability and sustainability. In this context, there are a number of reasons why a nonprofit might opt for reimbursement under existing contracts, including long-term considerations associated with the funding as well as short-term considerations, such as receiving payment of indirect rates associated with their restricted funding which are dependent on the amount of direct expenses incurred.

4) **Keep good records**
   Nonprofits will need to keep good records to show which employees and expenses are being paid from what source so that the government isn't paying more than 100% of a salary. This is a good approach for all of your restricted funding sources. OMB notes when discussing federal agency funders, “Awarding agencies must require recipients to maintain appropriate records and cost documentation… to substantiate the charging of any salaries and other project activities costs related to interruption of operations or services.”

**How will we handle these issues on the loan forgiveness application itself?**
**Completion of the loan forgiveness application by nonprofits with restricted funding**

- Currently, we are exploring with lenders the best way for nonprofits with restricted funding to complete the forgiveness loan application.

- To ensure that “double dipping” is avoided, we anticipate that nonprofits with restricted funding will need to:
  1) Complete the forgiveness application that was issued by the SBA.
  2) Review the forgivable amount on page 3 on line 11 against supporting expenses and confirm that those specific supporting expenses are not being reimbursed by government or other restricted funding.
  3) If there is overlap, reduce the amount on line 11 by the overlap (e.g., after running the calculations on lines 1 through 10, the forgivable amount is $100,000 and there are $20,000 of expenses that overlap, so you actually write in $80,000 as the amount you are seeking forgiveness for.

- If you think you’re going to need to reduce your forgiveness amount as a result and are starting to work on your application, we encourage you to ask your lender for their advice on how you’ll account for that on your application.

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