Paycheck Protection Program
Reporting Guidance
Canon Katie Easterlin
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Paycheck Protection Program Resources

- **Forgivable loans**: There is $659 billion allocated for the Small Business Administration to provide loans of up to $10 million per business. Any portion of that loan used to maintain payroll, keep workers on the books or pay for rent, mortgage, and/or servicing other existing debt could be forgiven, provided workers stay employed through the end of June.

- **How to calculate the loan**

- **Interim Final Rule**

- **FAQs from SBA and Treasury**

- Church Guidance for PPP
Paycheck Protection Program High-level

• When calculating number of employees, full-time and part-time individuals are considered.

• Loan proceeds must be used during the covered period for payroll costs, group healthcare benefits during periods of sick, medical or family leave, as well as insurance premiums, commissions or similar compensations, interest on mortgage obligations (excludes prepayment or payment of principal), rent, utilities, and interest on any other debt incurred before February 15, 2020.

• Loan (principal and interest) may be forgiven as long as the entity uses the funds in the 8-week period beginning on the date of the loan for the authorized purposes outlined in the Act. The loan forgiveness amount is excluded from taxable income.
  • Loan forgiveness amounts are reduced if the employer reduces the number of employees or reduces total salary and wages of any employee by more than 25% during the period.
  • Loan forgiveness requires certain supporting documentation and timely filing of application.

• If an entity participates in this program, it cannot apply for Employee Retention Payroll Tax Credits (section 2301 of CARES Act).
The SBA PPP Forgiveness Application is **LIVE**
SBA PPP Forgiveness Application

Key Components

(1) The PPP Loan Forgiveness Calculation Form;
(2) PPP Schedule A;
(3) The PPP Schedule A Worksheet; and
(4) The (optional) PPP Borrower Demographic Information Form.

All Borrowers must submit (1) and (2) to their Lender.
The 8-week clock starts ticking when the funding hits your account.

There is an alternative for those with biweekly or more frequent payroll schedules. You must elect their alternative payroll covered period in your application. Please note there are sections that are only permitted for the “covered-period”
Line 1- There is supporting schedule worksheet to calculate Payroll costs. You’ll use the schedule to fill in other portions of the sheet

Line 7- FTE Reduction Quotient

Line 10- 75% of the loan must be used for allowable payroll costs

Line 13- If this figure doesn’t match the initial dollar amount of the loan the balance will be converted to a loan instrument
Payroll Calculation Worksheet

Table 1- Create an excel spreadsheet to list out all covered employees during the 8-week time period who received salary reductions.

Table 2- Create an excel spreadsheet to list out all covered employees during the 8-week time period and their cash compensation. Not including health and retirement benefits.

Safe Harbor Instruction- Section to support calculation and back-up for safe harbor exceptions on FTE calculations.
Key Provisions Calculating FTEs

FTE Reduction Safe Harbor

A safe harbor under applicable law and regulation exempts certain borrowers from the loan forgiveness reduction based on FTE employee levels. Specifically, the Borrower is exempt from the reduction in loan forgiveness based on FTE employees described above if both of the following conditions are met: (1) the Borrower reduced its FTE employee levels in the period beginning February 15, 2020, and ending April 26, 2020; and (2) the Borrower then restored its FTE employee levels by not later than June 30, 2020 to its FTE employee levels in the Borrower’s pay period that included February 15, 2020.

FTE Reduction Exceptions

Indicate the FTE of (1) any positions for which the Borrower made a good-faith, written offer to rehire an employee during the Covered Period or the Alternative Payroll Covered Period which was rejected by the employee; and (2) any employees who during the Covered Period or the Alternative Payroll Covered Period (a) were fired for cause, (b) voluntarily resigned, or (c) voluntarily requested and received a reduction of their hours. In all of these cases, include these FTEs on this line only if the position was not filled by a new employee. Any FTE reductions in these cases do not reduce the Borrower’s loan forgiveness.
**PPP Schedule A**

**Paycheck Protection Program**
**Loan Forgiveness Application**

<table>
<thead>
<tr>
<th>Line</th>
<th>Description</th>
<th>Instructions</th>
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<tbody>
<tr>
<td>1-5</td>
<td>Include the figures from the PPP Schedule A Worksheet as directed</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Health insurance costs</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Retirement plan contributions</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Total amount for employer state and local taxes</td>
<td></td>
</tr>
<tr>
<td>11-13</td>
<td>The FTE numbers will determine the amount of the loan forgiven. Careful calculation and tracking of Safe Harbor is important</td>
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Required Supporting Documentation

Payroll

FTE Backup

Nonpayroll

There is documentation that is required to maintain but not for submission. See pg. 10 of the application form. Must maintain these documents for 6 years to support audits.
Tracking Considerations

1. Lay out a plan

Figure out a plan for how to spend the money. Map it out on an eight-week calendar to help make sure a congregation can spend all the money it can within that period.

Tip: Microsoft Excel and PowerPoint have blank calendar templates where you can map out payroll cycles and other bills. Make a check-list of all the items you are tracking.
Tracking Considerations

2. Track Cash

When churches go for forgiveness, some accountants are recommending it is a good idea to segregate this money into a separate bank account. If not, keep in a savings account and make transfers as you spend the money. It’s best not to co-mingle in your operating funds. This demonstrates a clear history of what the money was spent on.

Tip: Take the bank statement from when the funds dropped into the account and highlight the transfer for a starting point of the record.
3. Create a Spreadsheet

Create a log or spreadsheet to track each time a church spends money on the allowable expenses. Churches should date what it was for, the amount and make a copy of whatever documentation proves the expense.

Tip: Start the top of the sheet with the total value of the loan down to the penny. Take the list of expenses from your calendar creation and list them to track date paid, if you have a payroll that lands outside the 8-week period by a day or two know that you may have to apply with the “alternative covered period” on the forgiveness application.
Tracking Considerations

4. Accounting Entries

As this loan is technically a liability, book the cash receipt as a loan on your balance sheet. Track the expenses against your typical budget expense codes with the back-up invoices. If forgiven, at the end of the year, you’ll book a year-end entry to write off the balance of the loan and reclassify as grant income. I will be working with our accountants on what that entry might look like.

Tip: Review church accounting standards in the *Manual of Business Methods in Church Affairs* or be on the lookout for more information from Canon Easterlin
Diocesan Reporting Guidance

Collect the following for back-up on reports:

- If you use a **payroll company**, reach out and determine if they are going to provide a report on payroll cost specific to the SBA PPP. It might cost extra, but it is worth it!!

- Copies of checks and payroll entries

- Detailed invoices for permissible expenses like utilities, mortgage payments, insurance premiums, and pension payments.

- Any changes in employment numbers. If you applied for 5 staff and then report 4 at the end of the reporting period, then you’ll note in the supporting forgiveness worksheet.

- Keep up to date on monthly reconciliation reports and quarterly reports. This will help when conducting the application
The SBA continues to provide guidance on its website daily. The Diocese will track as further information is released and final guidance on required reporting is made available.

QUESTIONS?
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