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THE PPP LOAN - TIPS FOR APPLYING AND RECORDING FUNDS

AGENDA OVERVIEW

- The four stages of the PPP Loan process
- Required Documentation to Gather in advance
- I don't have/know my organization's 501c3 number, help!
- We are funded – now what? Things to know... so far...
- Samples of a Chart of Accounts
 - What accounts are impacted
- Projecting your costs
- Keeping organized

THE FOUR STAGES OF THE PPP LOAN PROCESS

- Stage one: Initial Application Certification
- Stage two: Application Review
- Stage three: Submittal to SBA
- Stage four: Dispersal

REQUIRED INFORMATION TO GATHER IN ADVANCE

- Application
- 501(c)(3) (non-profit) determination letter from the IRS
- Previous Four Quarters of payroll tax forms
- 2019 Financial Statement (Balance Sheet + Income & Expense)
- Utility Bills (if you plan on paying utilities with these funds)
- Mortgage Statement (if you plan on making interest payment on your mortgage with these funds)
- Rent (if you plan on paying rent with the funds)

I DON'T HAVE MY 501C3 NUMBER, HELP!

If a congregation is having difficulty retrieving their non-profit letter of exemption, they can email 501c3@elca.org to request their letter of exemption.

Please note: a person in a leadership role should email/request this information. You will also need some key pieces of identification for your congregation, such as: your congregational ID, your congregation legal name, and address.

WE ARE FUNDED! NOW WHAT?

Here is what we know so far:

- Forgiveness is NOT automatic – It MUST be applied for
- The SBA is working on a loan forgiveness application
- Your bank might have some information about the forgiveness – but they could also sell your loan to another lender/company
- The 8 week (some might have 10 weeks) period starts when you get your funds
- Qualifying expenses include payroll costs, mortgage interest, rent, and utilities

Continued on next slide...

WE ARE FUNDED! NOW WHAT?

- Gather documentation as you go: payroll registers, 941's, insurance invoices, retirement contributions, state tax filings, canceled checks, payment receipts, account statements, etc.
- You will not be able to apply for forgiveness until the 8/10 week period is up
- The lender has 60 days to process your forgiveness application (and they will be inundated with forgiveness applications)
- The amount forgiven is not subject to income tax

VERY IMPORTANT TO NOTE

There are six ways your PPP Loan will be LESS forgivable!

- IF you spend LESS than 75% of the loan on payroll
- Reduce ANY wage more than 25%
- Have LESS employees
- Deduct a \$10,000 EIDL advance
- NOT spend the entire amount in 8 weeks
- Spend on an UNQUALIFIED expense

SAMPLES OF A CHART OF ACCOUNTS

Time : 11:27:17 AM

Chart of Accounts - List Only

Accounts

Assets

Cash, Savings, & Money Markets

- 1-1011-000 - Checking
- 1-1025-000 - Regular Share Saving Account
- 1-1026-000 - Savings 99110-13
- 1-1027-000 - Regular Share Savings
- 1-1031-000 - Money Market 14--Operating
- 2-1011-000 - Checking Account-Property
- 2-1031-000 - Money Market 16-Property Management
- 3-1011-000 - Checking Account-M & M Endowment
- 3-1031-000 - Money Market 13-M & M Endowment
- 4-1011-000 - Checking Account-Warner Trust
- 5-1011-000 - Checking Account-Fund for Leaders

Receivables

- 1-1211-000 - Accounts Receivable
- 1-1271-000 - Notes Receivable
- 2-1211-000 - Accounts Receivable-Property

Prepaid Expenses and Deposits

- 1-1411-000 - Prepaid Expenses
- 1-1431-000 - Prepaid Assembly Expenses
- 1-1441-000 - Prepaid PLC Expenses
- 1-1451-000 - Prepaid Retired Clergy Expenses
- 1-1471-000 - Other Assets Deposits-Property
- 2-1411-000 - Prepaid Expenses-Property Fund

Investment Accounts

Sample of a
non-profit
Chart of
Accounts

SAMPLES OF A CHART OF ACCOUNTS

Sample
Chart of
Accounts
from
Quickbooks
Online

Account List

Account	Type	Detail type	
Clearing Account	Bank	Cash on hand	Zero balance account for daily sale
Inventory	Other Current Assets	Inventory	Cost of products and materials yo
Inventory Asset	Other Current Assets	Inventory	
Uncategorized Asset	Other Current Assets	Other Current Assets	
Undeposited Funds	Other Current Assets	Undeposited Funds	
California Department of Tax and Fee Administration Payable	Other Current Liabilities	Sales Tax Payable	
Out Of Scope Agency Payable	Other Current Liabilities	Sales Tax Payable	
Opening Balance Equity	Equity	Opening Balance Equity	
Owner's Investment	Equity	Owner's Equity	Money you invested in your busine
Owner's Pay & Personal Expenses	Equity	Owner's Equity	Money you took out of your busine
Retained Earnings	Equity	Retained Earnings	
Billable Expense Income	Income	Sales of Product Income	
Daily Sales Income	Income	Sales of Product Income	For tracking daily sales
Non-Taxable Daily Sales	Income	Other Primary Income	
Sales	Income	Sales of Product Income	
Sales of Product Income	Income	Sales of Product Income	
Uncategorized Income	Income	Sales of Product Income	
Cost of Goods Sold	Cost of Goods Sold	Supplies & Materials - COGS	Cost of materials and labor used to
Shipping	Cost of Goods Sold	Shipping, Freight & Delivery - COS	Cost of delivering products to custo
Advertising & Marketing	Expenses	Advertising/Promotional	Ads, business cards, and other ma
Ask My Accountant	Expenses	Utilities	Flagged to review with your accoun
Bank Charges & Fees	Expenses	Bank Charges	Fees or charges from your bank or
Car & Truck	Expenses	Auto	Gas, repairs, insurance, and other
Contractors	Expenses	Payroll Expenses	Services provided by 1099 contract
Insurance	Expenses	Insurance	Liability, fire, theft, and other insur
Interest Paid	Expenses	Interest Paid	Interest paid on loans, credit cards

WHAT ACCOUNTS WILL BE EFFECTED

- Cash (Assets)
- Short-term Notes (Liabilities)
- Staffing/Payroll and Payroll related costs
 - Insurances and Retirement (health, vision, etc.)
 - Payroll related tax accounts
- Rent/Mortgage
- Utilities

WHY NEW ACCOUNTS?

By separately recording the incoming loan funds and expenditures you will easily identify these accounts by running simple reports from your accounting software

Please note: It is not necessary to create a separate chart of accounts. You can simply add new accounts to your current chart of accounts.

SUGGESTED NEW ACCOUNT NAMES

- Payroll Protection Plan Account (PPP Incoming Cash new asset account)
- Payroll Protection Loan (new liability account)
- PPP Payroll (new expense account – If desired, you can also create a separate PPP accounts for each category related to employer’s share of payroll expenses: state taxes, health, etc.)
- PPP Rent/Mortgage (new expense account)
- PPP Utilities (new expense account)

FUNCTION OF NEW ACCOUNTS

- Payroll Protection Plan Account
 - Record the funds to the new asset account
- Payroll Protection Loan
 - The “other side” of the transaction (when recording the new asset account) will be to this ST Liability account you created (credit asset/debit liability)
- PPP Payroll
 - Beginning from date your loan funded - book your payroll expenses here (debit asset/credit expense)

FUNCTION OF NEW ACCOUNTS

- PPP Rent/Mortgage (debit asset/credit expense)
 - Note: only the interest portion of the mortgage is a qualified expense under the PPP loan
- PPP Utilities (debit asset/credit expense)

PROJECTING COSTS

When the application was submitted for the PPP loan, it was required to use FY ending in 2019. Circumstances may have changed between December 2019 to the present. The SBA has released some guidelines about how to recalculate to reflect a loss of employees during the timeframe. How this would exactly impact the PPP forgiveness is not exactly clear at this time. As soon as more is learned, let's please share with each other.

For now, we used the following method to project our payroll related costs:

- Monthly gross salaries for all current employees. This would not include the employer share – please be careful on this part otherwise you could double count the expense using the step below
- Employer portion of retirement and group health insurance. You can find that on your monthly bill (note: this might vary by month depending on the wages earned by staff)

PROJECTING COSTS PAYROLL CALCULATION SAMPLE

Example of what it could look like for an organization/business:

8 employee salaries per pay period (1st to 15th of the month) = \$19,500 (gross salaries only)

Employer State Paid Taxes (same pay period) = \$1000

Total Payroll for the pay period = \$20,500

- **Note:** The examples contained in this presentation are for illustration purposes. Please refer to the SBA website for the PPP Loan process to obtain more information on calculating projections that fit your specific organizational needs.

For an 8-week coverage period, this organization might have this expense up to 4 times:

\$82,000

PROJECTING COSTS RETIREMENT AND INSURANCE SAMPLE

Example of what it could look like for your organization/business:

8 employee portion of the employer paid retirement benefits = \$4,000 per month

8 employee portion of the employer paid insurance premiums = \$6,000 per month

(normally these costs are monthly only – but check your organization's invoices to make sure)

For this sample organization the retirement and insurance estimate is \$10,000 per month

For an 8-week coverage period, your organization could have this expense twice:

\$20,000

PROJECTING COSTS PUTTING IT ALL TOGETHER

Example of what it could look like for an organization/business:

Gross Salary and ER Paid State Taxes:	\$82,000
Retirement Benefits and Insurance Premiums:	<u>\$20,000</u>
Total for the PPP 8-week period	<u>\$102,000</u>

If your PPP Loan was for \$125,000 then your payroll/payroll related costs would be approximately 82% of your loan. (see next slide about the 75/25 percentage requirements)

KEEP ORGANIZED AND STAY INFORMED

- Create a separate file for all qualified expenditures – this will make it easier when the time comes to send documents with your forgiveness application
- Run reports to check expenditures are being properly recorded. If there are errors in recording the expenditures, it's better to catch them sooner and correct them.
- Analyze reports against your projections. Are you under/overspending in any category? According to the terms of the PPP Loan, you must spend at **LEAST 75%** on payroll, but **NOT MORE** than 25% on rents/mortgages and utilities.
- Translation... you can spend more on payroll – but not more on rents/mortgages and utilities.

KEEP ORGANIZED AND STAY INFORMED

- Document any reason an employee departs from your organization/company and make sure to keep a letter of resignation, disability, etc. in your PPP Loan file
- Check the SBA website for updates about the PPP/EIDL regulations at least once a week. I understand that regulations/guidelines are being created and changed almost daily
- Keep sharing valid and valuable information with others during this time – we are all here to help one another



THANK
YOU
FOR
YOUR
TIME
TODAY

- Questions, comments, or updates regarding this presentation?
- Please email us at info@spselca.org