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FOCUS ON WHAT COUNTS

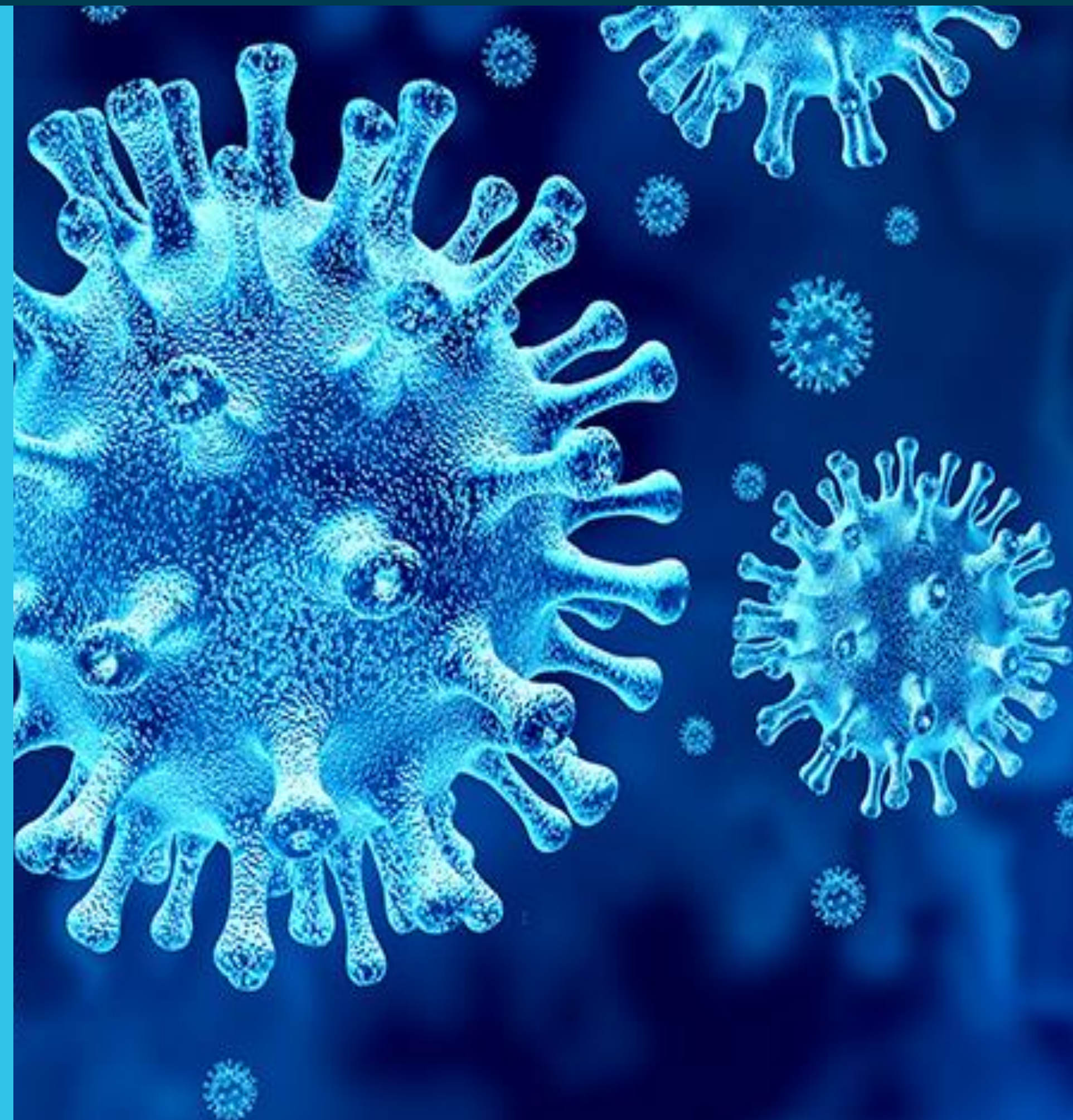
PPP COMPLIANCE AND FORGIVENESS

PRESENTED BY: Alex Regan, Partner

Jeff Alvanas, Director

THURSDAY, MAY 14, 2020

12:00 – 1:00 PM EDT



evolution ^{into} action



COVID -19 UPDATE

AGENDA

- Welcome and Introduction
- Brief Overview
- Updates
- Other PPP Considerations
- COVID-19 Resources and PPP Guidance
- Questions & Answers



WELCOME AND INTRODUCTION



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BRIEF OVERVIEW

CARES ACT

- Signed into law on 3/27/20
- 2 Interim Final Rules Issued
- Cumulative FAQ issued 4/14/20 (continuously updated most recently thru 5/13/20)
- Act States Forgiveness Guidance to be Issued 30 Days Post Enactment

What does this all mean?



UPDATES

As of Right Now:

- No guidance on forgiveness rules yet
- GAQC Alert No. 404 (5/5/20) - Definitive answer from SBA re: applicability of single audit requirements to PPP loans and EIDL obtained by NFP entities
 - PPP loans **NOT** subject to Uniform Guidance and single audit requirements
 - EIDL is a direct program from SBA and will be considered federal financial assistance and subject to Uniform Guidance and single audit requirements. **Remember to include this assistance on your SEFA if applicable.**
- SBA FAQ's currently up to Question #47 (updated through 5/13/20)



UPDATES

Most Recent FAQ's Issued:

- **FAQ #46 – Good-Faith Certification**

- "Any borrower that, together with its affiliates, received PPP loans with an original principal amount of less than \$2M will be deemed to have made the required certification concerning the necessity of the loan request in good faith."
- Reasons include:
 - Borrowers below this threshold less likely to have had access to adequate other resources
 - Allow SBA to use its resources to focus its reviews on larger loans
- Borrowers with loans greater than \$2M may still have adequate basis for making good-faith certification

- **FAQ #47 – Extension of repayment date extended (May 18th)**

- Borrowers do not need to apply for an extension



UPDATES

Proposed HEROES Act

- \$3 Trillion Relief Bill, proposed by House
- Considerations included related to PPP
 - Extension of the program from June 30th to December 31st
 - Loan terms extended from two years to five years
 - Carves out 25% of available funds for businesses with 10 or fewer employees
 - Extends covered loan period from 8 weeks to 24 weeks
 - Eliminates 75% / 25% on non-payroll expenses
- Expected to be voted on by the House on Friday
- No indication Act will pass through Senate at this time

OTHER PPP CONSIDERATIONS

Recordkeeping and Tracking of Expenses

- Create separate general ledger accounts for ease of tracking expenses
 - Consider breaking out "COVID payroll", "COVID-Utilities", etc.
- Assemble your records as you go through the covered period showing how funds were spent
- Discuss with payroll providers to have payroll funds withdrawn from separate PPP bank account (if created)
- Focus on maintaining expenses consistent with normal operations (ex. Try to avoid prepaying six month of rent)
- To maximize forgiveness, use funds for eligible expenses (Payroll, rent, mortgage interest, utilities).
 - Ensure at least 75% of loan proceeds are spent on payroll costs
 - Track FTEs and weekly cash flows to ensure you stay on track with maximum forgiveness

OTHER PPP CONSIDERATIONS

Ongoing

- Prepare cash-flow forecasts through 8-week period and beyond
 - Prepare different models for different possible scenarios
- Revisit US Treasury website for updated FAQ's
- Check in with lender on a regular basis to keep up to date on loan forgiveness guidance and how your lender will be accepting applications
- Revisit existing debt covenants and related calculations
- Be sure to focus on more than just loan forgiveness – also review other contracts as well to maximize cash flow during this time



COVID-19 RESOURCES & PPP Guidance

**COVID-19
RESPONSE UNIT**

[TAX ALERTS >>](#) [RECESSION PREPAREDNESS >>](#) [INDUSTRY SPECIFIC ALERTS >>](#)

[WEBCASTS >>](#)

The first quarter of 2020 has rapidly pushed us all into uncertain territory - with the impact of the Coronavirus, potential for recession, and an election year- our future state is far from business as usual.

Preparation is oftentimes the difference between success and failure. As we come to the close of the first quarter of 2020, one thing is certain – now is the time to go back to basics and ensure we are as prepared as we can be to survive and thrive in any outcome. Every business needs a strong plan to weather the types of changes we face today.

The partners and professionals at Citrin Cooperman are trained to help. To that end, we have constructed the COVID-19 Response Unit for you to leverage as a resource center. Please check back often as we continue to update.

CITRIN COOPERMAN COVID-19 RESOURCE RESPONSE UNIT

<https://www.citrincooperman.com/CRU>

SBA WEBSITE

<https://www.sba.gov>

FAQ'S

<https://home.treasury.gov/system/files/136/Paycheck-Protection-Program-Frequently-Asked-Questions.pdf>



Q&A – YOUR QUESTIONS

