

# Managing Your Payroll Protection Program (PPP) Loan

JOIN **SVCN** AND **FINANCIAL ADMINISTRATIVE SUPPORT SERVICES (FASS)** FOR A FREE WEBINAR TO HELP YOU UNDERSTAND WHAT TO DO ONCE YOU GET THE LOAN!

**Thursday, April 30, 2020, 3:00PM – 4:00PM**

Via Zoom Conference | Register @ [svcncn.org](https://svcncn.org)



**FASS**

**Financial Administrative Support Services**  
a subsidiary of The Health Trust  
Presented by Jeff Cherniss, CEO

# About The Health Trust

OUR MISSION: TO BUILD HEALTH EQUITY IN SILICON VALLEY

We believe that everyone in our community should have the opportunity to be healthy. A person's income, race, immigration status, language, age, or zip code should never act as a barrier to health.



# About The Health Trust

[As a funder](#), we award grants – \$2 Million+ annually – to community-based organizations and community initiatives that are building health equity. We seek to amplify our role as a grantmaker by partnering with other like-minded funders.

[As a provider](#), we provide direct services to vulnerable community members. Our services are tried-and-true, evidence based, and often not provided by other local community-based organizations.

[As an advocate](#), we champion systems and policy changes that align with our focus areas. We seek to amplify our role as a bold policy advocate by partnering with government officials, local leaders, and community-based organizations to catalyze change on a broader, county-wide level.



# About The Health Trust

- Advocacy, Funding and Administering Integrated Programs
- Improving Health Through Food
  - Food is Medicine Coalition
  - Meals on Wheels
- Making Chronic Diseases Preventable and Manageable
  - Arthritis
  - Cardiovascular Disease
  - Diabetes
  - HIV/AIDS
- Prioritizing Health in Housing
  - Life expectancy for the homeless is 25 years shorter
  - Helping those in transition



# The Health Trust *Today*

CEO Michele Lew: Collaborator Extraordinaire!

SJ Mercury News Sunday, April 26, Opinion: Nonprofits are essential partners in COVID-19 response

“We will only be able to keep serving if our funders, donors, and supporters help cover our costs of doing business”

Strategic partnership: DoorDash with Meals on Wheels!



# The Health Trust | *FASS History*

- Founded when Good Samaritan, Regional Medical Center and more were sold to Hospital Corporation of America in 1995
- Funding used to start The Health Trust
- Founding CFO, Ira Holtzman, built skills and teams helping other nonprofits
- Built by word of mouth over 25 years



## FASS Today

- FASS serves 80+ nonprofits across 7 states. We *only* serve nonprofits.
- Dominantly in Bay Area, primarily Silicon Valley
- Client annual revenue \$75,000 to \$80,000,000
- Sectors served include
  - Health, homeless, arts, advocacy, education, housing, youth, nature, foundations +++
- 30 Accountants, including 10 CPAs
- Outsource monthly close, grant billing, board package, audit preparation
- Consulting for Finance and Accounting projects
  - Interim or contract CFO, Controller



# About Jeff Cherniss

- Silicon Valley since '88, helped wife raise 3 now-adult kids
- Current CEO at FASS
- CFO at Indian Health Center
- CFO at CityTeam Ministries
- Finance/Operations Leader with nonprofits and startups
- 30+ year volunteer for homeless nonprofits, youth sports coach





# What if we – or our friends – don't have our PPP loan... yet

- Kabbage.com: success over last weekend!
- PayPal: if you are set up as a customer
- Intuit/QuickBooks Payroll: if you are set up as a payroll customer
- What banks serve you already?
- Each bank has its own process
- Board members' contacts



# Don't blame the bank... sort of

- Banks make PPP loans, and Federal Government guarantees them
- Fractional Reserve Banking and the money multiplier
- Liquidity requirements loosened, but the Fed forced banks to close in '08+++
- Banks are looking at the current circumstances, and beyond
- Your local rep may have hands tied by those higher up
- They ran into bank, and then SBA funding limits!
- “if IRS payments to individuals were ‘first come, first serve,’ and folks were told, ‘sorry, we ran out,’ there could be riots in the street”



# How the banks think... it's complicated

How will lenders be compensated? Processing fees will be based on the balance of the financing outstanding at the time of final disbursement. SBA will pay lenders fees for processing PPP loans in the following amounts:

- Five (5) percent for loans of not more than \$350,000;
- Three (3) percent for loans of more than \$350,000 and less than \$2,000,000;
- One (1) percent for loans of at least \$2,000,000

<https://home.treasury.gov/system/files/136/PPP%20Lender%20Information%20Fact%20Sheet.pdf>

$$Deposits = \sum_{n=0}^{\infty} [(1 - \alpha - \beta - \gamma)]^n = \frac{1}{\alpha + \beta + \gamma}$$

Analogously, the theoretical superior limit for the money held by public is defined by the following series:

$$PubliclyHeldCurrency = \gamma \cdot Deposits = \frac{\gamma}{\alpha + \beta + \gamma}$$

and the theoretical superior limit for the total loans lent in the market is defined by the following series:

$$Loans = (1 - \alpha - \beta) \cdot Deposits = \frac{1 - \alpha - \beta}{\alpha + \beta + \gamma}$$

By summing up the two quantities, the theoretical money multiplier is defined as

$$m = \frac{MoneyStock}{MonetaryBase} = \frac{Deposits + PubliclyHeldCurrency}{MonetaryBase} = \frac{1 + \gamma}{\alpha + \beta + \gamma}$$

where  $\alpha + \beta = DesiredReserveRatio$  and  $\gamma = CurrencyDrainRatio$

The process described above by the geometric series can be represented in the following table, where

- loans at stage  $k$  are a function of the deposits at the preceding stage:  $L_k = (1 - \alpha - \beta) \cdot D_{k-1}$
- publicly held money at stage  $k$  is a function of the deposits at the preceding stage:  $PHM_k = \gamma \cdot D_{k-1}$
- deposits at stage  $k$  are the difference between additional loans and publicly held money relative to the same stage:  $D_k = L_k - PHM_k$

# How did we get here?

- Dramatic economic impact from COVID-19
- Congress reacts with \$5 Trillion+ in new programs
- Payroll Protection Program designed to keep employees rather than have them join unemployment rolls
- Phase 1: \$349 Billion through Banks from Small Business Administration
- In 13 days, SBA made more loans/larger funding than 14 prior years
- Phase 2: \$310 Billion traditional and non-traditional lenders *still open*
- Current status

<https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/paycheck-protection-program>



# “Nobody is an Expert”

- Massive legislation + tiny window of time = confusion
- Top 10 Money Center Bank SBA “expert”:
  - April 1: Don’t know
  - April 2: Portal will open Monday, April 6
  - Saturday, April 4: Portal will open Sunday
  - Sunday, April 5: Portal opens, then closes when \$10 Billion max is reached
  - Since: online portal open, some clients have heard... others have not
- Community bank: don’t know, yes, exec committee, no, maybe so, some, we’ll see, locked out... then funded several!



# Folks we've learned from



# Are you confused yet?

“SBA PPP **Interim** **Final** Rule.pdf”



# Finally, something simple



## Paycheck Protection Program Borrower Application Form

OMB Control No.: 3245-0407  
Expiration Date: 09/30/2020

<b>Check One:</b> <input type="checkbox"/> Sole proprietor <input type="checkbox"/> Partnership <input type="checkbox"/> C-Corp <input type="checkbox"/> S-Corp <input type="checkbox"/> LLC <input type="checkbox"/> Independent contractor <input type="checkbox"/> Eligible self-employed individual <input type="checkbox"/> 501(c)(3) nonprofit <input type="checkbox"/> 501(c)(19) veterans organization <input type="checkbox"/> Tribal business (sec. 31(b)(2)(C) of Small Business Act) <input type="checkbox"/> Other		<b>DBA or Tradename if Applicable</b>	
<b>Business Legal Name</b>			
<b>Business Address</b>		<b>Business TIN (EIN, SSN)</b>	<b>Business Phone</b>
			(   )   -
		<b>Primary Contact</b>	<b>Email Address</b>
<b>Average Monthly Payroll:</b>	\$	x 2.5 + EIDL, Net of Advance (if Applicable) Equals Loan Request:	\$
<b>Number of Employees:</b>			
<b>Purpose of the loan</b> (select more than one):			
<input type="checkbox"/> Payroll <input type="checkbox"/> Lease / Mortgage Interest <input type="checkbox"/> Utilities <input type="checkbox"/> Other (explain): _____			



# How do we make our loan forgivable?

## Eligible expenses from the form

- Payroll
- Lease/Mortgage Interest
- Utilities
- Other (explain)



# It's all about the bank, and the Feds

- It is still early
- Different banks have different requirements
- Feds have not given firm guidance for every question/grey area
- Disputes even among senior nonprofit CPAs at the same firm!
- New guidance on “need.” OK to return unneeded funds by 5/7
- Talk with your board, bank, CPA and/or attorney



# Eligible expenses

- 8 week, 56 day window, from when cash hits your account
  - Cash basis. Funds must be spent during this period.
- 75% must be payroll. Must maintain 100% Full Time Equivalent Equivalents from loan application for full forgiveness.
- Various Payroll/Benefits OK, Employ<sup>ER</sup>
  - Salary, wages
  - PTO, vacation, parental, family, medical or sick leave unless already credited
  - Allowance for separation or dismissal
  - Group health insurance, retirement
- Not OK
  - Any Employ<sup>EE</sup> withholding/contribution
  - Federal taxes including Medicare, Social Security
  - Workers compensation, probably not
  - Independent Contractors can apply separately for PPP, unemployment
  - Principal payments on mortgage
- Rule on \$100k+ salary, guidance on benefits
  - \$15,385 over 8-week period
- Raises? Bonuses?
  - Budgeted, or otherwise defensible.
- Seasonal employment, other special situations



# No double dipping on government grants !!!!?

- Auditors say *NO*
- Budget Modifications with Funders: know your program officer
- Apply PPP to eligible costs first if you have an option. Many grants don't allow this flexibility
- For employees with salaries over \$100,000, perhaps allocate the first \$100k to PPP, balance to other grants
- Telecommute reimburse phone/internet expenses
- This is an unprecedented season. Keep your board informed!



# What if my loan is not 100% forgiven?

- 1% interest for 24 months; less expensive than any line of credit
- No collateral
- 6 Months deferral, interest deferred
- Be careful to have ability to pay back
- No prepayment penalty
- More guidance to follow



# How to track eligible expenses

- Some recommend a separate bank account
- Any general ledger accounting system can flag/code eligible costs
- Spreadsheets available on the web: first choice is to use your Bank's!
- Keep original documentation handy: the Bank may request it
  - Receipts
  - Checks (copy before you mail)
  - Invoices
  - Payroll log from your provider \$ and employees
  - Payroll tax returns



# FASS is here to help!

- We answer lots of questions to serve the nonprofit community, you don't have to be a client
- We improve together when we learn together
- We may have your answer, or your question may test us so we learn more!

THANK YOU!

Jeff Cherniss | CEO

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# Your Questions





# A few resources: check your CPA or law firm's site!

- <https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/paycheck-protection-program#section-header-9>
- <https://home.treasury.gov/policy-issues/cares/assistance-for-small-businesses>
- <https://home.treasury.gov/system/files/136/Paycheck-Protection-Program-Frequently-Asked-Questions.pdf> *updated May 3*
- <https://fmaonline.net/ppptoolbox/>
- <https://www.councilofnonprofits.org/nonprofits-and-coronavirus-covid-19>
- <https://www.thesvo.com/blog/covid-19-nonprofit-resources>
- <https://www.armaninollp.com/articles/covid-19-resource-center/>
- <https://www.hopkinscarley.com/blog/client-alerts-blogs-updates/post/paycheck-protection-program-what-to-do-after-receiving-a-loan>



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