



MEMO

To: Fahe Membership
From: Brittney Murphy, Fahe CFO
Re: PPP Loan Forgiveness Information Update
Date: 5/8/2020

Details of PPP loan

Certifications made to qualify for the loan:

1. Uncertainty of current economic conditions make the loan request necessary to support the ongoing operations of Fahe
2. The loan proceeds will be used to retain workers and maintain payroll or make mortgage interest payments, lease payments and utility payments as allowed by the PPP
3. Our organization will only pay expenses with proceeds from the PPP loan as permitted by PPP
4. Our organization will comply with all provisions of the PPP and CARES Act, including limitations on executive and employee individual compensation

Steps taking for proper audit trail at Fahe

We need to track the uses of the funds, whether it is the portion that is forgivable or not. In order to create an audit trail we will do the following:

Step
1. Set up separate bank account to track PPP funds. This is not required, but will allow us to avoid an audit of our entire general fund cash account activity.
2. Marj create a project code, just like she would for a grant, that would bucket this funding with federal grants making it easier to pull information for the SEFA (schedule of expenditure of federal awards) at year end.
3. Transfer cash to new bank account, once we have system access through website & earmark funds with project code.
4. Determine amount of payroll and Humana insurance payment that is allowable to uses of the PPP, create

documentation and move funds from PPP Cash account to General Fund.
5. As we experience payrolls, make a journal entry to transfer cash from the PPP Cash account with project code to the General Fund WITHOUT the project code. Make a copy of the journal entry and documentation used for the determination of the amounts and place it in a paper folder, as well as create a folder on the Z drive (electronic).
6. Do this for each payroll.
7. At the end of the period, determine how much of the PPP we were able to use for eligible payroll expenses. We will then look at other eligible uses of the PPP funding and make transfers for those. Keep in mind that we cannot use more than 25% of the PPP loan for those expenses.
8. When it is time to request the forgiveness, we make a copy of everything in the paper file and take it to Central Bank with the form to request forgiveness. We will also highlight on our bank statement to show where the funds were paid from our general fund and provide the GL that shows the specific activity with the project code and be able to tie it back to the transfers made from the PPP that were eligible uses.
9. We will continue tagging eligible uses to the PPP funds thru 6/30 and transfer cash from PPP to General Fund, continuing to document the uses as we did for the forgiveness portions
10. We will be prepared for any potential audit of the funds

We need to do a couple of things to document our eligibility for the program:

Follow up
Document in memo format how we determined the uncertainty of current economic conditions make the loan request necessary to support the ongoing operations of Fahe – documenting how our operations would differ with and without the funding
Put together Projected Cash Flow due to COVID-19 impact showing need for PPP

Details learning about PPP Forgiveness

What we know for sure:

1. If we do not maintain the number of FTE's determined in PPP formula we will have to reduce the amount of payroll that we can have forgiven. You will use one of two pay periods for your FTE Baseline. Those are 2/15/19-6/30/19 or 1/1/20-2/29/20. You need

to determine what that number is now so that you have no surprises when your forgiveness amount is calculated.

2. Your forgiveness period starts the date the cash hits your bank account and goes for 8 weeks. You should determine what amount of payroll will hit during that period, as well as other eligible uses.
3. We cannot include the hours staff use FFCRA (COVID FMLA) in the calculation of FTE#. So if you have many employees utilizing the FFCRA, I would recommend you reach out to your CPA for assistance in this calculation.
4. We cannot ask forgiveness for salaries we are receiving FFCRA tax credits for.
5. We cannot ask forgiveness for salaries that are proportionately over \$100,000 in annual pay – we are reducing the amount paid in each payroll for any person over \$3,846 – only paying the \$3,846 with PPP. Their health insurance and other benefits are still allowed to be paid with the PPP.
6. We can also request forgiveness for state unemployment insurance paid.
7. Whatever amount of the loan that we are unable to use for “allowable uses” by June 30th must be repaid. The uses will need to be tracked whether they are forgivable or not.

What we are still seeking solid guidance for:

8. If we reduce an employee's pay more than 25% than what they made in the prior quarter, we have to reduce the amount that is forgivable – the issue comes that the forgiveness period being 8 weeks already reduces the amount below that threshold. There has been request from everyone, including the AICPA for better guidance on this.
9. I need to review the interim rulings, but I believe we can use the portion that is not forgivable to pay interest on secured debt that was in place prior to 2/15 – this should include interest paid on a loan pool funding, if it was secured.
10. We need guidance how to count people on short term disability toward the FTE calculation.
11. There is no guidance on whether the PPP forgiveness applies to what is accrued or what is paid. We are calculating based on amounts paid (cash basis) right now as it seems most consistent with the guidance. The only thing I have seen about “incurred” is that you cannot prepay things like rent, etc.
12. How the funds used will show/affect our single audit for FY 20. *We are taking the stance that they will be included on the SEFA and will have our financials recorded and documentation available in a way that this will pose no challenge for us to get through an audit with no findings.*

I am keeping a close eye on any advances in guidance for the PPP and will share it with the Membership as I find it.