



Baltimore-Washington Conference
The United Methodist Church

Local Church PPP Forgiveness Webinar

May 26, 2020

Tonight's Agenda

PPP Forgiveness Process

1. General Guidance (Paul Eichelberger)
2. Detailed Insights (Dave Schoeller)
3. Documentation (Stacey Riley)
4. BWC Scenarios (Pier McPayten and Paul Eichelberger)

Not Another Webinar ??

Pandemic 101:

- Advice about everything is freely given
- Our challenge is to wade through the myriad of advice that is being given

We are hoping to hold your attention today by making good use of the questions you gave us with your registration.

CAREER
Adulting 101: Upskilling for a post-pandemic future



Paycheck Protection Program (PPP) Made Simple

PPP Disbursement Date = Day 1

Days 1 to 56: The "Covered Period"

Day 57+

PPP Loan Application at Bank

STEP #1:

Calculate Maximum Amount Available during application process.

Max Amount is Defined as 2.5 times the 2019 average monthly payroll costs.

Church has 56 Days to Spend Amount Received on Only Qualified Expenses

STEP #2: Steps to Achieve Full Forgiveness

Spend the full amount received within 56-days of the deposit date to receive full forgiveness.

AND

Must keep receipts for all expenditures and submit them to the bank to qualify for full loan forgiveness.

AND

Must only claim qualified expenses to qualify for full loan forgiveness. **Payroll Costs (*) >75%.**

Partial Forgiveness is given if:

- Spend less than the full amount received
- **Payroll costs (*) < 75% of qualified expenses**
- Individual cash payroll reduced more than 25%
- Full-Time Equivalent reduced more than 25%

Unspent Funds Must be Paid Back or Converted to a Loan

STEP #3: Repay or Loan **Submit Forgiveness App by 10/31/20**

Any unspent amounts after 56-days are either paid back to the bank or converted into a loan.

Bank will specify the loan terms: 2 years @ 1%
May be deferred for 6 mos.

Church Conference must approve all loans that are established at this point. Requires Pastor and DS Consent Letters.

Qualified Expenses Paid by Church:


Payroll *	\$ _____	____%
+ Benefits *	\$ _____	____%
Debt Interest	\$ _____	____%
Rent	\$ _____	____%
Utilities	\$ _____	____%
TOTAL	\$ _____	<u>100</u>%

PPP Loan Forgiveness Application


- Small Business Administration Form 3508 (pdf fillable form)
<https://www.sba.gov/document/sba-form--paycheck-protection-program-loan-forgiveness-application>
- Bank's will determine the process again: In person or online applications
- The application and supporting documents will be filed after the 1st regular payroll following the 56-day Covered Period.
- Sample completed application: Assumes no change in FTE or Salary/Wage
<https://www.bwcumc.org/article/local-church-financial-relief-consultations/>
- There are 5 forms to be completed. Fill them out in the following order.
 1. Page 9 – PPP Schedule A Worksheet, Cash Comp (keep for records)
 2. Page 6 – PPP Schedule A, Total Payroll Costs (submit)
 3. Page 3 – Loan Forgiveness Calculation Form (submit)
 4. Page 4 – Representations and Certifications (submit)
 5. Page 11 – Demographic Information Form (optional)

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2. Page 6 – PPP Schedule A, Total Payroll Costs (submit)

 Paycheck Protection Program Loan Forgiveness Application		OMB Control Number 3245-0407 Expiration Date: 10/31/2020
<u>PPP Schedule A</u>		
<u>PPP Schedule A Worksheet, Table 1 Totals</u>		
Line 1. Enter Cash Compensation (Box 1) from PPP Schedule A Worksheet, Table 1:	\$ 17,352	PPP Schedule A Worksheet, Table 1 Information
Line 2. Enter Average FTE (Box 2) from PPP Schedule A Worksheet, Table 1:	2.0	
Line 3. Enter Salary/Hourly Wage Reduction (Box 3) from PPP Schedule A Worksheet, Table 1: If the average annual salary or hourly wage for each employee listed on the PPP Schedule A Worksheet, Table 1 during the Covered Period or the Alternative Payroll Covered Period was at least 75% of such employee's average annual salary or hourly wage between January 1, 2020 and March 31, 2020, check here <input checked="" type="checkbox"/> and enter 0 on line 3.	0	
This Simple Example Assumes: No Wage Reduction		
<u>PPP Schedule A Worksheet, Table 2 Totals</u>		
Line 4. Enter Cash Compensation (Box 4) from PPP Schedule A Worksheet, Table 2:	0	PPP Schedule A Worksheet, Table 2 Information
Line 5. Enter Average FTE (Box 5) from PPP Schedule A Worksheet, Table 2:	0	
<u>Non-Cash Compensation Payroll Costs During the Covered Period or the Alternative Payroll Covered Period</u>		
Line 6. Total amount paid by Borrower for employer contributions for employee health insurance:	\$ 1,720	Keep records that list each benefit payment
Line 7. Total amount paid by Borrower for employer contributions to employee retirement plans:	\$ 1,928	
Line 8. Total amount paid by Borrower for employer state and local taxes assessed on employee compensation:	0	

3. Page 3 (Top) – Loan Forgiveness Calculation Form (submit)



**Paycheck Protection Program
Loan Forgiveness Application**

PPP Loan Forgiveness Calculation Form

OMB Control Number 3245-0407
Expiration Date: 10/31/2020

Business Legal Name ("Borrower")	DBA or Tradename, if applicable	
First United Methodist Church		
Business Address	Business TIN (EIN, SSN)	Business Phone
1234 Maple Street	XX-XXXXXXX	(XXX) XXX-XXXX
Fulton, MD 20759	Primary Contact	E-mail Address
	Church PPP Submitter	SubmitName@gmail.com

SBA PPP Loan Number: Obtain from lender Lender PPP Loan Number: Obtain from lender

PPP Loan Amount: \$25,000 PPP Loan Disbursement Date: 5/5/2020

Employees at Time of Loan Application: 3

Employees at Time of Forgiveness Application: 3

EIDL Advance Amount: Not Applicable EIDL Application Number: Not Applicable

Payroll Schedule: The frequency with which payroll is paid to employees is:

☐ Weekly
 ☐ Biweekly (every other week)
 ☒ Twice a month
 ☐ Monthly

Covered Period: TUESDAY, 5/5/2020 to MONDAY, 6/29/2020

Alternative Payroll Covered Period, if applicable: _____

If Borrower (together with affiliates, if applicable) received PPP loans in excess of \$2 million, check here: ☐

The 8-week Covered Period is exactly 56 days. Day 1 is the day funds are received in your account.

Alternate Payroll Covered Period can be considered if Payroll Schedule is Weekly or Biweekly. See instructions.

3. Page 3 (Bottom) – Loan Forgiveness Calculation Form (submit)

Forgiveness Amount Calculation:	
<u>Payroll and Nonpayroll Costs</u>	
Line 1. Payroll Costs (enter the amount from PPP Schedule A, line 10):	\$ 21,000
Line 2. Business Mortgage Interest Payments:	\$ 2,800
Line 3. Business Rent or Lease Payments:	\$ 200
Line 4. Business Utility Payments:	\$ 1,000
<u>Adjustments for Full-Time Equivalency (FTE) and Salary/Hourly Wage Reductions</u>	
Line 5. Total Salary/Hourly Wage Reduction (enter the amount from PPP Schedule A, line 3):	0
Line 6. Add the amounts on lines 1, 2, 3, and 4, then subtract the amount entered in line 5:	\$ 25,000
Line 7. FTE Reduction Quotient (enter the number from PPP Schedule A, line 13):	1.0
<u>Potential Forgiveness Amounts</u>	
Line 8. Modified Total (multiply line 6 by line 7):	\$ 25,000
Line 9. PPP Loan Amount:	\$ 25,000
Line 10. Payroll Cost 75% Requirement (divide line 1 by 0.75):	\$ 28,000
<u>Forgiveness Amount</u>	
Line 11. Forgiveness Amount (enter the smallest of lines 8, 9, and 10):	\$ 25,000

Payroll Costs include payroll costs paid PLUS payroll costs incurred, but not paid.
Prepayment of health and pension benefits is allowed.


Prepayment NOT allowed for Interest payments

Prepayment ALLOWED for Rent/Lease

Prepayment ALLOWED for Utility payments

This Simple Example Assumes:
No Wage Reduction
No FTE Reduction

4. Page 4 – Representations and Certifications (submit)



**Paycheck Protection Program
Loan Forgiveness Application**

OMB Control Number 3245-0407
Expiration Date: 10/31/2020

By Signing Below, You Make the Following Representations and Certifications on Behalf of the Borrower:

The authorized representative of the Borrower certifies to all of the below by **initialing** next to each one.

_____ The dollar amount for which forgiveness is requested:

- was used to pay costs that are eligible for forgiveness (payroll costs to retain employees; business mortgage interest payments; business rent or lease payments; or business utility payments);
- includes all applicable reductions due to decreases in the number of full-time equivalent employees and salary/hourly wage reductions;
- does not include nonpayroll costs in excess of 25% of the amount requested; and
- does not exceed eight weeks' worth of 2019 compensation for any owner-employee or self-employed individual/general partner, capped at \$15,385 per individual.

The Borrower's eligibility for loan forgiveness will be evaluated in accordance with the PPP regulations and guidance issued by SBA through the date of this application. SBA may direct a lender to disapprove the Borrower's loan forgiveness application if SBA determines that the Borrower was ineligible for the PPP loan.

Signature of Authorized Representative of Borrower

Print Name

Date

Title

Representative should be the same person who signed the PPP Application. Consider authorizing the Representative with a resolution by the Church Trustees if not already done.
See sample resolution at <https://www.bwcumc.org/article/local-church-financial-relief-consultations/>

5. Page 11 – Demographic Information Form (optional)

Principal Name		Position
Veteran	1=Non-Veteran; 2=Veteran; 3=Service-Disabled Veteran; 4=Spouse of Veteran; X=Not Disclosed	
Gender	M=Male; F=Female; X=Not Disclosed	
Race (more than 1 may be selected)	1=American Indian or Alaska Native; 2=Asian; 3=Black or African-American; 4=Native Hawaiian or Pacific Islander; 5=White; X=Not Disclosed	
Ethnicity	H=Hispanic or Latino; N=Not Hispanic or Latino; X=Not Disclosed	

Disclosure is voluntary and will have no bearing on the loan forgiveness decision

Eligible Payroll Costs: Cash Payroll

- Per SBA Forgiveness Applications – Eligible Payroll Costs (Page 2)
 - *“Payroll costs paid AND Payroll costs incurred DURING the 56-day Covered Period” are eligible for forgiveness.*
- Per SBA Forgiveness Applications – Cash Compensation (Page 7)
 - *Gross salary/wages, Housing Allowance, Paid Vacation or Sick Leave, Separation/Termination, Forgiveness Capped at \$15,385 per individual*
- A Two Step Process is used to determine the eligible payroll costs (ADP Guidance)
 - Step #1: Identify Payroll costs PAID during the 56-day Covered Period*
 - *Includes the very next regular payroll on Day 1 or later*
 - *Includes any backpay (worked or not worked) that is paid on Day 1 or later*
 - Step #2: Identify Payroll costs INCURRED (and not paid) during the 56-day Covered Period*
 - *Includes the pro rata days earned during the Covered Period that are not paid until “on or before the next regular payroll” at the completion of the Covered Period*
- Payment Date is the origination of the ACH or distribution of the paycheck

Eligible Cash Payroll Costs

Example #1: Biweekly Payroll with May 5th PPP Fund Deposit

- ✓ Regular Payrolls **within the Covered Period**: Count the full amount
- ✓ 1st Regular Payroll **AFTER the Covered Period**: Count the amount earned during the covered period
- ✓ Back Pay Paid **within the Covered Period**: Count the full amount
- ✓ Include Housing Allowance
- ✓ Only include employees who will receive W-2's at year end; clergy should all receive W-2s!

*Note: Eligible Days Paid = 70 days
(14+14+14+14+14)*

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
MAY 3	4	5	6	7	8	9
		Deposit Received: Day 1			Regular Payroll #1: Total is Eligible (Pd 4/20-5/3)	
10	11	12	13	14	15	16
	End Week 1: Day 7		Back Pay: Total is Eligible Unpaid Mar/Apr			
17	18	19	20	21	22	23
	End Week 2: Day 14				Regular Payroll #2: Total is Eligible (Pd 5/4-5/17)	
24	25	26	27	28	29	30
	End Week 3: Day 21					
31	JUNE 1	2	3	4	5	6
	End Week 4: Day 28				Regular Payroll #3: Total is Eligible (Pd 5/18-5/31)	
7	8	9	10	11	12	13
	End Week 5: Day 35					
14	15	16	17	18	19	20
	End Week 6: Day 42				Regular Payroll #4: Total is Eligible (Pd 6/1-6/14)	
21	22	23	24	25	26	27
	End Week 7: Day 49					
28	29	30	JULY 1	2	3	4
	End Week 8: Day 56 Covered Period Ends				1st Payroll AFTER: Earned Eligible (Pd 6/15-6/28)	

Eligible Cash Payroll Costs

Example #2: Monthly Payroll paid last workday in the month and May 5th PPP Fund Deposit

- ✓ Regular Payrolls **within the Covered Period**: Count the full amount
- ✓ 1st Regular Payroll **AFTER the Covered Period**: Count the amount earned during the covered period
- ✓ Back Pay Paid **within the Covered Period**: Count the full amount
- ✓ Include Housing Allowance
- ✓ Only include employees who will receive W-2's at year end

*Note: Eligible Days Paid = 60 days (31+29) **Note only 29/30th incurred.***

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
MAY 3	4	5	6	7	8	9
		Deposit Received: Day 1				
10	11	12	13	14	15	16
	End Week 1: Day 7		Back Pay: Total is Eligible Unpaid Mar/Apr			
17	18	19	20	21	22	23
	End Week 2: Day 14					
24	25	26	27	28	29	30
	End Week 3: Day 21				Regular Payroll #1: Total is Eligible (Pd May 1-31)	
31	JUNE 1	2	3	4	5	6
	End Week 4: Day 28					
7	8	9	10	11	12	13
	End Week 5: Day 35					
14	15	16	17	18	19	20
	End Week 6: Day 42					
21	22	23	24	25	26	27
	End Week 7: Day 49					
28	29	30	JULY 1	2	3	4
	End Week 8: Day 56 Covered Period Ends	1st Payroll AFTER: Earned Eligible (Pd 6/1-6/29)				

Alternate Payroll Covered Period is a Consideration

*Example #3: Weekly Payroll with
May 5th PPP Fund Deposit and
May 11th 1st day of next pay period*

- ✓ Can only be considered for Biweekly and Weekly payroll schedules. Only used for Payroll Costs & FTE (not rent, interest, utilities)
- ✓ Day 1 is set to 1st day of the first regular payroll after the PPP is received
- ✓ Regular Payrolls within the Alt. Covered Period: Count the full amount
- ✓ 1st Regular Payroll AFTER the Alt. Covered Period: Count the amount earned during the covered period

Results in a consistent # of Eligible Days Paid:
Weekly pay schedule yields 63 days
Biweekly pay schedule yields 70 days

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
MAY 3	4	5 Deposit Received: Day 1	6	7	8 Regular Payroll: Not Eligible (Pd 4/27-5/3)	9
10	11 Day 1 1st day of first pay period after PPP Deposit	12	13 Back Pay: Total is Eligible Unpaid Mar/Apr	14	15 Regular Payroll #1: Total is Eligible (Pd 5/4-5/10)	16
17 End Week 1: Day 7	18	19	20	21	22 Regular Payroll #2: Total is Eligible (Pd 5/11-5/17)	23
24 End Week 2: Day 14	25	26	27	28	29 Regular Payroll #3: Total is Eligible (Pd 5/4-5/17)	30
31 End Week 3: Day 21	JUNE 1	2	3	4	5 Regular Payroll #4: Total is Eligible (Pd 5/18-5/24)	6
7 End Week 4: Day 28	8	9	10	11	12 Regular Payroll #5: Total is Eligible (Pd 5/25-5/31)	13
14 End Week 5: Day 35	15	16	17	18	19 Regular Payroll #6: Total is Eligible (Pd 6/1-6/7)	20
21 End Week 6: Day 42	22	23	24	25	26 Regular Payroll #7: Total is Eligible (Pd 6/8-6/14)	27
28 End Week 7: Day 49	29	30	JULY 1	2	3 Regular Payroll #8: Total is Eligible (Pd 6/15-6/21)	4
5 End Week 8: Day 56 Covered Period Ends	6	7	JULY 8	9	10 1st Payroll AFTER: Earned Eligible (Pd 6/22-6/28)	11

Eligible Payroll Costs: Non-Cash Payroll

The following payments are eligible non-cash payroll costs if paid DURING the 56-day Covered Period:

- Church portion of HealthFlex Benefits
- Church portion of Pension Benefits
 - Include: CRSP-DB, CRSP-DC; Do Not Include: CPP per Wespath guidance
- Eligible payments can be for past due, current, and prepaid benefits
 - Statements will issue on the 1st in June/July/August (may not reflect end of month pmts)
 - New appointment changes will show on July 1st statement
 - Wespath FAQ dtd 5/14/20 discusses prepaid benefits – their clarification is pending
- Do Not Include:
 - Parsonage expenses
 - Pastor's accountable reimbursements (travel, continuing ed) or Lay travel allowances
 - Worker's comp insurance
 - Church paid FICA (Social Security and Medicare) match for laity

Eligible Non-Payroll Costs (<25%)

The following payments are eligible non-payroll costs if PAID or INCURRED* (and not paid) DURING the 56-day Covered Period and were in effect before February 15, 2020:

- Paid Utilities and Rent can be past due, current, and prepaid
(Qtrly payments do not need to be prorated to reflect 8-weeks)
- Paid Debt interest can only be past due and current; NO Prepaid
- Costs should be billed to the church and paid by the church
(One possible exception: parsonage utilities reimbursed to clergy)

* INCURRED
must be paid on
or before the next
regular billing
date after the
Covered Period.

Eligible Non-Payroll Costs Include:

Utilities: Gas, Propane, Electric, Water, Sewer
Telephone and Cell Phone
Cable and Internet
Fuel for Church owned vehicle

Rent: Building and Office Equipment rent

Interest: Mortgage interest, no principal
Construction loan interest, no principal
Bus/Car loan interest, no principal

DO NOT Include:

Utilities: Septic cleaning/maintenance
Trash pickup, recycling
Lawncare and outdoor maintenance
VPN service, IT support, email service
Travel reimbursements
Cleaning supplies, Sanitizing services

Interest: Unsecured loan interest

PPP Forgiveness - Summary

1. Good Faith Certification – SBA FAQ#46 clarified that PPP funding of less than \$2 million will be assumed to have performed the required certification concerning the necessity of their loan requests in good faith.
2. Covered Period – There are two ways to determine using your regular payroll schedule. No need to change the payroll schedule as eligible payroll costs include both Paid or Incurred during the Covered Period.
3. Back Pay – PPP can be used to pay church staff who did not receive paychecks or received a reduction in pay since the church was shuttered.
4. Prepaid – PPP can be used to prepay rent and utilities. Benefits pending clarification
5. Bonus Pay – There is no restriction if the total cash comp is less than \$15,385
6. Prioritize Expenses Claimed – 1. Cash Payroll (Regular, Back Pay), 2. Current and Past Due Benefits, 3. Current/Past Due Non-Payroll, 4. Prepayments, 5. Bonus Pay
7. Future Changes - SBA might extend the 8-week period



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PPP Forgiveness Process: Detailed Insights

Dave Schoeller
BWC Business Analyst

Staffing Reductions (Headcount or FTEs)

- **FTE = “Full Time Equivalent” or (“FTE”).** One Person Working Full-Time (or more) in each period
- Loan forgiveness will be reduced based on the failure to maintain the average number of full-time-equivalent employees (FTEs) per during the Covered Period or Alternative Coverage Period compared to:
 - **Non-Seasonal:** February 15 - June 30, **2019** or January - February **2020**.
 - **Seasonal:** February 15, 2019 to June 30, 2019.
- Forgiveness amount will **not** be reduced by a failure maintain average FTEs as described above IF:
 - (a) Your average FTEEs between February 15 and April 26, 2020 is lower than your FTEEs as of February 15, 2020 (initial COVID-19 “reaction period”), and
 - (b) You restored the level of FTEEs by June 30, 2020 to be equal or higher to the FTEE levels as of February 15, 2020.
- Do NOT reduce your FTE for the following:
 - Laid off employees who decline offers of rehire. NOTE: Offer must have been made a good faith, written offer of rehire at the same salary/wages and for the same number of hours. Be sure to document the employee’s rejection of the offer of rehire.
 - Employees who voluntarily resign, or reduce their hours, or are terminated for cause.

Salary / Wage Reductions

- Reducing the amount you pay to your employees may reduce the amount of loan forgiveness.
- Reducing the average annual salary or average hourly rate of one more employees **by more than 25 percent**, measured against the period of January 1 - March 31, **2020**, a proportionate amount of your loan will need to be repaid.
 - If (a) a given employee's wage levels between February 15 and April 26, 2020, are lower than as of February 15 and (b) you restore the wage levels by June 30, 2020 to be same or higher than as of February 15, 2020, there will be no reduction in forgiveness based on that employee's wage levels.
 - **NEW Guidance!! The salary/wage reduction rule applies only to the portion of the decline in employee salary and wages that is not attributable to the FTE reduction.**



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PPP Forgiveness Process: Documentation

Stacey Riley
BWC Sr. Accountant

PPP Forgiveness - Documentation

- **Items Borrower must SUBMIT with Forgiveness Application**
 - PPP Loan Forgiveness Calculation Form
 - PPP Schedule A
 - Payroll:
 - a. Bank account statements or third-party payroll provider reports documenting the amount of cash compensation paid to employees
 - b. Tax forms or third-party payroll provider reports for the appropriate periods
 - 1. Payroll Tax Filings...typically IRS Form 941 (have been filed or will be filed)
 - 2. State quarterly business and/or individual wage reporting (have been filed or will be filed)
 - c. Payment receipts, cancelled checks, account statements documenting the amount of employer contributions to employee health insurance and retirement plans
 - FTE: Borrower may choose from one of the below calculations:
 - a. Average number of FTE employees on payroll per month employed by Borrower between 2/15/2019 and 6/30/2019
 - b. Average number of FTE employees on payroll per month employed by Borrower between 1/1/2020 and 2/29/2020
 - c. Seasonal employers...special calculation

PPP Forgiveness - Documentation

- **Items Borrower must SUBMIT with Forgiveness Application**
 - FTE: The selected time period must be the same time period for purposes of completing PPP Schedule A, line 11. Documents may include payroll tax filings (typically, IRS Form 941), and state quarterly business and/or individual wage reporting...that have been or will be filed
 - Nonpayroll: Documentation verifying existence of the obligations/services prior to 2/15/2020
 - a. Business mortgage interest payments: copy of amortization schedule and receipts or cancelled checks verifying payments from the covered period; OR lender account statements from Feb 2020 and the months of the covered period through one month after the end of the covered period verifying interest amounts and payments
 - b. Business rent or lease payments: copy of current lease agreement and receipts or cancelled checks verifying payments from the covered period; OR lessor account statements from Feb 2020 and from the covered period through one month after the end of the covered period verifying payments
 - c. Business utility payments: copy of invoices from Feb 2020 and those paid during the covered period; along with receipts, cancelled checks, or account statements verifying payments

PPP Forgiveness - Documentation

- **Items Borrower must MAINTAIN with Forgiveness Application (Not Required to Submit)**
 - PPP Schedule A Worksheet
 - Documentation supporting the listing of each individual employee in PPP Schedule A Worksheet Table 1, including the “Salary/Hourly Wage Reduction” calculation, if necessary
 - Documentation supporting the listing of each individual employee in PPP Schedule A Worksheet Table 2; specifically, that each listed employee received during any single pay period in 2019 compensation at an annual rate of more than \$100,000
 - Documentation regarding any employee job offers and refusals, firings for cause, voluntary resignations, and written requests by any employee for reductions in work schedule
 - Documentation supporting the PPP Schedule A Worksheet “FTE Reduction Safe Harbor”

PPP Forgiveness - Documentation

- **Items Borrower must MAINTAIN (Not Required to Submit)**
 - All documentation submitted with PPP loan application
 - Documentation supporting the borrower's certifications as to the necessity of the PPP loan request
 - Documentation supporting the borrower's eligibility for the PPP loan
 - Retain All Documentation in borrower's files for six (6) years after the date the loan is forgiven or repaid in full

PPP Forgiveness - Documentation

- **Tracking Form**

- An efficient tracking system will allow for successful documentation. An Excel spreadsheet will allow you to see your progress in real-time and project where you will be at the end of the 8-week period.
- Sample...Next Page

PPP Forgiveness - Documentation

- **BWC Tracking Experience**

- BWC has elected to use Excel spreadsheets to track our PPP activity.
 - 1) Master Spreadsheet with total PPP proceeds, date funded, expiration date, listing of transactions by type (payroll costs, employer paid benefits, A/P transactions for utilities, rent/mortgage interest expense etc.) and general ledger reference number
 - 2) subsidiary spreadsheets for each of the transaction types listed above, with detailed breakdown by general ledger expense account for each:
 - a) payroll period (for payroll costs)
 - b) month (for employer paid benefits)
 - c) date paid (for A/P transactions for utilities, rent/mortgage interest expense, etc.)



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PPP Forgiveness Process: BWC Scenarios

Pier McPayten / Paul Eichelberger
BWC Controller / Treasurer

Scenario 1: PPP Loan vs. Return Funds

Q: I don't anticipate our church will spend all of PPP monies we were granted. What is the process for returning unspent monies? Is there a fee if they are returned on the first day after the 8 weeks expires?

ANS: Interest has been accruing on the PPP funds at 1% interest since the day it was given to you, i.e. Loan Origination Date. Interest and principal payments will be deferred for the first six months.

1. If you receive 100% forgiveness, the accrued interest is forgiven.
2. If you receive partial forgiveness and pay the remaining amount back immediately, the bank will tell you if any accrued interest is owed.
3. If you receive partial forgiveness and choose to keep the remaining amount, the bank will begin to collect interest and principal payments after the 6-month deferral period. The total life of the loan is 2-years.

Scenario 2: Reduced Salary & New Hire Decision

Q: Can you use the funds to pay salary that was reduced prior to receiving the PPP funds? If you decide to hire a temporary employee to help with virtual services, can this person's salary be included in the forgiveness?

ANS: Paying back pay for the reduced salary in April/May can be done, but it is not a factor in the salary reduction calculations that impact forgiveness. What is important is that the rate paid during the Covered Period is the same or greater than the referenced period.

Regarding the hired temporary employee, if they are hired as a W-2 employee, then they will contribute additional FTE in the Covered Period and it will help offset any losses in FTE, if any.

Scenario 3: Payroll Costs Paid to Another Church

Q: My church is not the lead church so we do not issue a check specifically to the pastor. How should the church document that the church is paying the pastor?

ANS: Use the clergy compensation form as the source document for showing the amount of compensation your church pays on behalf of the pastor. The lead church should send you a receipt for the payment.

Scenario 4: International Payroll Eligibility

Q: My pastor is on a work visa. Can their salary and benefits be included in the payroll costs claimed for forgiveness?

ANS: The PPP funding is limited to employees who have their principal residence inside the United States. This includes the following visa holders: B1; F1; H1B; O1; E2 (Treaty investor); EB3; L1.

Payroll costs for any employee whose principal place of residence is outside of the United States – such as any workers on H-2A and J-1 visas – are specifically excluded from PPP.

Scenario 5: Preschool as a Seasonal Business

Q: Will a church that operates a preschool that is closed for the summer be considered a seasonal business for determining forgiveness? If so, would it be appropriate to use the first eight weeks as the measuring period?

ANS: The FTE Reduction Calculation compares the FTE during the Covered Period to a Borrower's chosen reference period.

Option 1: Jan 1, 2020 to Feb 29, 2020 (compare to earlier this year)

Option 2: Feb 15, 2019 to June 30, 2019 (compare to this time last year)

Option 3 (For seasonal): Any 12-wks period from May 1 to Sept 15, 2019

The seasonal reference for the Preschool would set a lower FTE for comparison to the Covered Period. This will satisfy the forgiveness ratio. You could also use Option 1 or 2 and include backpay to the Preschool.

Scenario 6: Our Nursery is Now Closed for Summer

Q: Our church has a nursery school that has now ended for summer. How do we deal with this regarding calculating FTEs and comparison periods to maximize forgiveness?

If staff normally would not be working during this time because of the time of year (preschool closed), can you re-define some of their responsibilities for this time, pay them, and include them in the PPP forgiveness?

ANS: The key is to include the nursery school employees who were present between Jan 1 to Feb 29, 2020 in the payroll costs during the Covered Period. This can be done in one of two ways:

1. Give back pay for up to 8 weeks based on the Jan/Feb rates & hours
2. As you suggest, employ them for an alternate purpose

Scenario 7: Preschool Payments to the Church

Q: As a ministry of the church, the preschool and church payrolls are combined. The preschool's loss of income from before and after care during the pandemic was a factor in our decision to apply for the loan. The preschool typically provides a payment to the church in May related to their use of the building, helping to cover cleaning, utilities, and other building expenses. We don't have a lease with our preschool. Can we recognize the preschool payment to the church as an eligible rent expense?

ANS: Per the Loan Forgiveness Application (page 10), The eligibility of Rent payments will require the submittal of a "copy of the current lease agreement ... or an account statement from February 2020" to document the payments. I believe you will not be able to meet this standard for counting the preschool payments to the church.

It is also a limitation that the payment is within the same organization if the Preschool is not separately incorporated with their own PPP source of funding.



Baltimore-Washington Conference
The United Methodist Church

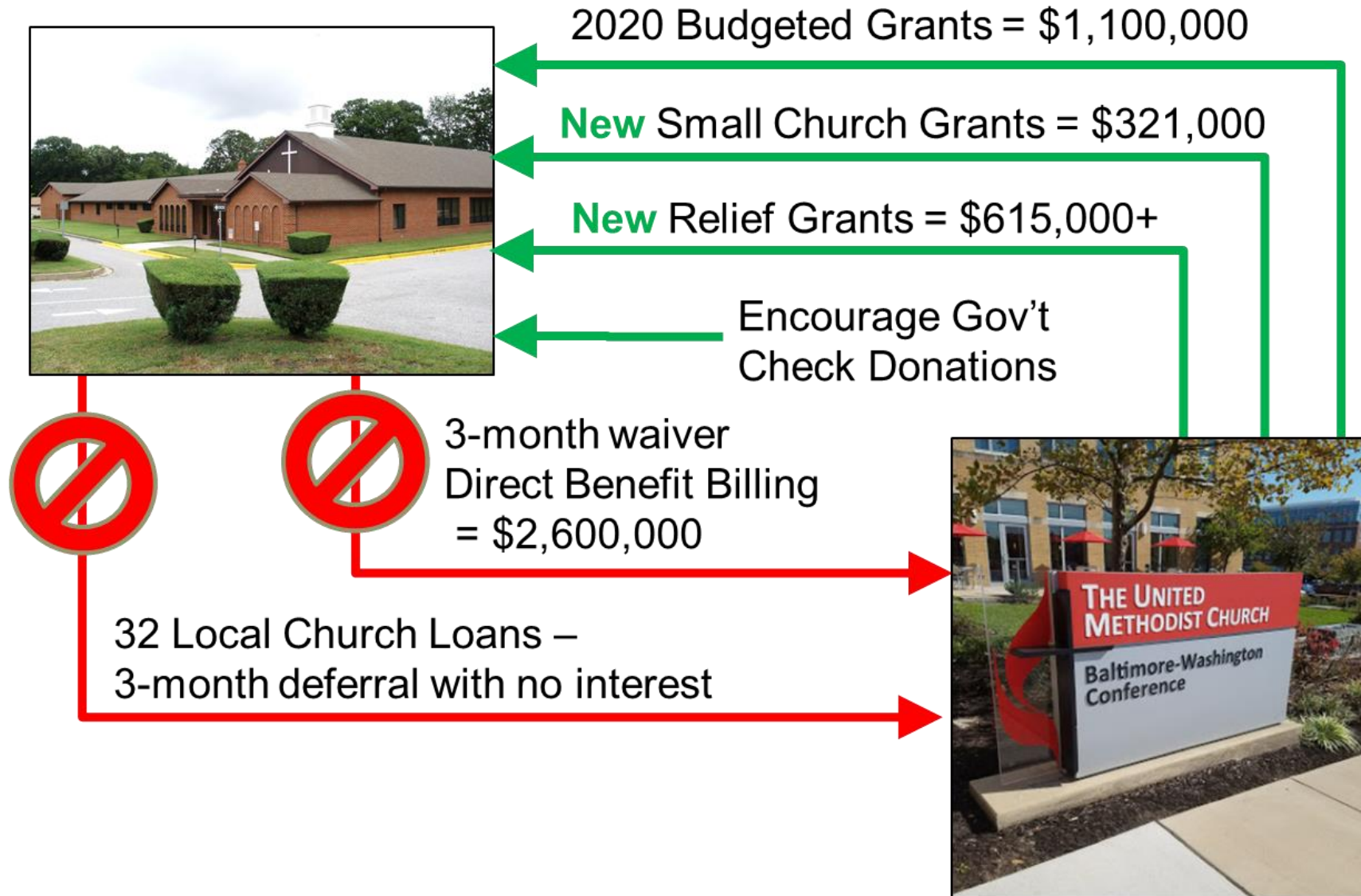
Wrap-Up

Paul Eichelberger
BWC Treasurer

State Grants Available to All Churches

- **Maryland Small Business COVID-19 Emergency Relief Grant Fund**
<https://commerce.maryland.gov/fund/maryland-small-business-covid-19-emergency-relief-grant-fund>
 - Amount: Up to \$10,000 to cover 3-months of operating expenses
 - Must demonstrate financial stress: Loss of Incomes from Tenants or Inability to make loan payments. Other situations reviewed case-by-case
 - Used For: Payroll, Rent, Mortgage, Utilities, and other operating expenses
 - Incorporated churches must be in good standing
 - Simple 1-hour Application; Must supply 2 years of financial statements
- **WV and DC – No similar grants currently**

BWC Initiatives



Local Church Consultations



If you have specific questions:
Then please sign up for a consultation!

Visit this sight for the latest in PPP
guidance for BWC churches.

bwcumc.org/article/coronavirus-resources/

THANK YOU