Paycheck Protection Program
Accounting Issues, Eligible Expenses, and Loan Forgiveness

If you have been successful in obtaining a PPP loan, I'm sure you have questions about what comes next. This document will hopefully answer many of your questions.

Q: How do I record the loan proceeds?

A: The funds will initially be recorded as a loan payable. Once some or all of the loan is forgiven, the forgiven portion will be reclassified as grant income. It will be helpful if all of the parishes record the loan in the same, new account number. Set up a liability account number 2100099 titled PPP Loan (see next question). If the loan proceeds were deposited to the parish checking account, you can record it as a deposit in Check Express, with the General Ledger Distribution to Fund #001, Dept #000, Account #2100099.

Q: How do I set up the new account number in Shelby?

A: Go to General Ledger, and click on Account Information. Right click in the grid and select New. In Fund, type 001. In Department, type 000. In Account #, type 2100099. In Account Type, select Liability. In Line Type, select Detail. In Description, type PPP Loan.

Q: What can I use the loan proceeds for?

A: You can use the loan for payroll costs, including benefits, and utilities, including gas, electric, water, telephone, cellular phone, internet, and transportation costs.

Q: What is included in payroll costs?

A: Salaries and wages (capped at $100,000 on an annualized basis for each employee), including vacation or sick time, health and dental insurance paid by the parish (not the portion, if any, paid by the employee), contributions to the lay employees' retirement plan, contributions to clergy retirement.

Q: What is excluded from payroll costs?

A: We cannot use amounts paid to MCC for unemployment. We also cannot use the employer portion of FICA taxes (i.e. Social Security and Medicare taxes).

Q: Does interest on my IPDL loan qualify?

A: Unfortunately, no. Only mortgage interest on which parish property is collateral would qualify. Since IPDL loans are unsecured loans, the interest does not qualify as a forgivable expense.

Q: When does the 8-week period for using the funds begin?

A: The 8-week period begins on the day the loan distribution is made to the parish.

Q: Can I pre-pay eligible expenses, like insurance, so as to use up all of the loan funds if necessary?

A: We are waiting for clarification from the SBA on whether the allowed expenses are to be accounted for on an accrual or cash basis. My guess is that we will not be able to use more than 8 weeks' worth of any expense, but we will have to wait for further guidance on this question. In any case, please do not delay paying MCC for insurance, as it is important that MCC maintains adequate cash flow to ensure that no one's health benefits lapse.

Q: Is there a form to track the forgivable expenses?

A: It will be up to each financial institution to determine how they want the expenses reported to them. Rather than us setting up a form that may not meet the bank or credit union's requirements, we will gather the information from the Shelby general ledger and/or accounts payable when the reporting time has arrived. The Diocesan finance office staff will be ready and available to assist with the reporting.

Q: If I am able to use all of the loan funds on allowed expenses, will the loan be completely forgiven?

A: Maybe. In addition to using the funds on allowed expenses, the parish will need to maintain their pre COVID-19 employment and compensation levels or the forgiven amount will be reduced. See the examples below.

Q: If we have only part time, hourly employees, and do not furlough any of our employees, will my loan forgiveness be reduced?

A: Maybe. If the hourly employees worked the same average number of hours in January and February as they do during the 8-week period, then the loan forgiveness will not be reduced. However, if some or all of the employees work fewer hours during the 8-week period, the Full Time Equivalent (FTE) calculation will be affected and the loan forgiveness will be reduced.

Q: For purposes of the Full Time Equivalent (FTE) calculation, how many hours per week is considered full time?

A: Unfortunately, we are waiting for clarification from the SBA on this issue. Usually 40 hours per week is considered full time, but for the health care law (Affordable Care Act), 30 hours per week is full time. Most experts believe that the 30 hour work week will be used, but we are not yet sure. For the examples below, I used 30 hours per week.

Q: I had an employee retire at the end of February, before the COVID-19 crisis. We did not plan to replace this employee. Will that affect our loan forgiveness?

A: Probably yes. We will watch for additional guidance on issues such as this. But barring any specific exclusion, the FTE calculation would be affected and the loan forgiveness will be reduced.

Q: We furloughed some of our employees. Should we bring them back to work now that we have received our loan funding?

A: Probably yes, as soon as possible. The purpose of the PPP loan program was to help employers keep their employees working, earning wages, and not drawing on unemployment. If you do not use the funds to pay employees, that amount will have to be repaid. In addition, because we are self-insured for unemployment, any amounts drawn by employees will have to be paid by the parishes through higher unemployment rates in years to come. If we pay the employees using the loan funds, we don't have to repay the loan or rebuild the unemployment fund.

Q: We furloughed some of our employees. We received our loan funds on April 28, but will not bring the employees back to work until May 11. Will our loan forgiveness be reduced?

A: As long as we restore our FTE counts by June 30, we do not have to reduce the loan forgiveness. However, if the loan proceeds are not all spent because we did not have enough payroll expense, we will need to repay the unused portion of the loan.

Loan Forgiveness Calculation Examples:

St. Edmund Parish applied for and received a PPP loan in the amount $100,000. Prior to the COVID-19 crisis, St. Edmund had 10 employees – 1 priest, 6 full time lay employees, and 3 part time lay employees. The part time employees each worked 24 hours per week. Payroll costs are $40,000 per month and utilities are $7,500 per month.

Example 1: All employees except the priest are furloughed. Health insurance for all employees continues. No employees are brought back to work by June 30. Continued allowed expenses are $33,000 for the 8-week period. Because payroll costs do not represent 75% of the total costs, the allowed utilities expense for the 8-week period is reduced by $9,000, so the loan forgiveness before the reduction is $24,000. Because our FTEs went from 9.4 to 1, there is an 89.36% reduction in the loan forgiveness. $97,447 of the loan has to be repaid. Only $2,553 of the loan is forgiven. Payroll and utility costs not paid by the forgiven loan are $21,447.

Example 2: All full time employees are reduced to 20 hours per week. The part time employees are furloughed. Health insurance for all employees continues. The regular schedule is not resumed by June 30. Continued allowed expenses are $60,000 for the 8-week period. Because our FTEs went from 9.4 to 5, there is a 46.81% reduction in the loan forgiveness. $68,085 of the loan has to be repaid. Only $31,915 of the loan is forgiven. Payroll and utility costs not paid by the forgiven loan are $28,085.

Example 3: Three of the full time employees are furloughed. The remaining employees continue to work their regular schedule. Health insurance for all employees continues. The regular schedule is not resumed by June 30. Continued allowed expenses are $70,500 for the 8-week period. Because our FTEs went from 9.4 to 6.4, there is a 31.91% reduction in the loan forgiveness. $52,000 of the loan has to be repaid. $48,000 of the loan is forgiven. Payroll and utility costs not paid by the forgiven loan are $22,500.

Example 4: All employees except the priest are furloughed. However, all employees return to their previous schedule on June 29. Continued allowed expenses are $33,000 for the 8-week period. Because payroll costs do not represent 75% of the total costs, the allowed utilities expense for the 8-week period is reduced by $9,000, so the loan forgiveness before the reduction is $24,000. Because we restored our work-force by June 30, there is no reduction in the loan forgiveness. $76,000 of the loan has to be repaid. $24,000 of the loan is forgiven. Payroll and utility costs not paid by the forgiven loan are $9,000.

Example 5: All employees continue to work and be paid during the entire 8-week period. Continued allowed expenses are $95,000 for the 8-week period. Because our FTEs were not reduced, there is no reduction in the loan forgiveness. However, because our allowed expenses do not total the full amount of the loan, $5,000 of the loan must be repaid. $95,000 of the loan is forgiven. Payroll and utility costs not paid by the forgiven loan are $0.