



PPP Loan Forgiveness Checklist (5/6/2020)

Loans under the Paycheck Protection Program (PPP) are intended to keep struggling businesses afloat during the COVID-19 crisis.

The PPP Loan application requires a good faith certification that the "[c]urrent economic uncertainty makes this loan request necessary to support the ongoing operations of the Applicant."

The Small Business Administration (SBA) will perform post-issuance reviews of all PPP Loans in excess of \$2 million. Their review (audit) will likely focus on whether the applicant had sufficient cash reserves, had access to capital from related sources, issued projections showing limited impact during the COVID-19 crisis, or was otherwise in a strong financial position prior to applying for the loan or loan forgiveness.

The SBA is extending the repayment date to May 14, 2020 for the safe harbor to return proceeds from the PPP Loans whereby the recipients are unable to certify in good faith that the loan request was necessary. Borrowers do not need to apply for this extension. This extension will be promptly implemented through a revision to the SBA's interim final rule providing the safe harbor. The SBA intends to provide additional guidance on how it will review the certification prior to May 14, 2020.

We do not recommend a repayment decision be made until this additional guidance is published.

Proper documentation is essential. We've listed potential areas you should cover with your documentation, should these apply.

For instance, it's necessary to provide documentation, emails, contemporaneous memos, etc. to support the necessity of a loan, as noted:

- ☐ Create a narrative internal memorandum of what was occurring at the time you applied for your loan. Summarize the nature of the current and foreseeable economic uncertainty supporting your necessity to apply for the loan.
- ☐ Memorialize the impact on your business from the time you applied for the loan until May 14, 2020 (currently the deadline for returning PPP proceeds).
- ☐ Consider the consistency of current and future revenue from business activity, net assets of the business, the availability of cash reserves, access to alternative sources of financing, and how detrimental it could be to access these alternative resources.



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- ☐ Collect articles from your industry publications of the anticipated economic impact on your specific industry.
- ☐ Save cash projections created to determine the need of additional funds at the time of application. Could be prudent to prepare a worst case, best case and in-between scenario for the economic recovery and project how using an entity's other sources of liquidity would or would not be "detrimental to the business."

Use these questions as a guide to support why your business qualified and applied for the PPP Loan:

- ☐ Was your business closed as part of the Governor's "shelter in place" orders?
- ☐ Is your business considered essential or non-essential?
- ☐ Did you have to shut down due to government shutdowns?
- ☐ Were your customers shutting their doors, preventing you from working for them?
- ☐ Were you under the impression that the government shutdowns would impact your ability to provide your services or products?
- ☐ Were you considering employee layoffs, salary reductions, etc.?
- ☐ Are your employees working remotely?
- ☐ What is the efficiency and productivity impact of having your employees working remotely?
- ☐ What is the impact to your line of credit and ability to borrow considering slowing sales and declines in accounts receivable collections?
- ☐ Have your customers reached out to you to adjust their accounts receivable balances or to extend terms?
- ☐ Was your backlog impacted?
- ☐ Do you have internal management memos addressing the concerns of the impact of the COVID-19 crisis?



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- ☐ Have any of your customers declared bankruptcy due to the impact of the COVID-19 crisis?
- ☐ Has your bank indicated that they cannot provide you with a credit line at this time?
- ☐ Was your supply chain impacted?
- ☐ Are your investors in industries heavily impacted by the COVID-19 crisis, thus reducing their ability to provide financial support?
- ☐ Have your customers cancelled, deferred, renegotiated any current jobs/contracts?

If you answered “yes” to any of the above, collect and maintain records of:

- ☐ Employee counts and hours’ requirements
- ☐ Pre-COVID-19 operations and subsequent declines
- ☐ Cost of and access to capital
- ☐ Cash on hand
- ☐ Budgets and other performance metrics
- ☐ Internal memos
- ☐ Written documentation of offers to rehire former employees and their response.
- ☐ Narrative of anticipated impact considering these and other factors

Please reach out to your engagement shareholder if you have any questions. If you are not a client of the firm, please reach out to Victor Ramsauer, CPA, President and CEO for further assistance at vramsauer@lz-cpa.com.

This information has been provided for informational purposes only and not actual professional tax and/or accounting advice. Before making any decision or taking any action you should consult with your professional advisor about your specific situation.