I have enclosed guidance on the Payroll Protection Program (“PPP”) loan forgiveness. (See attachment). If you receive PPP funding you should expected to provide some type of reporting and documentation for the use of the loan proceeds.

While reporting requirements are yet to be fully developed, below are some of the best practices that you may wish to utilize in preparation for applying for PPP forgiveness:

- Open a new bank account exclusively for the proceeds of the PPP loan.
- Create a new general ledger account for the bank account. Name: PPP Checking
- Create a new general ledger account for the liability. Name: PPP Loan Payable
- Record the proceeds of the loan to the accounts above.
- When possible, all PPP related payments should come out of the new PPP checking account and should be charged to the appropriate general ledger accounts. (Payroll, employee benefits, mortgage interest, rent and utilities)
- For funds that are auto drafted from another bank account for the allowed expenses (not the PPP checking account)
  - Transfer the funds from the PPP account to the appropriate bank account
  - Transfer the exact amount of the expenditure with a description of the expense.
- Keep separate copies of the invoices and payroll reports that have been expended from the PPP account. These may be required by the lending institution.
- All accounting systems should have the ability to create a report from an individual bank account.
  - At the end of the program create a report of the funds expended by account/expense including the transfers.
- Based on current SBA guidance you will also need to include the following documents to the lending institution as part of the loan forgiveness process.
  - Payroll that encompasses 2/15/20 – gross pay by employee
  - Form 941 for Quarter ending March 31, 2020
  - Detail of gross wages by employee from January 1, 2020 to March 31, 2020

I have also enclosed a Excel spreadsheet with formulas for PPP forgiveness. (See attachment). I have not tested the formulas, but it should be useful to you for self-estimating the forgiveness portions.

Be sure to review your company’s accounting practices, and in particular with respect to any PPP loan proceeds, with your certified public accountant.