

Updated Guidance on PPP Loan Administration

5/7/2020: Please note the highlighted regions of this document and NEW section 10.

If you have been approved for a loan through the SBA's Paycheck Protection Program, we recommend the following guidelines for the maintenance, use and reporting of these loan proceeds in order to qualify for 100% forgiveness.

1. We still recommend opening a **NEW** bank account for these loan proceeds, if this is not already required by the bank who approved your loan.
2. **DO NOT change your payroll bank account information to the new account.** We previously recommended that you do change this, but we have changed our guidance. The PPP loan only covers **GROSS** pay. It does not cover employer taxes (FICA) on the gross pay. The best way to record this activity is to transfer the amount of gross pay per payroll from the new account where the PPP funds are located back to the account where payroll is paid from. The value that should be transferred is the total gross pay for the payroll period. The parish labor distribution report should be used as a backup for this transfer.
3. Contact any furloughed employees and bring them back onto payroll as soon as possible at the same average level they were being paid. The PPP loan is designated for the retention and rehiring of existing employees at the same levels they were being paid prior to the pandemic. The loan covers this cost for an 8 week period and may be forgiven if the proceeds are used at a minimum of 75% for payroll cost and not more than 25% for utilities and mortgage interest expenses during this 8 week period while maintaining the same FTE levels as compared to pre-pandemic levels. However, not all employees may be able to return to work immediately or complete their normal duties in their normal capacity. Try to develop new ways they could help sustain the operations of the parish in this new environment to do new tasks in a safe manner following required guidelines until current restrictions are lifted. Some ideas may be the remote updating of parish data files, including name, address, telephone numbers and emails. Other ideas may include special projects that can be completed remotely, defined by the pastor or pastoral/finance council. If an employee is unable to return to work, you will need to send a letter (we are preparing a draft) and confirm that the employee is unable to return to work at this time.
4. Clergy payroll can be reimbursed from this account as of the date of this loan. If you already paid clergy payroll for April prior to receiving the loan proceeds, you should begin using these funds for reimbursements for the May Clergy payroll. If you haven't paid the Clergy Salary yet for April, you can reimburse this payment from the loan proceeds if the date of the parish check to pay clergy payroll is after the date the loan proceeds were received. **Clergy salary for any parish that received a PPP loan will be automatically returned to 100% as of May 1, 2020 in order to be**

properly paid under the PPP loan. The parish will be billed accordingly starting in May 2020.

5. The PPP loan proceeds must be spent only on the following categories: payroll, health care benefits, mortgage interest payments and utilities. To be eligible for forgiveness, 75% of these funds must be spent on payroll costs (this includes payroll, health benefits and retirement costs).
6. All payments from this account should be tied directly to one of the above expenses.
 - Money should be transferred out to exactly match your gross payroll expense per your bi-weekly labor distribution reports to reimburse the account from where the payroll was paid.
 - Health insurance expense for clergy and lay employees should be paid directly from this account even if that expense is only PART of an entire bill.
 - Separate checks should be written from this account or transferred back to the operating account for clergy health care costs and lay retirement costs ONLY which are included on monthly parish assessment invoice.
 - Clergy payroll expense or PLC payroll expense can be paid directly from this account or transferred back to the operating account to match the invoice. All other expenses that may be eligible can be paid from this account or transferred back to the operating account, as well. This would include utilities and mortgage interest payments. However, please be careful how much of these funds are used for these items. **In order to receive forgiveness, 75% of the total proceeds MUST be used for "Payroll Costs" noted in #4 above.**
7. All backup to these expenses as they are paid or transferred (payroll) should be maintained in a separate file for use by the bank in applying for loan forgiveness at the end of this program. This would include:
 - Bi-weekly payroll reports,
 - Clergy payroll invoices (we will send clergy payroll reports to support these invoices),
 - Clergy health and lay retirement costs (billed on monthly parish assessment) and
 - Lay health invoices
 - This would also include utility bills and mortgage interest payment documentation if used for some of these expenses. These documents will be needed to substantiate how loan proceeds were used. The HR department will also be provided the necessary backup for clergy payroll (payroll reports) and remittances for the lay retirement expense as they are paid for inclusion with your backup documentation.
8. We have attached a spreadsheet (and made it available at <https://dioceseofscranton.org/caresactresources>, to help you track these expenses

as a percentage of your loan value to be used as you pay expenses. This spreadsheet has been modified for parish expenses and attached for your reference. It is also available on our Diocesan CARES website. We have also added a tab helping to calculate the FTE for your entity. This will be used in the calculation of loan forgiveness on first tab of the spreadsheet.

9. We will be asking each parish who is participating in this program to provide a monthly accounting of these funds through the submission of this spreadsheet. It is important to properly utilize these funds as required by the agreement in order to attain maximum forgiveness.

10. **NEW (5/7/2020):**

We have attached (and at <https://dioceseofscranton.org/caresactresources>) some additional guidance that was provided through the DFMC website as it relates to the PPP loans (see, *Since the enactment of the CARES Act*). Please refer specifically to the highlighted areas in that document. In reviewing these guidelines, we **HIGHLY** recommend that you meet with your Finance Council and Business Managers and create a document explicitly documenting good faith effort showing why the PPP loan was necessary to support your parish's ongoing operations.

Some of the relevant items that may be documented/considered are:

- the closure of churches for an unforeseen period of time (loss of revenue),
- the status of a parish's online giving program (if any),
- lack of ability to get a commercial loan, if needed,
- need to furlough employees to save scarce resources,
- lack of savings or current savings that are earmarked for future repairs,
- uncertainty of future major fundraisers (picnics, bazaars, etc).

It is important to be able to document your parish "story" to explain the need for the loan. There is a Safe Harbor date in place until **May 14, 2020** if an entity wishes to change their mind under this process and return the loan.

In addition, there is an inherent amount of the loan that will most likely **NOT** be forgiven just based on the current guidelines. This is due to:

- The fact that the loan is calculated based on an 8.5 week calculation and payroll is paid every two weeks (you will only be able to include 8 weeks of payroll).
- Limitations if a parish furloughed employees as the first payroll to be used in the forgiveness calculation may not initially include the furloughed employees.

Updated May 7, 2020

There is some language that the FTE requirements for the loan forgiveness may be waived if all employees have been returned to payroll as of June 30, 2020, but this is still unclear. More guidance from the SBA on the loan forgiveness is still to come, so some of these calculations/requirements may still change. We will keep you updated as they are received. However, we do believe that a majority of the loan will be eligible for forgiveness. That is why it will be imperative to only spend these funds on eligible expenses (in the case of some loan payback requirement) and to keep detailed records of what was paid with these funds. All of this information will be required when a parish submits for forgiveness of the loan at the end of the program.

We have included a sample of all expenses that are eligible for use from the PPP loan proceeds. These samples are at <https://dioceseofscranton.org/caresactresources>, as well.

WE ASK THAT ANY PARISH THAT HAS APPLIED AND RECEIVED A PPP LOAN SEND AN EMAIL to Eileen-bartoli@dioceseofscranton.org WITH THE LOAN DETAILS. THIS WILL ALLOW US TO ADJUST ANY CLERGY SALARY AS OF THE NEXT PAYROLL AND PROVIDE THE REQUIRED BACKUP FOR CLERGY PAYROLL AND 403B EFT PAYMENTS THAT ARE REQUIRED FOR THE LOAN FORGIVENESS.

ALSO SEND THE FOLLOWING INFORMATION AS SOON AS POSSIBLE TO Eileen-bartoli@dioceseofscranton.org: LOAN AMOUNT, BANK, DATE FUNDS RECEIVED.

I am only sending this information to the pastors' emails. **Please forward this email to your business managers, finance committee members or anyone else who may be helping you with these loans.** If anyone has any information, please feel free to contact myself or Bob Miller at 570-207-2237. Stay well.