



WOOLSTON CONSULTING GROUP, LLC

Certified Public Accountants and Consultants

May 6, 2020

Dear Client:

Now that the Treasury Department and the SBA have ironed out the details to get the program monies into business' hands, the task now turns to focusing on the forgiveness and/or required repayment of the amounts. Very little official guidance has been issued as to the specific parameters and calculations of these amounts. Uncertainty still exists pertaining to exact measurement dates and particular criteria for qualifying expenses.

As of now, we recommend the following:

- Keep meticulous records of the loan proceeds and the specific expenses paid.
- The loan can be used for the following expenses:
 - Payroll costs, including benefits;
 - Interest on mortgage obligations, incurred before February 15, 2020;
 - Rent, under lease agreements in force before February 15, 2020;
 - Utilities, for which service began before February 15, 2020.
- Payroll costs are defined as follows:
 - Salary, wages, commissions, or tips (capped at \$100,000 on an annualized basis for each employee);
 - Employee benefits including costs for vacation, parental, family, medical, or sick leave; allowance for separation or dismissal; payments required for the provisions of group health care benefits including insurance premiums; and payment of any retirement benefit;
 - State and local taxes assessed on compensation;
 - For a sole proprietor, independent contractor, or partner: wages, commissions, income, or net earnings from self-employment (capped at \$100,000 on an annualized basis for each employee).
- A minimum of 75% of the eligible expenses must be for payroll costs as defined above.
- A portion of the calculation will be based on the number of full time equivalent employees as of February 15, 2020 compared to the number of full time equivalent employees on June 30, 2020.

To assist in the monitoring of your loan, we have attached the following:

- PPP Loan Forgiveness Worksheet – An interactive excel spreadsheet to estimate the



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amount of the loan forgiveness or repayment based on your anticipated expenditures and number of employees. The calculations are based on the information available at this time. If you complete the spreadsheet to estimate your forgiveness benefit, we will be happy to review it with you.

- The SBA's Frequently Asked Questions (FAQs) for the PPP as of May 5, 2020. Keep in mind, many of the points are not applicable to our clients. We have highlighted the items we feel are most likely to apply.

In the absence of more complete guidance, there are several critical issues that need to be addressed including:

- What is the impact of employees that are unable to do their job from home yet are subject to the stay at home orders and cannot return to the office/work site?
- Are you able to hire family members to replace staff that are unable or unwilling to work? (Please call us to discuss this.)
- In determining the expenses that are eligible for forgiveness, is the criteria based on the period incurred or dates paid in relation to the eight week period?
- How will the borrower be evaluated to determine that the loan was necessary due to current economic uncertainty to support the ongoing operations of the applicant?
- How exactly is the eight week period defined?

The AICPA and the state CPA societies are diligently working with the Treasury Department and the SBA to receive answers on these questions as well as many others.

We are continuing to monitor all developments and we keep you apprised of details as they emerge.

Please contact us with any questions.

All our best.

Sincerely,

Woolston Consulting Group, LLC

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