

Paycheck Protection Program (PPP)



Washington Food Coalition

The Paycheck Protection Program (PPP) is a federal loan administered by the Small Business Administration (SBA). It is a loan with conditions on how it can be used. There is an opportunity for that loan to be forgiven after a period of time. PPP rules have changed several times since first implemented.

PPP can be used for:

- Payroll
- Utilities
- Rent
- Mortgage interest

General overview on how to manage the loan

- Record loan in your general ledger
- Record interest monthly (1% APR)
- Record expenses as you normally would. Tag allowable expenses.
- Submit forgiveness paperwork
- Prepare to pay back what isn't forgiven

Balance sheet

PPP Loan Payable as a liability → when forgiven, reduce this by the amount forgiven

Forgiveness of debt as an revenue → increase by the amount forgiven

Interest expense as an expense

PPP → customer/job for tracking

Long term implications

PPP loans should not impact your audit or tax thresholds, although your auditor may want to see your PPP documents. *Receiving other CARES Act funding may impact your audit requirements.* Check with your contract lead if you have questions.

Resources

[US Department of the Treasury resources](#)

[PPP Toolbox from Fiscal Strength for Nonprofits](#)

[501 Commons PPP Loan Forgiveness Guidance](#)

[Archived webinar](#) on PPP loan forgiveness by Plante Moran (CPA firm)

[Summary of the PPP Program](#) by Lowenstein Sandler (law practice)

[Nonprofit Finance Fund](#), which includes helpful "[PPP Loan Accounting Recommendations](#)"

Use this resource in combination with the "What you need to know about PPP loans" video:

<https://www.youtube.com/watch?v=Wkl1yp81pPQ&t=10s> For more on audits, see the "Receiving Federal Funds" resource. Created in partnership with Washington Food Coalition with support from WSDA.