Paycheck Protection Program (PPP)

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 \(\rightarrow\) when forgiven, reduce this by the amount forgiven
Forgiveness of debt as an revenue \(\rightarrow\) increase by the amount forgiven
Interest expense as an expense
PPP \(\rightarrow\) 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.