

## **Documenting Paycheck Protection Program Loan Funds**

An important element of your PPP application is your certification that, “current economic uncertainty makes this loan request necessary to support the ongoing operations of the applicant.” If you feel that the PPP loan that you received is no longer needed, the SBA has issued guidance that the loan proceeds can be repaid in good faith by May 14, 2020.

The Small Business Administration (SBA) has announced that borrowers could be asked to substantiate their need for relief through the Paycheck Protection Program (PPP).

We recommend that the need for PPP funds be documented as you prepare the loan application or, if you have already applied and/or received funding, as soon as possible. This can be in the form of a memo, budget, cash flow analysis or other form deemed suitable by you. This will assist you in verifying your business is eligible for a PPP.

We suggest your documentation include:

- Impact on current and future revenue, including decreased demand, forced closures, etc.
- Uncertainty of receivables or other asset realization
- Increased costs due to operating in the COVID-19 environment
- Employee absenteeism and related labor costs
- Discussions with all stakeholders and any external advisors (i.e. accountants, attorneys)
- Efforts taken to find alternative funding
- Existing lending restrictions or covenants that would restrict or eliminate the ability to obtain alternative funding
- Consideration of use of funds for payroll and other costs which sustain operations of the business and employment of your workforce

Treasury Secretary Mnuchin announced that recipients of a PPP over \$2 million will be audited by the SBA, so it is even more important for these borrowers to prepare this documentation. We recommend consultation with legal counsel, accountants, and other advisors to prepare adequate documentation to support the good faith certification.