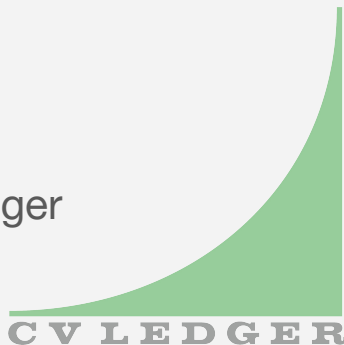


PPP...Now What?

May 14, 2020

Claire Van Holland
CEO & Founder, CV Ledger
hello@cvledger.com



Jill James
CEO & Founder, Sif Industries
jill@sifindustries.com

About Claire & Jill

Claire...

- Runs a boutique accountancy for small business & creative entrepreneurs
- Specializes in business operations, setting up systems & processes for small business scalability
- Resources
 - IG - @clairevanholland
 - Web - CVLedger.com

Jill...

- Specializes in growing self-funded small business
- Supports self-funded founders from creative and non-managerial backgrounds to become CEOs of healthy companies
- Resources
 - IG - @sifindustries
 - Web - SifIndustries.com

PPP Timeline + Requirements

8 weeks begins the date your bank deposits the loan funds

June 30 is the deadline for re-hiring employees to 90% FTE level

After June 30, you have 90 days to provide forgiveness request & proof to your lender
Your lender then has 60 days to get back to you



Forgiveness with W-2 Payroll

75% allocation to payroll expenses

As defined by the SBA, allowable payroll expenses include...

- Wages, salaries, commissions, tips, capped at annual \$100,000 per employee
- Sick leave or paid time off that is NOT covered by FFCRA
- Group health benefits
- State & local payroll tax

**Wages paid does not include federal employer payroll tax*

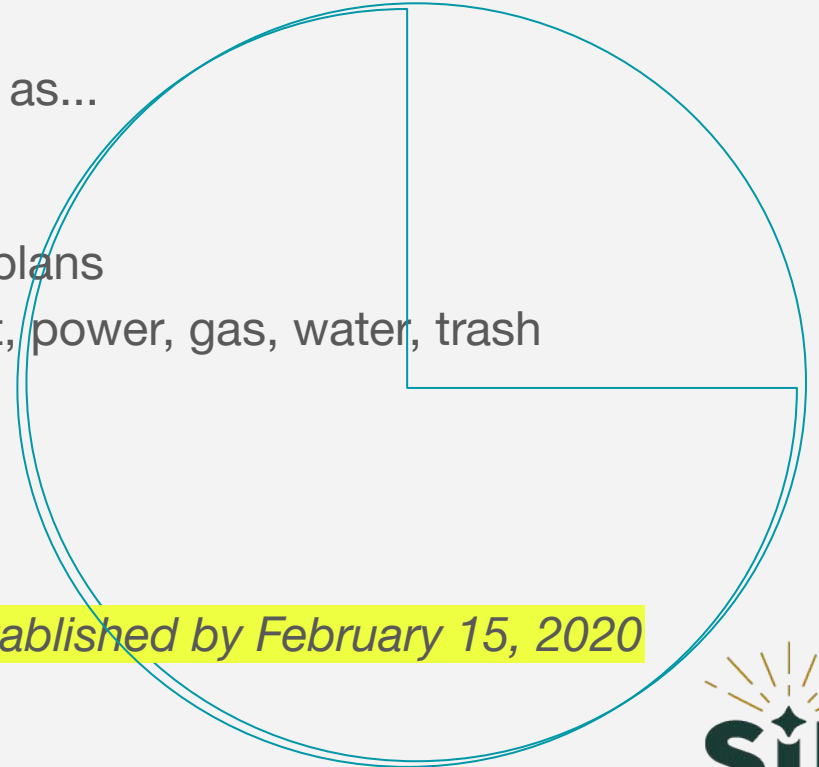
*** Some payroll providers have pre-set reports to help track your payroll expenses*

25% for *qualified* expenses

The SBA defines “other qualified expenses” as...

- Group health benefits
- Contributions / matching to retirement plans
- Utilities - phone, mobile phone, internet, power, gas, water, trash
- Rent*
- Business mortgage interest*
- Debt interred*

**lease / debt must be have been established by February 15, 2020*



90% of F/T employees @ 90% of wages

It's **OK** if you reduced staff or salaries between 3/1/20 - 4/15/20

90% of **full-time staff** must be restored at 90% of their original wage rate by 6/30

Part-time staff are **not included**

**Don't confuse W-2 employees with 1099 contractors*

***1099 contractors do not count as qualified use of funds*



Self-Employed Forgiveness

How to calculate 8 weeks of “payroll”

1. Look at your 2019 Schedule C income (profit) from business activities
2. Multiple by 0.154 (0.154 = 8 weeks / 52 weeks in a year)
3. This total is your “owner compensation replacement” aka payroll

Example: \$10,000 (2019 Schedule C income) x 0.154 = \$1,540

*Transfer this amount to yourself at any time during your 8-week forgiveness window and **BOOM** you’ve met the payroll requirement!*

What about the rest of the funds?

***You can use the balance for the following expenses...**

- Utilities
- Mortgage interest that existed before 2/15/20
- Debt interest that existed on or before 2/15/20
- Rent for a lease established on or before 2/15/20
- Retirement contribution

*** These expenses can only be forgiven IF you claimed these same expenses as a business deduction as part of your 2019 Form 1040 Schedule C**

A large white circle is centered on the left side of the image, partially overlapping the text. The background is a solid teal color.

The Fine Print

**When does the
8-week clock
start?**

It starts from the day
your lender deposits
the money into your
bank account



**What if I don't
use my \$\$
within 8 weeks?**

**If you're on the
borderline on getting
your 4th payroll in, it's
OK to nudge your
payroll run up by a
few days**

How do I calculate headcount?

First, determine the average number of full-time equivalent employees you had for:

- The 8-week period following your initial loan disbursement (**A**)
- 2/15/19 - 6/30/19 (**B1**)
- & 1/1/20 - 2/29/20 (**B2**)

Now do the following calculations below. Take the larger number of the two.

- $A / B1 = \underline{\hspace{2cm}}$ (IF you are a seasonal employer, you must divide by **B1**)
- $A / B2 = \underline{\hspace{2cm}}$

If you get a number equal to or larger than 1, you successfully maintained your headcount and meet this requirement

If you get a number smaller than 1, you did not maintain your headcount and your forgivable expenses will be reduced proportionately

What if my employees don't want to return?

If you...

- Make the offer in writing
- For the same job at the same wage

& then...

- Your former employee declines to return in writing... your employee counts as “returned” for forgiveness

**You must include the offer & decline in your forgiveness documentation*

**What about new
people I put on
payroll after March 1?
How are they
counted?**

Unfortunately, wages
for anyone hired after
3/1/20 cannot be
paid for by PPP
funds



**What if I don't have
enough qualified
expenses to use the
other 25%?**

While this is relatively unclear based on SBA guidelines, you can use the remaining 25% towards payroll, meaning you can use up to 100% of your loan against payroll if you do not have other qualified expenses that meet SBA requirements

What happens if part of my loan isn't forgiven?

It's possible to get partial forgiveness. The balance of the loan and any accrued interest will **need to be paid back, starting six months from the loan date.**

If you don't want to have a loan after that, you must pay off the balance ASAP!

If you decide to keep the balance, assume you still have to use it for qualified expenses (we don't know yet)

Term is 2 years at 1% interest per year. Interest starts to accrue on 5/15 but your 1st payment is deferred for 6 months

Your bank paperwork states the accrual terms (monthly, daily)

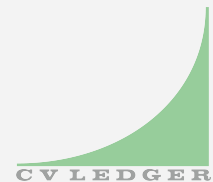


The EIDL Advance grant I received counts against my forgiveness - true or false?

TRUE. Proceeds from an EIDL Emergency Advance grant will be deducted from the loan forgiveness amount on the PPP loan

Even if you do everything right, you would owe PPP repayment of the amount of your grant and a small amount of interest

If that repayment will be an issue for you, reserve the EIDL grant, or return the same amount to your PPP lender now



What's this “need requirement”?

BREAKING NEWS! On May 13, the SBA clarified that loans under \$2 million will receive “safe harbor” treatment. Meaning, the SBA will not be investigating whether you had economic need.

You can disregard that scary bank letter

If your loan was \$2 million or more, the SBA will audit your economic need at the point you apply for forgiveness.

If you are worried about a “need” requirement, you can return some or all of your loan amount to the bank today (May 14) for a no-fault cancellation.

Best Practices for Forgiveness

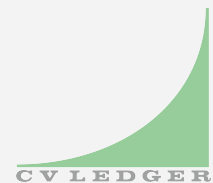


Where should I receive the money?

Best practice - open a dedicated bank account!

This will ensure that as part of the forgiveness process that your funds not only sit separately from the rest of your funds, but that any allocation of it is crystal clear.

IF you are unable to open a new bank account, and you have an extra checking or savings account that is empty or unused (with a very small balance), this works too! Put your funds there.



How do I put this on my books?

Create new categories designated to PPP expenses

If you are allocating your funds to Rent, Utilities or Internet, or any of the other expenses we've mentioned, create separate PPP categories that you will code to during the 8 week window that should look something like this...

- PPP Expenses - Rent
- PPP Expenses - Utilities
- PPP Expenses - Internet

This way, you can easily reference how much you've allocated to PPP Expenses



How do I document use?

Sometime after 6/30/20 but before 9/27/20, you'll provide your LENDER with documentation proving you used the funds for qualified expenses

- *Payroll: Form 940 for Q2 plus an FTE employee summary
- Expenses: Accounting system report, digital scans or PDFs of invoices & receipts ready as backup, bank account statements & cancelled checks

Save to a digital or paper folder anything that shows what the bill / invoice is for, the date it was issued and if possible the date it was marked paid

** If you work with a payroll provider, ask if they will have any pre-set reports that you can use to submit as part of the forgiveness process*



**So you didn't get funding
(or you're sending it back)...**

If you're open to loans...

- **EIDL loans**

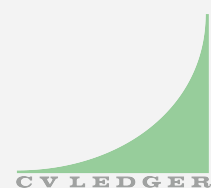
- The SBA is now evaluating applications submitted in March for 30-year disaster loans
- These will be < \$150,000 (vs. up to \$2 million advertised) and will net out what you've already received from the PPP

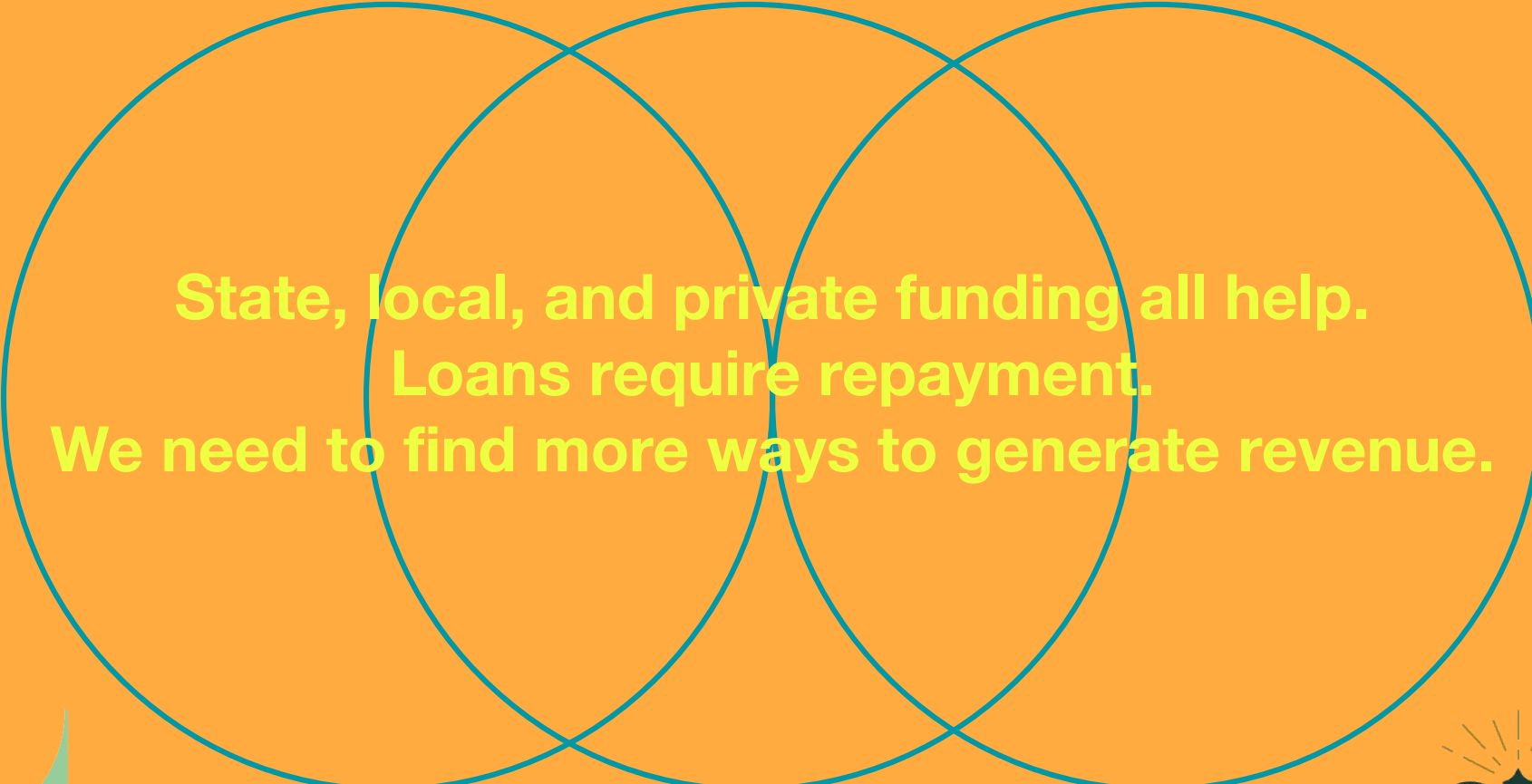
- **SBA Express loans**

- A \$25,000 bridge loan that will be rolled into an EIDL loan in the future

- **Main Street loans**

- The Fed has expanded its mid-sized company lending program for larger small businesses.
- If you were profitable last year and need \$500,000 or more, these loan terms are very favorable with 4-year repayment.

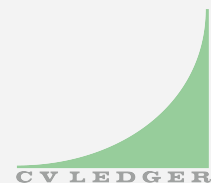




**State, local, and private funding all help.
Loans require repayment.
We need to find more ways to generate revenue.**

Patreon & Crowdfunding

- Patreon was designed for creatives to be paid by people who want them to do what they do. Create monthly memberships at different levels for your fans to support your art. <https://www.patreon.com/>
- NASAA crowdfunding - contribute without taking equity or getting a return
<https://www.nasaa.org/industry-resources/securities-issuers/intrastate-crowdfunding-resources/>



The time I broke my favorite KCRW mug...



Two-Tone (Red Inside)
Mug with James Jean
Design

Your donation: \$32.00/month

The only way to get a KCRW coffee mug is to make a substantial one-time donation or become a sustaining member at \$32 per month.

They will not let you buy this mug without a membership. I broke one a few years ago and wanted to buy a replacement. The price? \$85.

Printful will make you a similar custom mug for \$8.95. For \$384 in membership revenue.



Printful.com: Merch without overhead

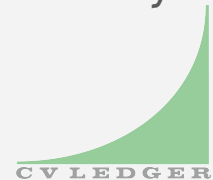


Upload your designs to be printed on dozens of merch options - clothing, art prints, homewares

Printful creates and ships when an order is generated, then sends the profits to you

They can print & ship globally and will manage all international fulfillment

All you need is high-res design files



Interns for online store development & marketing

If you're new to e-commerce and online marketing, consider bringing in a long-term intern

- Most summer internships have been cancelled
- Cal State system is 100% virtual until January 2021
- Lots of college students are taking a gap year for 2020-2021 and looking for something to do

Good puzzles are hot, but hard to find!

Jiggy - licenses the work of female artists & pays a revenue share per puzzle sold

Very Good Puzzle Company - accepts submissions; pays a license & long-term royalty

Turn your Instagram or photos into an art book

Artifact Uprising offers on-demand printing of archival quality books and photos



You can have them printed as they're ordered - no inventory or design costs

Spin up an online course with Teachable

Teachable is a course platform that helps you generate passive income from selling access to video instructions or digital how-to kits in your area of expertise.

Tutoring / Classes

- Teach English to native Mandarin speakers through VIPKid
- Teach your native language to US kids
- Offer 30-minute live Zoom classes 1:1 or for groups



Homeschooling is exploding!

Many parents are deciding to homeschool their elementary-aged kids until a vaccine is available

And by “homeschool,” we mean hire tutors and experts

- Resource kits
- Virtual camps
- Tutor / teacher matching
- Arts enrichment
- Music lessons
- Live with a family to provide education & child care



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hello@cvledger.com
CVLedger.com



QUESTIONS?

Jill James
CEO & Founder, Sif Industries
jill@sifindustries.com
SifIndustries.com

