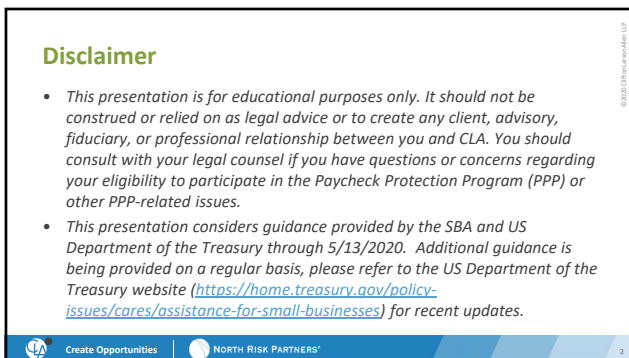
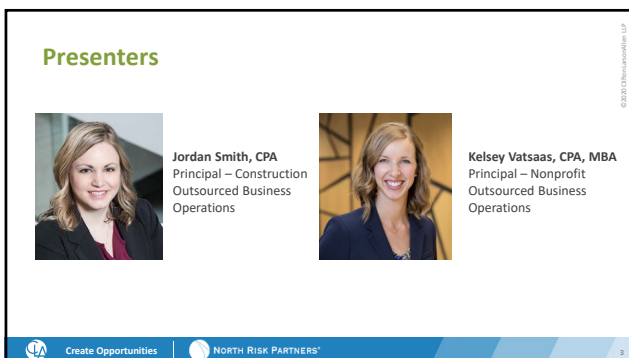




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CLA Create Opportunities

Our purpose
CLA exists to create opportunities — for our clients, our people, and our communities.

Our promise
We promise to know you and help you.

CLA family culture
One family working together to create opportunities.

Strategic advantages
Deep industry specialization
Seamless, integrated capabilities
Proven resource for private businesses and owners, inspired careers.

WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING

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Facts: Our Clients

2,100+ clients engaging global capabilities	20,000+ clients engaging outsourcing capabilities	3,500+ clients served by CLA Wealth Advisors
4,200+ clients engaging employee benefit plan capabilities	8,700+ nonprofit and government organizations served	89,000+ private households served
1,500+ financial institutions served	50,000+ private businesses served	8,300+ health care organizations served

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Recent Updates

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Certifications

- FAQs #31 and #37 and IFR on 4/24 from Treasury
- “Economic Uncertainty” certification – new criteria
 “[t]aking into account their current business activity and their ability to access other sources of liquidity to support ongoing operations in a manner that is not significantly detrimental to the business”
- FAQ #46 on 5/13 – Clarified that loans under \$2M will be assumed to be made in good faith; loans over \$2M will have lower risk of follow-on action by the SBA if deemed ineligible but return the loan funds requested.
- If you return ALL of the loan before **May 18th**, falls under “safe harbor” [updated 5/13, FAQ #47]

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Allowable Uses and Tracking

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Basics on Allowable Uses and Tracking

- Understand what PPP Loan Proceeds can be used for
- Know your 8-week period (starts when \$ arrives)
- Track information real time
- Accumulate supporting documentation as you go
- Consider using a segregated bank account
- Consider using your G/L capabilities

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Allowable Uses

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Allowable Uses (Continued)

- Contracts must be in place as of 2/15/20
- All the above are considered non-payroll costs

*May not be considered for forgiveness

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Some Questions on Allowable Uses

- \$100,000 Limitation
- Gross -vs- Net Wages
- Related party rents
- Utilities (what is transportation?)
- Prepayment
- Period when these can be incurred (2/15 - 6/30/20)

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Documentation

- Payroll reports and payroll tax filings
- Third party invoices
- Underlying mortgage, debt and lease agreements (to document in place before 2/15/2020)
- Cancelled checks
- Bank statements (if you use separate account)

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Forgiveness

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Basics of Forgiveness

- Project now to consider operational decisions that may impact (rehires, furloughs, pay reductions)
- Forgiveness may be all, partial, or none
- Based costs incurred and paid during 8 weeks
- Application and verification process
- Guidance pending from Treasury/SBA

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Allowable Versus Forgivable Costs

Allowable Uses (Section 1102)	Forgiveness (Section 1106)
<ul style="list-style-type: none"> • "Payroll Costs" (same as loan sizing) • Interest on Mortgage Obligations • Rent • Utilities • Interest on any Other Debt Obligations • Feb 15 – Jun 30, 2020 • At least 75% on Payroll Costs 	<ul style="list-style-type: none"> • "Payroll Costs" (same as loan sizing) • Interest on Mortgage Obligations • Rent • Utilities • 8-Weeks Starting at Loan Origination • Reductions for: <ul style="list-style-type: none"> • Non-payroll over 25% • FTE reductions • Wage reductions

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Forgiveness – Four Items to Consider

#1. Did the entity spend enough on allowable costs?	#2. Did the entity maintain FTEs? (includes re-hires thru 6/30)
#3. Did the entity maintain wages at least 75% of prior quarter? (excludes high earners)	#4. Was enough of that spending on payroll? (25% limit on non-payroll)

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#1. Total Incurred and Paid Test

Reduction Test #1	
Did Entity Spend Enough on Allowable Costs?	
Summary	
Result	No
Reduction	\$ 40,000
Detailed Calculation	
Loan Proceeds	\$ 200,000
Allowable Costs	160,000
Reduction	\$ 40,000

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#4. Non-Payroll Limit of 25%

Payroll Costs
Reduction for #2
Reduction for #3
Payroll Costs for Test #4

\$	100,000
(14,286)	
(40,000)	
\$	25,714

Reduction Test #4	
Was Enough of that Spending on Payroll?	
Summary	
Result	No
Reduction	\$ 26,190
Detailed Calculation	
Payroll Costs (Less Reductions in Tests #2 and #3)	\$ 75,714
Divided by 75%	/ 75%
Potential Forgiveness	\$ 100,952
Multiplied by 25%	x 25%
Limit for Non-Payroll Costs	\$ 25,238
Actual Non-Payroll Costs (Less Reduction in Test #2)	51,429
Reduction	\$ 26,190

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Questions on Forgiveness

- Order of the 4 tests isn't specified
- 75% payroll threshold – whispers that this is a binary test for forgiveness (if under, 0 forgiveness)
- Accrual –vs- cash –vs- hybrid for reporting costs
- FTE calculation
 - What is base for F/T vs P/T (we believe 30 hours)
 - Assessment frequency (pay period, monthly, annual avg)

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Questions on Forgiveness

- Wage reduction mechanics
 - What if you don't rehire – 100% reduction or excluded from test?
 - What if someone leaves during 8 week period?
 - Is test really comparison of 8 weeks to 75% of last pre-loan full quarter
 - What about new employees?

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How CLA Can Help...

- Consultation on Forgiveness and other PPP matters
- PPP Forgiveness Calculator
- Assistance with Forgiveness Calculation and assembly of Forgiveness Package
- Outsourcing of Forgiveness Tracking and Calculation
- Working capital planning using CLA Intuition

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Resources

- Treasury Website – <https://home.treasury.gov/policy-issues/cares/assistance-for-small-businesses>
- SBA Website – <https://www.sba.gov/funding-programs/loans/coronavirus-relief-options>
- CLA's COVID Relief Center
Bi-weekly Livestreams
<https://www.claconnect.com/COVID19>
- US Chamber of Commerce
<https://www.uschamber.com/coronavirus>

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Kelsey Vatsaas, CPA, MBA
Kelsey.Vatsaas@claconnect.com
612-376-4657

Jordan Smith, CPA
Jordan.smith@claconnect.com
612-397-3285

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