



Accounting for your PPP (Payroll Protection Program) Loan

Finance Department

April 29th, 2020

Loan Application Status Update

- Nearly all parishes and parish schools have applied for a PPP loan (96%)
- Century Bank processed almost half (46%) of the loan applications
- Approx. 35 other banks processed loans
- Bank processes will vary for funds distribution and loan forgiveness assessment



Century Bank Funds Distribution Process

- Due to volume of loans processed by Century, they will send funds through a central “clearing” account (even if the Parish already has an account with Century)
- Finance has visibility to loan approval
- The date the parish funds hit the clearing account will be designated the “disbursement date”
- Finance will promptly transfer the funds to the bank account associated with PrimePay and will notify the parish of the “disbursement date”



“Non Century” Bank Process

- Important to determine ASAP if parish/school PPP loan was approved.
- Could be small window to resubmit if rejected
- Important to determine approval date since funds must be disbursed within 10 calendar days
- May need to set up new account if bank requires



Questions

- If you applied to a bank other than Century:
 - 1. List your parish/school Inst # (xxx-xxx) or Prime Pay # (ABxxx).
 - 2. Have you been notified of approval for all entities in your area of responsibility?
 - 3. Date of approval?
 - 4. Date funds deposited into the parish/school account?



Purpose of Guidance

- To review the scenarios for the depositing of loan proceeds
- To provide guidance on how to account for your PPP Loan, once deposited
- Review journal entries to record your PPP loan in QuickBooks or Intacct:
 - Recording the loan proceeds
 - Recording the associated salary expense



Accounting for your PPP Loan

Where should the loan proceeds be deposited?

Since you will need to certify that the loan proceeds were used for payroll and utility costs under the program and the bulk of the proceeds relate to payroll, depositing the loan proceeds into the cash account where PrimePay typically draws your Payroll and BAS from is the best practice.



Two Scenarios

There are two scenarios that may occur:

1. Your loan proceeds are deposited directly into your existing operating or existing payroll account that is already associated with PrimePay.
2. The lender may require you to open a NEW checking account with their bank where the loan proceeds are deposited and this account is NOT associated with PrimePay.



Scenario #1:

Scenario #1:

Your loan proceeds are deposited directly into your existing operating or existing payroll account that is already associated with PrimePay.

*For this scenario, there is no change to your existing cash accounts.



Scenario #1: QuickBooks Journal Entries

Scenario #1:

Your loan proceeds are deposited directly into your existing operating or existing payroll account that is already associated with PrimePay.

To properly record the loan proceeds:

| | Account |
|-----|---|
| Dr. | 1000 – Existing Local Operating Account or Existing Payroll Account |
| Cr. | 2400 – Notes Payable |

To properly record the associated salary expense:

No change – continue to download the DG1 report from PrimePay and upload your salary expense entry.

*If you wish to track these salary expense transactions through a subaccount or class code you will have to edit the salary expense entry once the upload has been posted.



Scenario #1: Intacct Journal Entries(1)

Scenario #1:

Your loan proceeds are deposited directly into your existing operating or existing payroll account that is already associated with PrimePay.

To properly record the loan proceeds:

| | Account | Department | Fund | Project* |
|-----|--|---|---------------------|---|
| Dr. | 11XXXX – Local Operating Account or Existing Payroll Account | 70001 – Parish Church 70201 – School G&A | 99999 – Fund N/A | P-0000597 - Small Business Administration |
| Cr. | 223000 – Notes Payable | 70001 – Parish Church 70201 – School G&A | 99999 – Fund N/A | P-0000597 - Small Business Administration |




Scenario #1: Intacct Journal Entries(2)

Scenario #1:

Your loan proceeds are deposited directly into your existing operating or existing payroll account that is already associated with PrimePay.

To properly record the associated salary expense (5 steps):

1. Continue to download the D4G report from PrimePay and upload your salary expense entry into Intacct.
2. Go to General Ledger > Journal Entries> Payroll Journal > click “View Transactions”



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★ Home General Ledger

Journal Entries

All Manage views Include inactive

| | Title |
|-----------------------------------|---|
| View Transactions | Accounts Payable Journal |
| View Transactions | Accounts Receivable Journal |
| View Transactions | Cash Disbursements Journal |
| View Transactions | Cash Receipts Journal |
| View Transactions | Employee Expenses Disbursements Journal |
| View Transactions | Employee Expenses Journal |
| View Transactions | FACTS Journal |
| View Transactions | Fixed Assets Journal |
| View Transactions | General Journal |
| View Transactions | General Journal - Approval |
| View Transactions | General Journal - Parishes |
| View Transactions | History |
| View Transactions | Inter-Entity Payables |
| View Transactions | Inter-Entity Receivable |
| View Transactions | Payroll Journal |



Scenario #1: Intacct Journal Entries(3)

3. Find the journal you imported and click “Edit”

The screenshot shows the Sage Intacct interface for 'PYRJ - Journal Transactions'. The page includes a navigation bar with 'General Ledger' and a search bar. Below the navigation bar, there are buttons for 'Post', 'Duplicate', 'Reverse', and 'Attach'. A table of journal transactions is displayed with columns for 'Select', 'No', 'Reference number', and 'Description'. The entry with reference number 1511 is highlighted, and its 'Edit' link is circled in red.

| Select | No | Reference number | Description |
|--|------|------------------|-------------|
| <input type="checkbox"/> | | | |
| <input type="checkbox"/> Edit View | 1512 | | PR 05/01/20 |
| <input type="checkbox"/> Edit View | 1511 | | PR 05/01/20 |



Scenario #1: Intacct Journal Entries(4)

4. Identify the cash entries and edit the project dimension changing it from “Not Applicable” to P-0000597 - Small Business Administration

5. Click “Save” in the upper right corner

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★ Home General Ledger ▾

Payroll Journal - Journal Entries Save

Transaction History

Transaction number: 1512

Book(s): ACCRUAL

Description *: PR 05/01/20

Reference number: []

State: Posted

Journal: PYRJ

Posting date *: 05/01/2020

Comment: Add your comment to the transaction history

Source entity: []

Attachment: []

Entries [Show defaults](#)

| | Entity | Department | Account * | Fund | Restriction | Elimination | Project | Vendor | Customer |
|-----|--------|----------------------|-----------------------|-----------------|------------------|-------------|----------------------|----------------------|----------------------|
| ≡ 1 | [] | 70001--Parish/Church | CASH ACCOUNT | 99999--Fund N/A | 1 - Unrestricted | No | 99999-9999--Not Appl | 999999--Not Applicab | 999999--Not Applicab |
| ≡ 2 | [] | 70001--Parish/Church | CASH ACCOUNT | 99999--Fund N/A | 1 - Unrestricted | No | 99999-9999--Not Appl | 999999--Not Applicab | 999999--Not Applicab |
| ≡ 3 | [] | 70001--Parish/Church | 110400--Sacred Heart | 99999--Fund N/A | 1 - Unrestricted | No | 99999-9999--Not Appl | 999999--Not Applicab | 999999--Not Applicab |
| ≡ 4 | [] | 70001--Parish/Church | 211203--401(k) Withhc | 99999--Fund N/A | 1 - Unrestricted | No | 99999-9999--Not Appl | 999999--Not Applicab | 999999--Not Applicab |
| ≡ 5 | [] | 70001--Parish/Church | 211203--401(k) Withhc | 99999--Fund N/A | 1 - Unrestricted | No | 99999-9999--Not Appl | 999999--Not Applicab | 999999--Not Applicab |



Scenario #2:

Scenario #2:

The lender may require you to open a NEW checking account with their bank where the loan proceeds are deposited and this account is NOT associated with PrimePay.

*For this scenario you will need to create a new Cash account in QuickBooks or Intacct.



Scenario #2: QuickBooks

Scenario #2:

Your lender may require you to open a new bank account with them to deposit the associated SBA loan proceeds. For this scenario, you will need to create a new cash account in QuickBooks.

To properly record the loan proceeds:

| | Account |
|-----|----------------------------------|
| Dr. | 1010- NEW Local Checking Account |
| Cr. | 2400 – Notes Payable |

To properly record the associated salary expense:

Step 1: Continue to download the DG1 report from PrimePay and upload your salary expense entry.

Step 2: Create an entry to reimburse the Cash account where the Payroll expense was paid out of (associated with Primepay).

| | Account |
|-----|---|
| Dr. | 1000 - Existing Local Operating Account or Existing Payroll Account |
| Cr. | 1010- NEW Local Operating Account - SBA |



Scenario #2: Intacct (1)

Scenario #2:

Your lender may require you to open a new bank account with them to deposit the associated SBA loan proceeds. For this scenario, you will need to complete the “New Bank Account” set up form on the Intacct Dashboard and send it to your PFS Consultant who will send it to RCAB Finance for GL account creation.

To properly record the loan proceeds:

| | Account | Department | Fund | Project* |
|-----|--|---|---------------------|---|
| Dr. | 11XXXX – NEW Local Operating Account (please fill out the “New Bank Account” set up form on the Intacct dashboard and send it to your PFS Consultant for the account to be created) | 70001 – Parish Church 70201 – School G&A | 99999 – Fund N/A | P-0000597 - Small Business Administration |
| Cr. | 223000 – Notes Payable | 70001 – Parish Church 70201 – School G&A | 99999 – Fund N/A | P-0000597 - Small Business Administration |



Scenario #2: Intacct (2)

Scenario #2:

Your lender may require you to open a new bank account with them to deposit the associated SBA loan proceeds. For this scenario, you will need to complete the “New Bank Account” set up form on the Intacct Dashboard and send it to your PFS Consultant who will send it to RCAB Finance for GL account creation.

To properly record the associated salary expense (6 steps):

Steps 1 -5 are the same as Scenario #1.

Step 6. Create an entry to reimburse the Cash account where the Payroll expense was paid out of (associated with Primepay).

| | Account | Department | Fund | Project* |
|-----|---|---|---------------------|---|
| Dr. | 11XXXX – Existing Local Operating Account or Existing Payroll Account | 70001 – Parish Church 70201 – School G&A | 99999 – Fund N/A | P-0000597 - Small Business Administration |
| Cr. | 11XXXX – NEW Local Operating Account | 70001 – Parish Church 70201 – School G&A | 99999 – Fund N/A | P-0000597 - Small Business Administration |

*For the options above, you **must** ensure that you use the “Small Business Administration” project. It cannot be “Not Applicable”



Next Steps

- Loan forgiveness guidelines finalized this week
- Review your bank's implementation of the forgiveness rules
- A good audit trail will be important
- Another webinar to follow shortly on final forgiveness rules and tracking of other eligible costs (eg utilities)



Questions?

Please reach out to the Parish Accounting or FinPAX Team if you have any questions regarding how to account for your PPP loan.

Paul Dodd – Parish Accounting Manager

Paul_Dodd@rcab.org T: (617) 746-5718

Jennifer Ho – FinPAX Senior Analyst

Jennifer_Ho@rcab.org T: (617) 746-5707

Yitao F Ward – Senior Manager, Finance (Parish Accounting & FinPAX)

Yitao_ward@rcab.org T: (617) 746-5710



May 1 Payroll – PPP Guidance

- St. John Parish has been approved for a PPP loan.
 - Employees should be notified of their return to active payroll (see next slide)
- Loan proceeds are deposited on April 22. The 8 week calendar count begins that day, unless a weekend or bank holiday; if so, then the following business day.*
- The Parish should prepare to pay employees on the May 1 pay date.
 - Scenario 1: pay fully in arrears: the pay period is April 22 through April 25 (three days of pay).
 - Scenario 2: pay partially in arrears/partially current: the pay period is April 22 through May 1 (8 days of pay).
- The Parish should pay employees for 8 weeks.
 - Scenario 1: pay fully in arrears: final payroll with 2 weeks of pay is June 12, with 7 paid days on June 26 pay date.
 - Scenario 2: pay partially in arrears/partially current: final payroll with 2 weeks of pay is June 12. Final with 2 paid days on June 26 pay date.
- If needed, employees who were already terminated should be notified (see next slide).

*Based on our current understanding of the PPP forgiveness rules. Subject to official/final guidance from the SBA. Updated 4-26-20



May 1 Payroll – PPP Guidance

Dear Employee:

The [*Parish/School/Other Entity*] has been approved for a loan through the Payroll Protection Program. Therefore, to comply with loan requirements, you are being returned to active [full] payroll status effective April 22, 2020. You will receive your next paycheck/direct deposit on May 1, 2020, which will include three days of pay. Your pay will continue at your full salary, or, if you are paid hourly, based on your hours as of the February 21, 2020 payroll*, through the June 26 pay date, which will include seven days of pay.

If you have already been notified of a permanent layoff/termination, this return to active payroll does not modify that decision, which will now take effect no earlier than July 1.

Finally, Pandemic Unemployment Assistance (PUA) benefits are not available to any employee receiving full pay from an employer. Therefore, we recommend that you not file for PUA benefits during the coming 8-week period. Any PUA benefits paid to you for the same weeks during which you receive full pay may be required to be repaid to the Massachusetts Department of Unemployment Assistance and/or the US Treasury.

*Placeholder – method for calculation of hours to be paid is TBD. Updated 4-26-20



How to calculate PPP payroll

- Two goals to achieve with PPP fund utilization:
 1. Use the payroll portion of the funds to match the amount borrowed, which = 2x average monthly payroll cost for 2019

| MONTH | EE PAID | EARNINGS | ER ST/LOC TAX | ER HEALTH | RET BENEFITS | PAYROLL COST |
|-----------------------|---------|-----------|---------------|-----------|--------------|--------------|
| Jan-19 | 8 | 14559.45 | 0.00 | 0.00 | 400.33 | 14959.78 |
| Feb-19 | 9 | 13804.73 | 0.00 | 0.00 | 399.37 | 14204.10 |
| Mar-19 | 8 | 13683.86 | 0.00 | 0.00 | 392.66 | 14076.52 |
| Apr-19 | 8 | 14351.50 | 0.00 | 0.00 | 402.25 | 14753.75 |
| May-19 | 8 | 22198.81 | 0.00 | 0.00 | 629.93 | 22828.74 |
| Jun-19 | 8 | 12276.99 | 0.00 | 0.00 | 346.17 | 12623.16 |
| Jul-19 | 5 | 7174.13 | 0.00 | 0.00 | 239.13 | 7413.26 |
| Aug-19 | 7 | 7477.74 | 0.00 | 0.00 | 239.29 | 7717.03 |
| Sep-19 | 7 | 8631.24 | 0.00 | 0.00 | 235.90 | 8867.14 |
| Oct-19 | 9 | 14421.12 | 0.00 | 0.00 | 410.61 | 14831.73 |
| Nov-19 | 8 | 21109.79 | 0.00 | 0.00 | 592.69 | 21702.48 |
| Dec-19 | 8 | 18146.29 | 0.00 | 0.00 | 325.11 | 18471.40 |
| TOTALS | | 167835.65 | 0.00 | 0.00 | 4613.44 | 172449.09 |
| AVERAGE PAYROLL COST: | | | | | | 14370.75 |



How to calculate PPP payroll

2. Demonstrate that the parish/school has restored staffing levels to pre-virus levels (FTE count)

PAY-AB001-051 V4.8
GENPRG1 BRANCH 10 2020-004-01
CURRENT DATE 02/19/2020 14:27:12

| *----- | E A R N I N G S | -----* |
|-------------|-----------------|-----------|
| DESCRIPTION | HOURS | EARNINGS |
| REGULAR | 515.000 | 14,525.48 |
| CLRGASH | 0.000 | 850.00 |
| GTLAUTO | 0.000 | 59.62 |
| MUSICIAN | 9.000 | 1,150.00 |
| PRIESTST | 160.000 | 2,959.61 |
| REG 2 | 0.000 | 50.00 |
| SICK | 8.000 | 163.31 |
| STIPENDS | 0.000 | 80.00 |



How to calculate PPP payroll

- Challenge is that SBA has not issued clear or detailed directives on how to determine either/both.
- Therefore, RCAB guidance if you have made staffing or pay cuts since 2/15/20:
 1. Use the pre-cuts payroll between 2/21/20 and 4/17/20 that comes closest to the Prime Pay PPP report's average monthly payroll number in terms of \$.
 2. Check that payroll to see how close it comes to the FTE count you listed in your application (divide total hours in the 051 report by 80 = FTE count).
 3. If the number is close, then use that payroll.



How to calculate PPP payroll

- If you have not made staffing cuts since 2/15/20:
 1. Use your most recent payroll and compare it to the PPP report's average monthly cost and the FTE number on your application.
 2. If close, make no changes.
- Once appropriate staff are activated, use **PPPR** code for hours worked and **PPPN** for hours not worked
- Can use these for priests and lay employees (will need to change Recurring Earnings for priests – see separate instruction document)



FAQs on payroll setup/staffing

- If employees were terminated for cause, retired, resigned voluntarily, or had their temp assignment end for reasons unrelated to the virus since 2/21/20, do we need to return them to payroll?
 - You do not need to return employees to payroll in these instances. You may have to return the funds to the SBA if you do not have other staff to pay in their place.
- We had already notified some staff of permanent layoffs. Do we need to return them to payroll? How do we make clear they do not have their jobs back?
 - Yes, you should return this employee to active payroll for the 8-week period. Use the language in the sample letter to make clear that this return to payroll does not equate to a reversal of the employment termination decision.



FAQs on payroll setup/staffing

- If we are concerned that we will not meet the full forgiveness amount and we are paying teacher contracts over 26 pay periods, is it an option to pay teachers their full weekly pay during the 8 weeks and back that out of their summer payments?
- At this time we are not recommending that the terms of teacher contracts be changed to accelerate payment of teacher salaries. Schools should track actual PPP expenses using tools provided by RCAB, compare to PPP loan process, and consult with RCAB prior to the start of the last 2 week payroll period after PPP loan proceeds were received for guidance.



FAQs on payroll setup/staffing

- Do the contracts that the teachers and school signed allow for layoffs, etc.?
 - Yes, there is a provision in the contract that provides for lay-off upon 30 days notice to the employee. However, Massachusetts law requires that if contract was terminated the School would be required to recalculate the wages to reflect wages earned to the date of termination rather than spread out over 12 months. Further that payment is due, if not immediately, at the latest on the 30th day after the teacher is notified contract termination. The effect is very little financial benefit to the Parish or School at this stage of the year.



FAQs on payroll setup/staffing

- Do we have to pay school staff/parish staff who normally do not work past early/mid-June all the way through June?
 - The 8 weeks of pay should still be paid to school staff on payroll as of 2-21-20, even if the staff members would normally not be paid through June. Note that most school payrolls from 2019 showed nearly equal payrolls between the first and the last pay dates.
- If we are only bringing staff back onto payroll and not asking them to do work, will that be sufficient for forgiveness?
 - Yes.
- Will returning employees to payroll in any way violate the Governor's stay at home order?
 - No. For employees who can work at home, if the location remains closed, the employee would continue to work at home.



FAQs on payroll setup/staffing

- Can you clarify whether to use unpaid leave code or regular code in Prime Pay for PPP loan proceeds?
 - There are two new codes - PPPR (PPP-Regular - for use with employees who work these hours) and PPPN (PPP - Not Working - for use with employees who are being paid but are not working). The PPPN codes does not accrue sick time.
- For locations who have been approved for PPP will the employees' health insurance premium contribution be automatically restored or do we need to do it?
 - If your location had suspended April billing and deductions but now have an approved PPP Loan, the deductions were restored on Monday, 4/27/20. However, double check to be sure this occurred when you preview your payroll.



FAQs on payroll setup/staffing

- We have hourly staff (musicians, etc.) who have variable hours. How do I determine the right number of hours to pay them?
 - See advice above regarding matching average monthly payroll and FTE counts above.
- Do we need to restore every staff member to the same hours as of 2/21/20, or is it just required that we have the same FTE calculation as of 2/21/20?
 - The FTE calculation is more important, so hours could be distributed differently among the staff if that is more equitable.



FAQs on payroll setup/staffing

- Will Vacation and Sick Time be accrued regularly during the PPP period? If we pay them with the Regular pay code, won't they then accrue vacation and sick time?
 - Vacation and Sick Time would continue to accrue for employees actually working. Employees who return to active payroll but are not working should not accrue time. Using the PPPN code will prevent employees from accruing additional sick time. However, most locations do not use Prime Pay to accrue vacation time, so locations should review current vacation policy language to see if vacation time is earned by employees who are not working. They should also review vacation policies to determine if employees who will be returned to payroll solely for PPP purposes will unintentionally be entitled to more vacation time as of July 1, 2020.



FAQs on payroll setup/staffing

- For the loan forgiveness program, can we pay a couple of employees (4) from their accumulated sick or vacation time?
 - If employees would like to use vacation time during the PPP period, they can do that. You should still use the PPP earnings code but document separately that vacation time was used. For sick time, this should only be used if employees qualify to use sick time.
- I'm wondering what happens if we cut hours before the loan? After the loan is approved, I assume that there is no cutting hours, etc.
 - Correct. During the 8-week period, hours should not be cut.



FAQs on payroll setup/staffing

- We have employees who have already filed for and been granted PUA unemployment benefits. Some of them make more money on PUA than they do through our parish/school. Do we need to return them to active payroll status?
 - Yes, you should return this employee to active payroll for the 8-week period. The employee should be advised not to apply for Pandemic Unemployment Assistance in the future to avoid problems with the DUA/Department of Labor. The intent of the PPP was to keep employees off of unemployment and on payroll.



FAQs on payroll setup/staffing

- All of our teacher's aides have filed for PUA benefits. With schools closed for the rest of school year, we can't recall them back to payroll. How should we handle?
 - These employees should be returned to payroll for 8 weeks commencing on the day PPP loan proceeds are received. Use code PPPN if the employees are not working and code PPPR for hours worked, if any.



FAQs on payroll setup/staffing

- If our PPP loan is pending is it OK to let the employees know this and ask for their patience so they do not apply for PUA? My employees are applying for everything.
- Since PPP monies are intended to be used to pay staff for an 8-week period starting when the loan proceeds are received, your staff is able to apply for PUA benefits for weeks of reduced or no pay prior to the receipt of PPP money. In this case, there is no need to ask staff to delay their applications. They should, however, be told to stop PUA applications once they are returned to active payroll.



FAQs on payroll setup/staffing

- What if staff refuse to come back on payroll; wouldn't they have to "resign"?
 - If employees resign to be eligible for PUA benefits, they will lose eligibility for RCAB benefits as of the last day of the month of the resignation. You should advise them of this fact, which may change their decision. You should also advise them that they should not assume they will be automatically returned to active employment status when the location is allowed to re-open/funds permit normal staffing levels. Finally, a claim for unemployment may not be granted if the employee voluntarily left work that was available to him; this decision will be made by the DUA.



FAQs on payroll setup/staffing

- Why do we say employees have to first apply for federal/state unemployment when we have the TAP Program?
 - The TAP plan was put in place to provide benefits to individuals who are not eligible for benefits under Massachusetts or other unemployment programs, and that has long been one of the requirements as stated in the TAP plan document. TAP remains available for eligible staff who are not able to collect under other unemployment programs.



Questions?

Please reach out to the Benefits Office for assistance with payroll or benefits questions:

Carol Gustavson - Benefits Director

cgustavson@rcab.org T: (857) 225-0522

Please reach out to the Human Resources Office for assistance with HR or unemployment compensation questions:

Jim DiFrancesco – Human Resources Director

jdfrancesco@rcab.org T: (617) 746-5829

