

Survive and Advance

Can You Justify Your Need For PPP?

5.6.2020

Opting for The PPP Loan

For those opting in to certify your eligibility to receive and use the PPP loan, you are following U.S. Treasury guidance to make a good faith certification that you needed the loan to support ongoing operations and that you did not have access to other sources of liquidity to continue ongoing operations without harming your business. We suggest you engage with your CPA, Attorney, and PPP lender for counsel and get a consensus on the appropriate way for your company to proceed.

This said, CPA, Attorney, and Risk Management professionals have no authority to say what an audit from the SBA and/or The U.S. Treasury will conclude should one be triggered in the future. With this not known, CPA firm Whittlesey Advisors, suggests documenting your loan certification rationale by recording answers to the following questions, gathering financials, and model future business scenarios.

Questions:

- What trends do I see happening in my industry, are or will there be supply chain disruptions?
- Are my employees at risk of contracting COVID-19, and what will happen if I need to shut down operations due to illness?
- What is my current business activity today, and what do my 8-week, 4-month, and end of year projections look like?
- Do I have the ability to access other sources of liquidity to support ongoing operations that is not significantly detrimental to my business, such as the ability to carry other debt or raise capital from owner contributions?

Financial Scenarios:

- Prepare and compare monthly financial statements to last year's financial statements and budgets.
- Prepare and compare actual and projected cash position and cash flow forecasts to last year's.
- Prepare and compare actual and projected collections and accounts receivables forecasts to last year's.

U.S. Treasury FAQ's

The U.S. Treasury has a list of FAQ's that is updated on a regular basis – the link is [HERE](#).
Question #31 speaks to the guidance on loan eligibility.

In our purpose of Helping Others, we are here to help your business survive during these difficult times and advance out the other side stronger. More information on Coronavirus/ COVID-19 can be found [HERE](#) on our Smith Brothers Survive and Advance page. If you have any questions or would like to discuss this information further, please contact your Smith Brothers risk advisor.