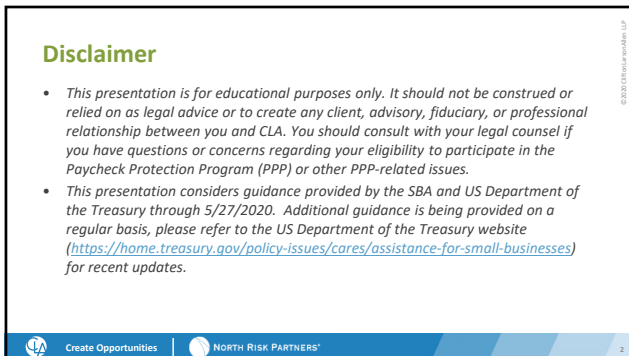
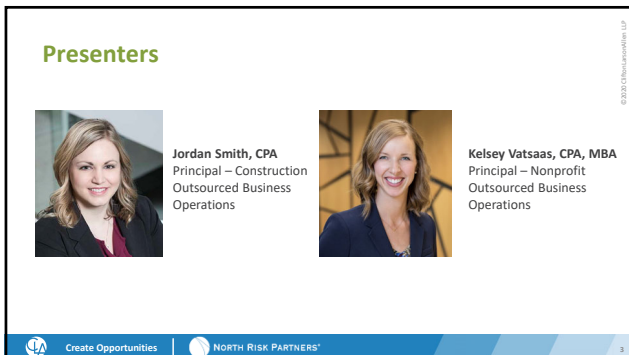




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CLA Create Opportunities

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

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

Our promise
We promise to know you and help you.

CLA family culture
One family working together to create opportunities.

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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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Updates Since the Last Presentation

Paycheck Protection Plan Flexibility Act

Timeline

- June 3- PPP Flexibility Act passed by House
- June 5 – signed by President
- June 10- Guidance issued to clarify key provisions

Key Changes

- Extends period to use the funds from 8 to 24 weeks
- Payroll threshold lowered from 75% to 60%
- 10 months from end of the covered period to request forgiveness
- Greater options if unable to return to 2/15 levels of FTE (unable to hire or unable to operate at same levels due to safety/sanitation/social distancing orders)

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Updates Since the Last Presentation

New Loan Forgiveness Applications

3508 EZ

- Self-employed with no employees, or
- No reductions to FTE or wages during your covered period, or
- No reduction to wages and were unable to operate at same level as 2/15 due to COVID

Updated 3508

- Changes date for safe harbor from 6/30 to earlier of submission or 12/31
- Clarifies how the \$100k cap applies for 24 week period
 - \$46,154 for employees
 - \$20,833 for owners

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Forgiveness Process

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Member-owned advisory services are offered through CFC Financial Services Group, LLC, an SEC-registered investment advisor.

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Timing

- Borrower may submit any time on or before maturity
 - Includes DURING the covered period
 - Must have used all proceeds for which borrower is requesting forgiveness
 - Still need documentation (e.g. Form 941)
- Lenders waiting for more instructions
- Lender will have 60 days and SBA will have 90 days for review
- Forgiveness requested within 10 months of CP end
 - Yes - Extends deferral until forgiveness is remitted to the lender
 - No - Start servicing loan

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SBA Review Procedures

- Will have 6 years to review
 - Potential impact on future merger and acquisitions
- Elements of review
 - Eligibility (except for “necessity” safe harbor if < \$2 million)
 - Loan amount and use of proceeds
 - Loan forgiveness
- Unclear if \$2M threshold for “total review” will be measured at Affiliated Group Level or individual loan

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Forgiveness Calculation

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PPP Basics: What's Eligible for Forgiveness

Payroll Costs				Non-Payroll Costs		
Salaries, wages (includes PTO, sick pay, separation payments, etc.) – limited to \$100,000 annualized	Group health care benefits	Retirement benefits	Employer portions of state/local payroll taxes	Interest on Mortgage Obligations	Rent	Utilities

Covered Period: 24 weeks or 8 weeks (for loans before June 5)

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Covered Period

- 24 week covered period
 - Available for all loans since PPP inception
 - Only period available for loans originated after June 5th
 - Borrower can file loan forgiveness application before the end of the 24 week covered period (*missing guidance*)
- 8 week covered period
 - Borrower with loan originated before June 5th can elect to use the original covered period term

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How do I choose?

- If you are able to maximize forgiveness in 8 weeks (which is somewhat rare), it may be simpler to choose this option and apply (fewer unknowns).
- Otherwise, 24 weeks or “up to” will likely make more sense and may simplify your application, as you can likely maximize forgiveness using only payroll costs.
- Questions about the Covered Period dates for applying between 8-24 weeks remain.

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How does the covered period work?

- Time period to track costs for forgiveness
- 24 weeks (8-week option for loans before June 5)
- Option for Alternative Payroll Covered Period

Application Date: Any time on or before maturity (including during CP) if used all proceeds reported on forgiveness application. Note: Payments are only deferred for 10 months after CP.

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Payroll Costs

- For bi-weekly or more frequent payrolls - **Alternative Payroll Covered Period (APCP)** starting first day of first pay period following PPP loan disbursement
- Flexibility to include costs incurred during CP or APCP and **paid on or before next regular payroll date**
- Potential to include payroll costs incurred prior to the CP or APCP **if paid during the CP or APCP**
- Subject to max during the period (\$100,000 prorated for period)
- Non-cash payroll costs (healthcare, retirement, ER state taxes) must be paid during CP or APCP

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Payroll Costs – Limitations on Cash Compensation

8-week period	In-Between	24-week period
<ul style="list-style-type: none"> • Employees - based on comp during CP/APCP • Owners - based on 2019 (W-2, Schedule C or K-1) • Max of \$15,385/person 	<ul style="list-style-type: none"> • Unclear how the limitations will apply; awaiting guidance 	<ul style="list-style-type: none"> • Employees - \$46,154 (24/52 * \$100k max) • Owners - \$20,833 (2.5 months of 2019 amount subject to \$100k max)

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Payroll Questions

- Bonuses and/or hazard pay are eligible
- Unclear if amounts in arrears will be eligible
 - Deferred comp from 2020
 - 2019 bonuses not yet paid
 - 2019 retirement plan contributions
- Health Care Benefits
 - Includes payments on self-insured plans
 - Excludes "income continuation" benefits (LTD, STD, Life)

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Restrictions for Health & Retirement

- Employees**
 - Considered non-cash benefit
 - **Not** subject to \$100,000 limit
 - Employer contributions only (Exclude employee contributions)
- Self-Employed and General Partners**
 - Not eligible for forgiveness
- Owner-Employees**
 - Retirement: Capped at 8/52nds (8 weeks) or 2.5 months' (24 weeks) worth of the 2019 contribution amount
 - Health: Excluded for S-corp (since already included in compensation)

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Non-Payroll Costs

- Interest mortgage obligation
- Rent
- Utilities
- Interest on other debt obligations*

- 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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Non-Payroll Costs

- Flexibility to include costs incurred during the CP if **paid on or before next regular billing date**
- No prepayments of future interest on mortgage debt, but unclear about rent and utilities expenses
- Potential to include additional non-payroll costs incurred prior to the CP **if paid during the CP**
- Max forgiveness amount of 40% for non-payroll costs

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Non-Payroll Questions

- Related party rents – still no guidance
- Interest on other than mortgages - No
- Utilities
 - Transportation (does this include gas?)
 - Telephone (does this include cell phones?)
 - Garbage/recycling service

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Forgiveness – Items to Consider

Lowest of the three amounts calculated below

#1 How much did the entity spend on allowable costs? (lines 1 -4 both forms)	#4. What was the PPP loan amount? (line 9 on Form 3508 or line 6 on Form 3508EZ.)	#5. Payroll Cost 60% Requirement (line 10 on Form 3508 Or Line 7 on Form 3508EZ) = (payroll costs [line 1] / .6)
#2. Did the entity maintain wages at least 75% of prior quarter? (excludes high earners) (line 5, Schedule A, line 3)		
#3. Did the entity maintain FTEs? (includes re-hires thru 12/31) (line 7, Schedule A, line 13)		

#6 Did entity receive EIDL advance (up to \$10,000)?

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Wrapping Up

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What Changes May be Next?

- Proposed Paycheck Protection Small Business Forgiveness Act
 - Loans <\$150k forgiven with a 1 page attesting to compliance and eligibility for forgiveness
 - Holds lenders harmless by authorizing a lender’s reliance on borrower certifications
 - Introduced on 6/30/20 to the Senate; referred to committee

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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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