PPP Loan Forgiveness Reduction - FTE's Flowchart

**Flowchart:**

1. **(A)** Calculate the Payroll Costs and Non-Payroll Costs spent with PPP Funds during the Covered Period
2. **(B)** Calculate Average # of FTE's for 1/1/20-2/29/20
3. **(C)** Calculate Average # of FTE's for 2/15/19-6/30/19
4. **(D)** Choose the lesser of (B) or (C) as the "Reference Period"
5. **(E)** Calculate Average # of FTE's for the Covered Period* (or APCP**) of the loan
6. **(F)** Calculate the % FTE reduction between the two periods: $1 - \frac{[E]}{[D]}$
7. **(G)** Calculate the loan forgiveness reduction amount (A) * (F)
8. **(H)** Go to Step H

**Example:**

- **(A)** PPP Loan Amount: $320,000
- **(B)** FTE's: 1/1/20-2/29/20 Avg: 30
- **(C)** 2/15/19-6/30/19 Avg: 34
- **(D)** Reference Period Avg: 30
- **(E)** Covered Loan Period Avg: 24
- **(F)** Reduction %: 20%
- **(G)** Potential Loan Forgiveness Reduction: $(\text{Reduction %} \times \text{Max Forgiveness}) = 64,000$

*Covered Period - The 24 weeks beginning on the day PPP loan proceeds are received.

** Alternative Payroll Covered Period (APCP) - The 24 weeks beginning on the first day of the first pay period after PPP loan proceeds are received.
Example (same as above):

PPP Loan Amount $320,000

FTE's:

1/1/20-2/29/20 Avg 30
2/15/19-6/30/19 Avg 34
Reference Period Avg 30
Covered Loan Period Avg 24

Maximum Forgiveness $320,000
Payroll Cost % 78%
Reduction 6
Reduction % 20%

<table>
<thead>
<tr>
<th>Scenario</th>
<th>#1</th>
<th>#2</th>
<th>#3</th>
<th>#4</th>
<th>#5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Potential Loan Forgiveness Reduction</td>
<td>$64,000</td>
<td>$64,000</td>
<td>$64,000</td>
<td>$64,000</td>
<td>$64,000</td>
</tr>
<tr>
<td>(H) FTE's in pay period inc 2/15/20</td>
<td>28</td>
<td>28</td>
<td>28</td>
<td>28</td>
<td>28</td>
</tr>
<tr>
<td>(I) 2/15/20-4/26/20 Avg FTE's</td>
<td>28</td>
<td>22</td>
<td>22</td>
<td>22</td>
<td>22</td>
</tr>
<tr>
<td>(J) Highest FTE's in pay periods from 4/26/20-12/31/20</td>
<td>N/A</td>
<td>28</td>
<td>27</td>
<td>27</td>
<td>27</td>
</tr>
<tr>
<td>(K) Inability to Rehire Safe Harbor met?</td>
<td>N/A</td>
<td>N/A</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>(L) Inability to Restore Business to pre-2/15/20 Levels Safe Harbor met?</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Actual Loan Forgiveness Reduction</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$64,000</td>
</tr>
<tr>
<td>(M) Unforgiven Loan Balance</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$64,000</td>
</tr>
</tbody>
</table>

Scenario Descriptions:

#1 - Average FTE's for 2/15/20-4/26/20 did not decline from 2/15/20.
#2 - Average FTE's for 2/15/20-4/26/20 declined, but was restored to 2/15/20 levels by 12/31/20.
#3 - Average FTE's for 2/15/20-4/26/20 declined, and was not restored by 12/31/20, but the company was able to document its inability to rehire 2/15/20 employees or qualified replacements.
#4 - Average FTE's for 2/15/20-4/26/20 declined, and was not restored by 12/31/20, but the company was able to document its inability to return to pre-2/15/20 business levels as a result of COVID-19.
#5 - Average FTE's for 2/15/20-4/26/20 declined, and was not restored by 12/31/20, and the company was NOT able to document the requirements of (K) or (L).