



What you need to know about the most recent stimulus package and why it matters:

On December 27, 2020, the Consolidated Appropriations Act, 2021 was signed into law providing nearly \$900 billion in additional aid related to the COVID-19 global pandemic. Since there were over 5,000 pages in the bill, our team summarized what you need to know about the potential accounting and financial reporting impact on your company's cash flows and debt compliance options.

Paycheck Protection Program (PPP)

- The program received an infusion of \$284 billion for additional loans extending the program through March 31, 2021, capped at a maximum amount of \$2 million per borrower.
- The PPP expanded eligibility and allowance for certain businesses to obtain a second loan if they have fewer than 300 employees and experienced a 25% or more reduction in revenue during any calendar quarter in 2020 versus 2019.
- The PPP extended eligibility to most 501(c) organizations, housing cooperatives with 300 or fewer employees, and news organizations with 500 or fewer employees, and affirmed the eligibility of churches and other religious organizations.
- Payroll costs must still comprise 60% of forgivable expenses, but the definition of eligible costs has been expanded to include more non-payroll related costs.
- The eligibility and compliance process for loan forgiveness for loans of up to \$150,000 has been simplified.
- The PPP affords tax relief by allowing PPP loan expenses to be deducted and excludes PPP loans from taxable income.

Troubled Debt Restructuring (TDR)

- The optional relief from accounting for certain short-term modifications due to COVID-19 as a TDR was extended through January 1, 2022, if the loan modification was made as a direct response to COVID-19, providing accounting and regulatory relief as well as cost savings for lenders.
- Eligible loan modifications should be:
 - COVID-19 related
 - Executed between March 1, 2020 and the earlier of 60 days after the national emergency related to COVID-19 ends, or January 1, 2022
 - Completed for loans less than 30 days past due at December 31, 2019



What accounting & financial reporting implications should companies be aware of?

- Companies that participate in the PPP program or that have modified loan arrangements covered by the optional TDR accounting and reporting relief are likely to have a number of non-recurring items related to these issues in their financial statements for the fiscal years ending in 2020 and 2021.
- The unique accounting and reporting treatments afforded to PPP loans and other debt arrangement modifications not accounted for as TDRs can make comparison between reporting periods more difficult.
- Evaluating both buy and sell opportunities within an M&A strategy can be made more complex as the accounting for PPP and TDR relief could belie underlying operational issues.
- Moreover, beyond these unique special accounting issues, the impact of COVID-19 on the financial position and results of operations of an acquisition or divestiture target is likely to require more robust analysis to withstand the rigor of transaction due diligence.

How can SolomonEdwards help?

Accounting and reporting for PPP isn't addressed directly in U.S. GAAP. We can...

- Work with you on the most appropriate treatment for PPP loan proceeds to ensure that you have the necessary documentation for program compliance.
- Review in-process or completed loan modifications to determine whether you meet the requirements to qualify for the optional TDR accounting relief while working with you to document and report loan modifications appropriately.
- Bridge financial reporting results from prior years to years impacted by the COVID relief measures and business impacts to derive the true operating cash flows and results for an entity in anticipation of strategic M&A, debt and capital raise activities.
- Provide assistance with valuation models that consider non-PPP and non-TDR results as well as forecasts based on the underlying, recurring operating cash flows.
- Additionally, the SBA experts from our Banking & Financial Services team offer solutions and resources for both lending institutions and borrowers, including PPP program management, and assistance with loan origination and forgiveness applications, processing, and other backlogs.

FOR MORE INFORMATION, PLEASE CONTACT:



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Brian Markley serves as the Managing Partner and national lead of SolomonEdwards' Transactions & Regulatory Advisory Services practice. He is a seasoned financial advisor with over 25 years of accounting, reorganization of companies, litigation consulting, and forensics experience, including significant experience in corporate turnaround and bankruptcy situations. He has worked on behalf of debtors, secured and unsecured creditors, and trustees. In addition to in-court restructurings, he advises clients through post-acquisition transition services and out-of-court financial and operational analysis of troubled companies.

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ABOUT SOLOMONEDWARDS

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Disclaimer: SolomonEdwardsGroup, LLC is not a public accounting firm, law firm, government agency, or third-party processor. As a strategy execution firm, we're here to assist with your remote SBA and TDR needs, including vetting, hiring, training and project management. As stimulus package details and other federal programs are subject to change, we encourage you to visit the [SBA website](#) for the latest information.