

PPP Loan Application Webinar

Navigating the Paycheck Protection Program

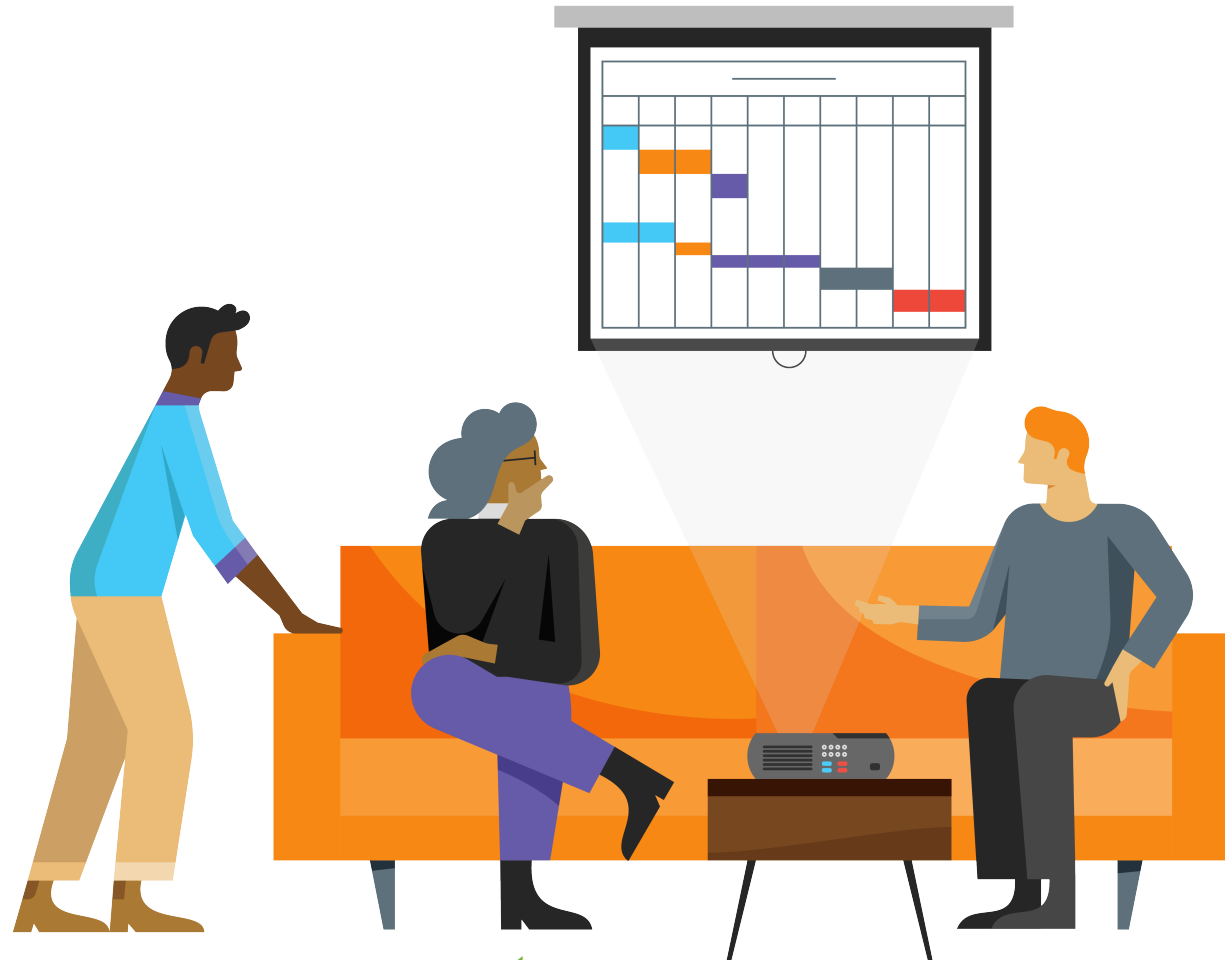
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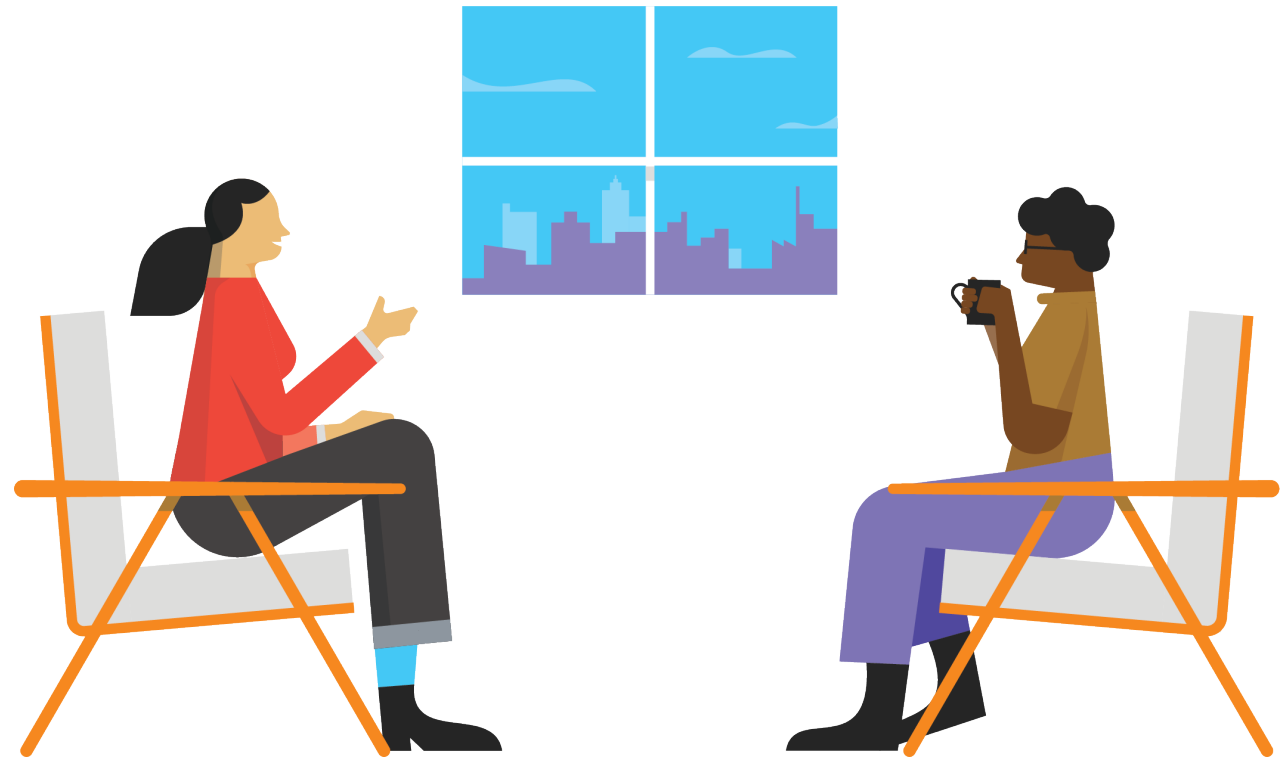
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March 4, 2021



Agenda

1. Introduction
2. Overview of PPP
3. Loan Eligibility
4. Loan Amounts
5. How to Apply
6. Other Federal Relief
7. Q&A



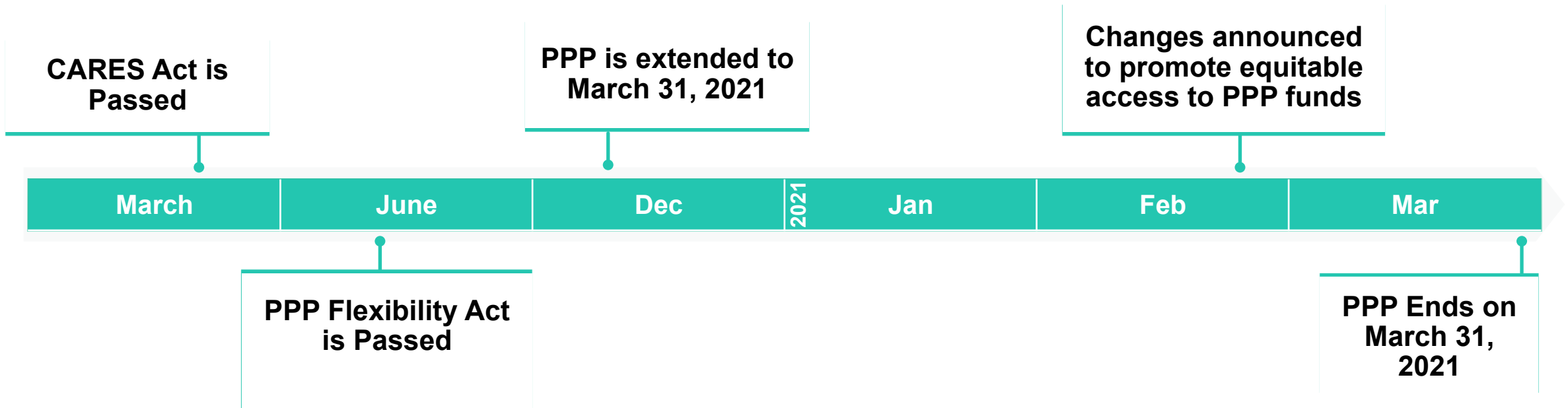
Go to www.menti.com and use the code 26 86 63 9

I am feeling _____ about the PPP application process

 Mentimeter



PPP guidance has changed over time and may still evolve



This deck reflects our best understanding of PPP and other federal programs at the time it was prepared. It will likely change as updated guidance is released. Check the SBA website for the latest updates.

<https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/paycheck-protection-program>

You have until **March 31** to apply for a PPP loan

- SBA is accepting applications through **March 31**
- Based on new federal guidance organizations to promote **equitable access to PPP funds**:
 - Organizations with 20 or fewer employees are prioritized from **February 24 to March 9**
 - PPP funding formula is revised for **sole proprietors, independent contractors, and self-employed individuals**
 - **Returning citizens** with prior non-fraud felony convictions can access PPP funds
 - **Student loan debt delinquency** is no longer a disqualifier to receiving PPP funds
 - U.S. residents may use Individual Taxpayer Identification Number (ITIN) to apply for the PPP

There are two types of PPP loans available

First Draw Eligibility

- Applicants are required to certify that current economic uncertainty makes the PPP loan necessary to support ongoing operations
- Organizations must have **500 employees or fewer***
- Organization must not have received a prior PPP loan
- Organization must have been in operation on Feb 15, 2020

Second Draw Eligibility

- Applicants are required to demonstrate a revenue decline of at least 25% between the same quarter in 2020 and 2019
- Organizations must have **300 employees or fewer***
- Organization must have **already received a First Draw PPP Loan**
- Organization must have been in operation on Feb 15, 2020

First and Second Draw Loan amounts are based on payroll expenses

First Draw Loan Amounts

- First Draw loans can cover **up to \$10M** of eligible expenses
- For most organizations, the loan amount is based on:
 - Monthly average payroll costs from **Jan 1 to Dec 31, 2019 or 2020** multiplied by 2.5*, plus EIDL loan refinancing from **Jan 31 to Apr 30, 2020**
- For organizations that were not in operation for a full year before Feb 15, 2020, the loan amount is based on:
 - Monthly average payroll costs from **Jan 1 to Dec 31, 2020 –or– Jan 1 to Feb 29, 2020** multiplied by 2.5*

Second Draw Loan Amounts

- Second Draw loans can cover **up to \$2M** of eligible expenses
- For most organizations, the loan amount is based on:
 - Monthly average payroll costs* from **Jan 1 to Dec 31, 2019 or 2020** multiplied by 2.5
- For organizations that were not in operation for a full year before Feb 15, 2020, the loan amount is based on:
 - Monthly average payroll costs for the **total number of months in operation in 2020 (through Dec 31, 2020)** multiplied by 2.5*

*Note: Organizations in Accommodation and Food Services can apply for up to 3.5x average monthly 2019 payroll

First and Second Draw PPP loans cover the same categories of expenses with two main requirements

1

Loan is used on forgivable expenses paid or incurred

- At least 60% spent on payroll:
 - Wages up to \$46,154 per employee for 24-week covered period; \$15,385 for 8-week covered period¹
 - Continued group healthcare benefits and retirement plans; includes premiums, excludes employee withholdings
 - State and local payroll taxes; excludes federal taxes
 - Allowances for dismissal or separation
- Up to 40% spent on:
 - Mortgage interest²
 - Lease payments: office space, personal equipment such as cars, printers, and copiers²
 - Utility payments²: electricity, gas, water, transportation, telephone, or internet

2

Loan is used during the covered period

- Expenses paid or incurred in the 24-weeks (168-days) following disbursement
 - Covered period begins the same day as the loan disbursement date
 - Option: Use Alternative Payroll Covered Period, begins the first day of pay period following loan disbursement³

¹ [PPP Loan Forgiveness as of December 14, 2020](#) (SBA), Page 6

² Applies to mortgages and leases entered into before February 15, 2020 and utilities where service began before February 15, 2020.

³ The alternative payroll period may be used if the organization uses a biweekly or more frequent payroll schedule.

Applying for a PPP Loan: First Draw Loans

When in doubt, seek expert advice from your accountant and/or check in with your lender to understand the requirements

1. Review the [maximum First Draw Loan amounts](#) instructions for nonprofits on [page 6-7](#)
2. Gather relevant documents listed at the bottom of [page 7](#)
3. Complete Step 1 to calculate annual payroll costs (2019 or 2020) at top of [page 7](#)
4. Complete Step 2 to calculate average monthly payroll costs on middle of [page 7](#)
5. Multiply average monthly payroll cost by 2.5 and add in any outstanding EIDL amount (make sure to double check your calculations!)
6. Review loan application instructions on [pages 4-5](#) of the [First Draw Borrower Application Form](#)
7. Complete remaining fields in application and certify loan necessity before submitting application and required documentation to your lender

Applying for a PPP Loan: Second Draw Loans (part 1 of 2)

When in doubt, seek expert advice from your accountant and/or check in with your lender to understand the requirements

1. Review the [Second Draw revenue reduction](#) instructions on [pages 1-5](#)
2. Review the nonprofit Second Draw maximum loan amount calculation instructions on [pages 11-12](#)
3. Gather 1 of the 3 sets of documentation to calculate your 25% gross receipts reduction based on the primary sets of documentation on [page 3](#)
4. Gather relevant payroll calculation documents following instructions on [page 12](#)
5. Determine your eligible reference period to demonstrate a 25% gross receipts reduction using guidance on [pages 2-3](#)

Applying for a PPP Loan: Second Draw Loans (part 2 of 2)

When in doubt, seek expert advice from your accountant and/or check in with your lender to understand the requirements

6. Complete Steps 1-2 to calculate monthly average 2019 or 2020 payroll costs on [page 7](#)
7. Multiply average monthly payroll cost by 2.5 (make sure to double check your calculations!)
8. Review loan application instructions on [pages 5-7](#) of the [Second Draw Borrower Application Form](#)
9. Complete remaining fields in application and certify loan necessity before submitting application and required documentation to your lender

EXAMPLE: Second Draw Application

ABC Community Organization

- **First-Draw PPP in April 2020**
 - Used toward payroll, occupancy, and utilities
- **Second-Draw PPP in January 2021**
 - ABC compared gross receipts from 2Q (2019 vs 2020)
 - In 2Q 2019, gross receipts were \$1,775,000
 - In 2Q 2020, gross receipts were \$1,243,000
 - Then, they calculated the change:
 - First, subtract: $\$1,243,000 - \$1,775,000 = -\$532,000$
 - Then, divide: $-\$532,000 / \$1,775,000 = -29.97\%$ change in gross receipts
 - This exceeded the minimum 25% reduction needed to qualify
 - ABC Community Organization was eligible, applied, and received a Second Draw PPP loan

Calculating Gross Receipts

Reminder: for Second-Draw PPP only

- Includes **all revenue** received from all sources, *without subtracting associated costs or expenses*.

Examples: contributions, grants, membership dues, service fees, box office, tuition, merchandise sales, donated goods, investment income, rental income, royalties, sale of assets

Exceptions: Donated services, unrealized gains on investments, and forgiven PPP loan amounts

- Documentation options:
 - Quarterly financial statements
 - Quarterly or monthly bank statements
 - Annual IRS tax filings
- SBA definition: section 6033 of the Internal Revenue Code of 1986

There are two additional federal programs that nonprofits can access beyond the PPP, but they have different application processes

	Economic Injury Disaster Loans (EIDL)	Shuttered Venue Operators Grants
Description	30-year working capital loans from the SBA	Grants from the SBA
Maximum Amount	Up to \$2M at 2.75% with no prepayment penalty	Up to \$10M
Payments	Payments are deferred for 1 year (with accrued interest)	Not required
Where to Apply	Directly on SBA website through online EIDL portal	Via SAM.gov – but application and guidance not yet released

Employee Retention Credits

This is not an SBA program – it is a tax credit via the IRS through June 30, 2021.

- Fully refundable payroll tax credit for employers that either:
 - **Fully or partially suspended operation** during any calendar quarter in 2020 due to orders from an appropriate governmental authority limiting commerce, travel, or group meetings/gatherings due to COVID-19
 - **Experienced a significant decline in gross receipts** during the calendar year 2020 and experienced:
 - Full or partial shut down during a **payroll** quarter as a result of a government order
 - Or your business suffered a **50% or greater** loss of revenue during the quarter compared to same quarter in 2019
- Eligible employers can get immediate access to this credit by reducing employment tax deposits they are otherwise required to make.
 - 50% applies to wages paid after March 12, 2020 and before January 1, 2021; increases to 70% for 2021 (January 1 through June 30).
 - Maximum per-employee credit of \$5,000 for 2020 and up to \$7,000 per quarter in 2021.

Recommendations for Applying for a PPP Loan



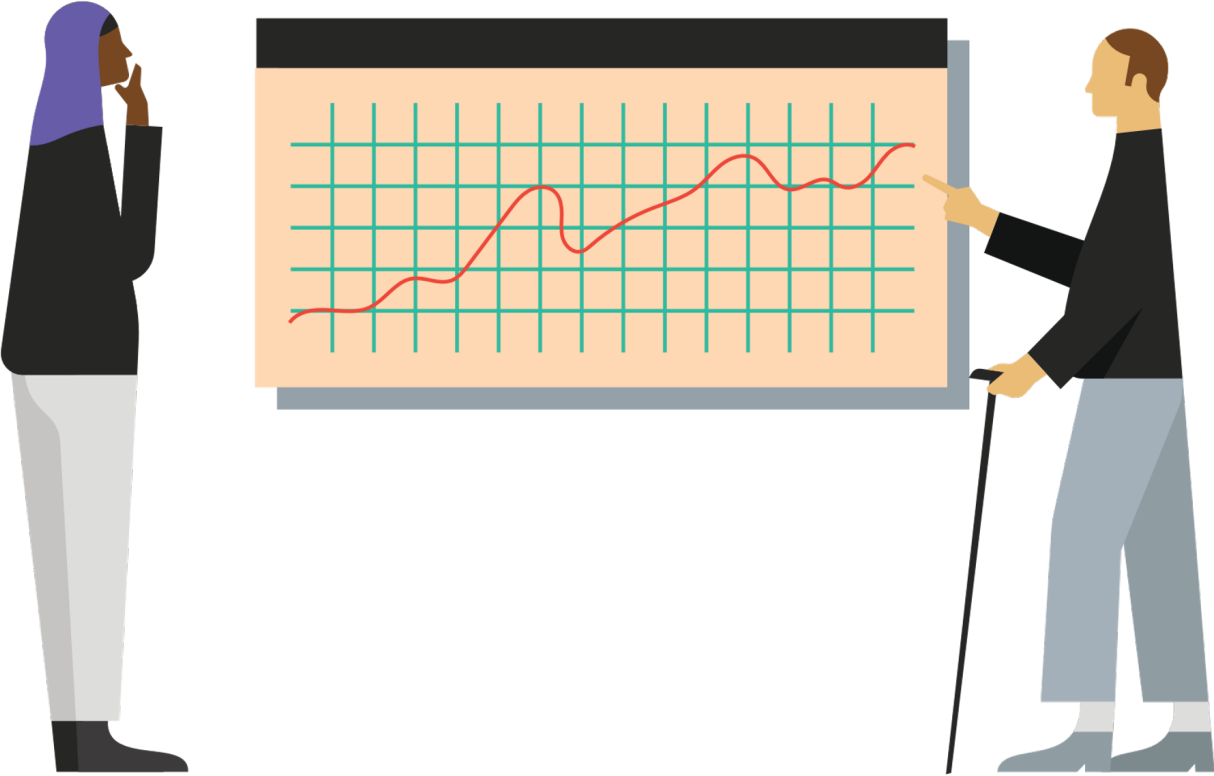
- Begin preparing your application for submission, even if you will have to wait until March 9 to have it processed by the SBA
 - Start with your current bank if they are a participating lender
- Be careful with your calculations. A few things to watch out for:
 - Payroll calculations can only include employees, not contractors
- When filling out the application, remember that:
 - Nonprofits don't have owners – so you don't have to fill out that section of the form.
 - You will need to certify your need for the loan.

Full Forgiveness Overview

We will be hosting two webinars specifically about Loan Forgiveness (TBA).

- PPP Loans made to eligible borrowers qualify for full loan forgiveness if during the 8 or 24-week covered period following loan disbursement:
- Employee and compensation levels are maintained;
- The loan proceeds are spent on payroll costs and other eligible expenses; and
- At least 60 percent of the proceeds are spent on payroll costs

Q&A



Thank you!

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Appendix

Resources

Guidance on the PPP is updated frequently. These are some trusted sources to stay up-to-date:

- Small Business Administration [PPP & EIDL FAQ](#), [First Draw Form 2483 PPP First Draw Application](#), and [Second Draw Form 2483 PPP-SD Second Draw Application](#)
- **Shuttered Venue Operators Grant** (Not Available Yet) [SVOG FAQ](#) Visit this page often for updates. Also BKD CPA's & Advisors has an [FAQ](#) to download.
- Council for Nonprofits [What's New COVID Relief Law for Nonprofits](#)
- The Treasury Department Guidance [Assistance for Small Business](#) and [How to Calculate & Documentation To Provide By Business Type](#)
- NFF Resources [NFF COVID PPP Resources](#)

Note on Second Draw Loan eligibility



Do I need to have my First Draw Loan forgiven before I apply for a second one?

No. You do not need to have applied for/received loan forgiveness on your First Draw Loan in order to apply for a Second Draw Loan.

Will I have to apply for forgiveness on my Second Draw Loan?

Yes. You will be required to apply for forgiveness for both loans.

How can I apply for loan forgiveness for my Second Draw Loan?

The SBA has not issued updated guidance on how to apply for forgiveness for Second Draw Loans. They have also not issued updated guidance on how to apply for combined forgiveness on First and Second Draw Loans.

We expect the SBA to issue updated guidance around PPP to reflect the latest changes to the program. For the latest news and updates, make sure to refer to the SBA PPP page.

<https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/paycheck-protection-program>

Note on PPP Loan Payments



Do PPP loans have interest?

Yes. If you choose not to pursue loan forgiveness, your PPP loan will have an interest rate of 1%.

What is the maturity of a PPP loan?

5 years from loan disbursement.

Do I have to repay the loan if I plan to apply for loan forgiveness?

No. Loan payments are deferred for borrowers who apply for loan forgiveness. If you choose not to pursue loan forgiveness, payments are deferred 10 months after the end of the covered period (8 or 24 weeks).

We expect the SBA to issue updated guidance around PPP to reflect the latest changes to the program. For the latest news and updates, make sure to refer to the SBA PPP page.

<https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/paycheck-protection-program>

Note on PPP First and Second Draw Loan Applications

When in doubt, seek expert advice from your accountant and check in with your lender to understand the requirements



Do I have to provide documentation to my lender when I submit my application?

Yes. The SBA requires that nonprofits submit copies of:

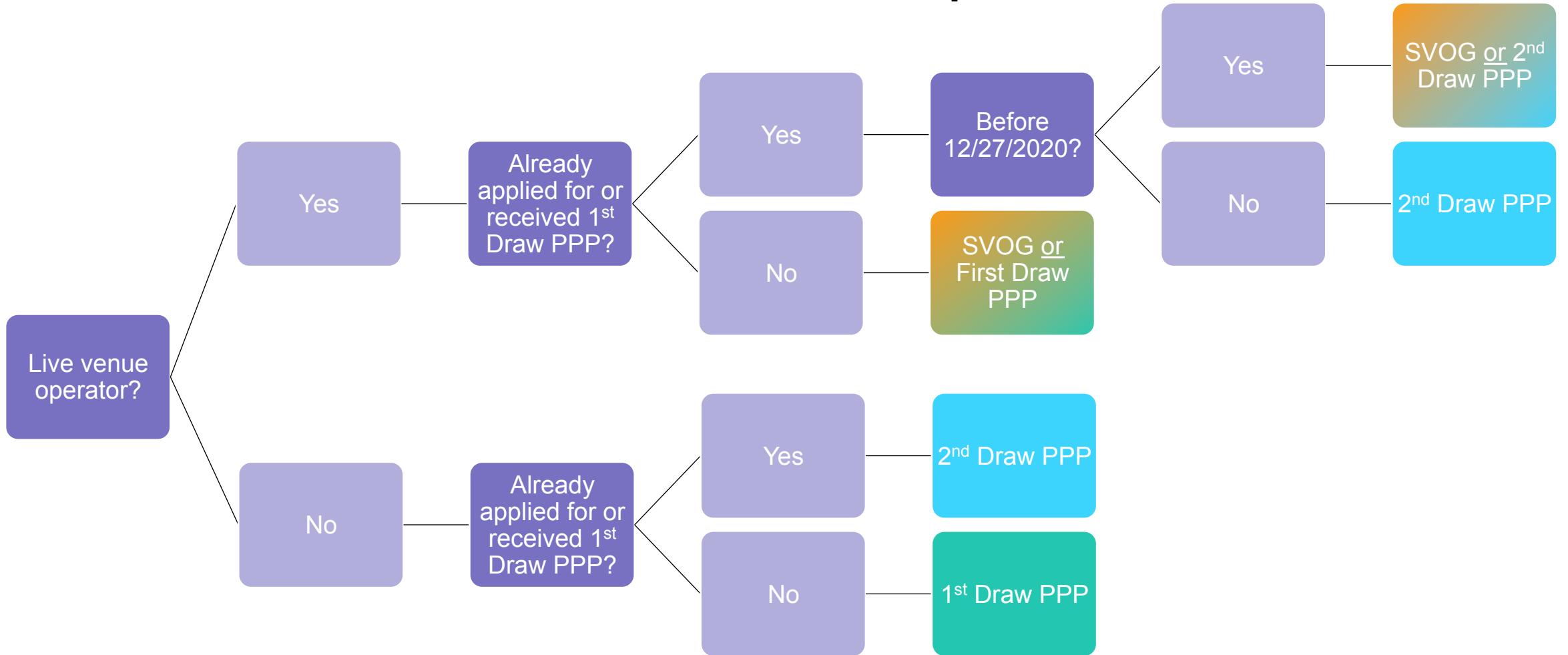
- 2019 IRS Form 941
- State quarterly wage unemployment insurance tax reporting form from each quarter
- IRS Form 990 (Part IX)
- Other documentation of employer retirement and group health, life, disability, vision, and dental insurance contributions
- Payroll statement (or similar statement) from pay period covering Feb 15, 2020 to prove you were in operation and had employees on that date

You should also be prepared to submit additional documentation as required by your lender. This may include a [board resolution to apply for PPP](#) or your bylaws.

What if I don't have an IRS Form 990?

You can submit your 2019 IRS Form 990-EZ. If you don't have a 990 or 990-EZ, you can still apply for PPP funds. Make sure to check with your lender to understand their requirements.

PPP, EIDL, or SVO Grant – Which is the Best Option?



All of this also depends on meeting eligibility requirements. Talk to your accountant. If you are eligible for multiple programs, choose the one that benefits your organization most.

Economic Injury Disaster Loan Program (EIDL)

This is a loan for up to \$2M that must be repaid.

- EIDL loans are available for up to \$2M to help cover working capital and normal operating expenses. This includes things like:
 - Health care benefits
 - Rent
 - Utilities
 - Fixed debt payments
- The SBA will determine your final eligibility for the loan. Total loan amounts will depend on your ability to demonstrate the financial impact of COVID-19 on your organization.
- Receiving EIDL does not disqualify you for PPP or SVOG, but you can't use them to cover the same set of expenses.

For more information (and to apply), please visit the SBA website directly.

<https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/paycheck-protection-program>

Shuttered Venue Operator Grants

Eligible applicants may qualify for SVO Grants equal to **45% of their gross earned revenue**, with the maximum amount available for a single grant award of \$10 million.

Eligible entities include:

- Live venue operators or promoters
- Theatrical producers
- Live performing arts organization operators
- Relevant museum operators, zoos and aquariums who meet specific criteria
- Motion picture theater operators
- Talent representatives



*Organizations **CANNOT** receive both SVOG and new PPP loans. SVOG applications are not yet open and will roll out in phases according to level of need.*

Applicants need a DUNS number and active registration on SAM.gov. You can work on obtaining a DUNS number now.