

NONPROFIT Q & A SESSION ON SBA CORONAVIRUS EMERGENCY LOANS AND PAYCHECK PROTECTION PROGRAM

Wednesday, April 8, 2020

11:00 am – 12:00 pm

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SBA Paycheck Protection Program (“PPP”) Summary Terms

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|------------------------------|---|
| | |
| Term/Interest Rate | 2 yr term. 1% annual rate. 1 st interest payment deferred for 6 months |
| Who can borrow? | Business or 501c3 with less than 500 employees, independent contractor, self-employed (UBER, etc.) |
| Loan Amount Limits | \$10MM max size. 2.5x monthly payroll/benefits/state & local compensation taxes (full/part time – not contractor). Only limit is salary over \$100k per year can only be counted as \$100k. |
| What is forgiven? | Total payroll, mortgage, interest, utilities for 8 weeks after loan funded. Loan forgiveness will be reduced if you reduce full-time headcount, reduce wages by 25%. If you have reduced headcount prior to taking the loan, need to have them hired back by June 30 th for their salaries to count in forgiveness |
| Start and End Date | April 3 rd to June 30 th . First come first serve. Demand > Supply – Hurry! |
| What can I use the loan for? | Payroll/benefits – at least 75% Mortgage interest, rent and utilities (in place before 2/15/2020) – 25% or less |
| Collateral/Guaranty | None. Certain representations required about need and use of money in application |
| Who can make the loan? | Any SBA lender. Banks are starting with existing customers |

SBA Paycheck Protection Program – Steps to Apply

1. Determine eligibility
2. Ask your bank if they are participating in the SBA PPP loan program & obtain their forms
3. Gather necessary information while waiting to discuss or apply with your bank
 - Check bank website for the bank's specific form & review the form available on the SBA website as an example <https://www.sba.gov/document/sba-form--paycheck-protection-program-borrower-application-form>
 - Calculate average monthly payroll & have supporting documentation available, including quarterly payroll tax returns for 2019 (Forms 940 and 941) and payroll reports from payroll service through 2/15/2020
 - Office lease agreements or mortgage statements & utility statements to apply for loan forgiveness at a later date
4. Fill out the application provided by your bank and submit the form with all payroll documentation requested. Banks are using different forms, but are requesting the same information based on the SBA borrower application form.

SBA Paycheck Protection Program – Application

1. General contact and formation information for organization
2. Average monthly payroll
3. Number of employees
4. Purpose of loan: payroll, lease/mortgage interest and utilities, other
5. Applicant Ownership > 20% - Not applicable for 501(c)3 nonprofits
6. “Know Your Client”/Anti-Money Laundering Questions
7. Additional Certifications

Example Calculator

Loan Amount Calculator & Use of Proceeds - For Illustrative Purposes Only*

Instructions:

- 1) Complete Column B with gross wages/compensation. (Available on Form 940/941)
- 2) Complete Columns C-D with Retirement Benefits (if applicable) and Health Benefits provided (if applicable)
- 3) Complete Excluded Cost Calculation**For any employee(s) that had gross compensation in excess of \$100k, enter the combined gross amount above \$100k.

*NOTE: Certain considerations such as seasonal employees and amounts to exclude related to prior SBA loans are not included in the example below.

| Borrower <u>Payroll - January 1, 2019 thru December 31, 2019</u> | Gross Wages/Compensation | Retirement Benefits | Health Benefits | TOTAL PAYROLL EXPENSE |
|---|---------------------------------|--------------------------------|----------------------------|----------------------------------|
| 1st Quarter 2019 | \$ 250,000.00 | \$ 7,500.00 | \$ 5,000.00 | \$ 262,500.00 |
| 2nd Quarter 2019 | \$ 250,000.00 | \$ 7,500.00 | \$ 5,000.00 | \$ 262,500.00 |
| 3rd Quarter 2019 | \$ 250,000.00 | \$ 7,500.00 | \$ 5,000.00 | \$ 262,500.00 |
| 4th Quarter 2019 | \$ 250,000.00 | \$ 7,500.00 | \$ 5,000.00 | \$ 262,500.00 |
| | \$ 1,000,000.00 | \$ 30,000.00 | \$ 20,000.00 | <u>\$ 1,050,000.00</u> |
| Total Allowed payroll costs over preceding 12 months | \$ 1,050,000.00 | | | |
| Less: **Excluded Costs: Wages above \$100K for an employee | \$ (10,000.00) | | | |
| Total Payroll Costs Included | \$ 1,040,000.00 | | | |

**In this example, one employee was paid \$110,000 in total salary for the year, therefore, \$10,000 must be excluded from total payroll costs.

Average Monthly Payroll (divide total by 12) \$ 86,666.67

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|--|---------------|
| Max Loan (multiply average by 2.5) | \$ 216,666.67 |
| Loan Amount (rounded to meet SBA rules) | \$ 216,600.00 |

This amount should agree to the loan amount requested on the application.

Additional Tips for the Application

- Simple is better
 - For gross wages in the loan calculator, consider using gross wages exactly as reported on Forms 940/941 and make sure the amounts agree from your 940/941 directly to your calculator.
 - Send only pages that the bank will need to verify your payroll costs – i.e. only send the summary page of your health insurance invoice that agrees to the amount used in the calculator rather than sending the entire bill from the insurance company.
- Double-check responses to questions. A common error has been that others are checking no on question 7 of the SBA application, which will automatically reject your application.
 - If you have personnel that are not U.S. residents, you should add that as a column in your payroll calculator to reduce eligible gross wages rather than answering yes to Question 7.
- Double-check that the calculator agrees to the application and all applicable support. Make it easy for your bank to determine how you arrived at the numbers you are providing to them. The bank will have to check that everything agrees before submitting to the SBA.