Paycheck Protection Program Loans Overview: How to Apply

With Updates as of April 7, 2020 8:00am EST
Continue to Check SBA's Website

What are we covering today?

- Basics of the Program
- How to Apply and How to Estimate the Average Monthly Payroll and Total Loan Request
- Resources Available

FMA Paycheck Protection Program Toolbox

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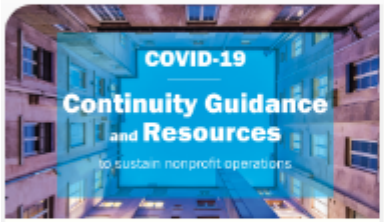


COVID-19 Response Resources

Paycheck Protection Program Toolbox

Sunday morning, 4/5 UPDATE: We have been updating our tools and guidance according to the latest information. Scroll down for updates including a new FMA guide, new payroll calculator, and registration for our virtual clinics in the coming days.

The Small Business Administration's Paycheck Protection Program provides potentially forgivable loans for **nonprofits with 500 or fewer employees** at **2.5x your average month payroll, up to $10M** to 501(c)(3) nonprofits experiencing uncertainty in the current economic climate to help cover the costs of payroll and certain operational expenses.

SBA will forgive loans if all employees are kept on the payroll for eight

https://fmaonline.net/ppptoolbox/

Overview of the Program and How to Apply

Basics of the Program

The Paycheck Protection Program is a loan administered by the Small Business Administration designed to provide a direct incentive for small businesses and nonprofit organizations to keep their workers on the payroll.

SBA will forgive loans if all employees are kept on the payroll for eight weeks and the money is used for payroll, rent, mortgage interest, or utilities.

Basics of the Program: 4 Questions

1) Can we apply?

2) How much can we borrow?

3) What can we use the loan for?

4) How much will be forgiven?

Basics of the Program

Can we apply?

- You must have 500 or fewer employees who principally reside in the US
- You must certify that the current economic uncertainty makes the loan request necessary to support your ongoing operations
- Nonprofits must be 501(c)(3) or 501(c)(19)
- You must have been in operation on February 15, 2020

Basics of the Program

How much can we borrow?

- 2.5X monthly payroll – salaries, severance, paid leave, some benefits, some payroll taxes
- Up to $10M max
- Lender will technically set the amount and you must attest to the accuracy of the calculations
- We have a calculator to estimate. Use your lender's if they have one.

Basics of the Program

What can we use the loan for?

- **Payroll** for 8 weeks (total loan must be at least 75% for payroll)

- **Utilities, rent, mortgage interest** (with arrangements in place by 2/15/20)

Basics of the Program

How much will be forgiven?

- Up to 100% if you keep or increase your FTEs, maintain salaries of employees and spend the loan on what it is supposed to be spent for (payroll, rent, mortgage interest, utilities)

- BUT - if you have to decrease salaries of employees making less than $100,000 by more than 25% or reduce FTEs, you will get a reduction in forgiveness.
    - The loan for any unforgiven amount will be a 2-year loan at 1% interest.

What Nonprofits Need to Do Immediately if They're Interested

1. Reach out to your bank to confirm they're an SBA lender and will be processing PPP applications. If not, ask for a referral. Understand their application process and what documents they will require.

2. Get authorization from your board via a resolution to apply (or at least in writing).

3. Gather payroll information from the last 15 months (January 1, 2019 – March 31, 2020) to establish how much you can borrow and key documents shared latest in the deck.

4. Apply!

Details on Filling out the Application, Documents to Collect & Calculations

What documents do we need to apply?

You will need to check with your lender, but banks will likely request, at a minimum, the following information plus most likely what's on the next slide:

- Completed SBA Loan Application
- Evidence of 12 months of payroll data via detailed payroll reports listing each employee and their compensation, benefits, and taxes details

What else should we be collecting?

- Copies of payroll tax reports filed with the IRS (including Forms 941, 940, state income and unemployment tax filing reports) for the entire year of 2019 and first quarter of 2020 (if available).
- Copies of payroll reports for each pay period for the preceding 12 months. Such reports should include gross wages including PTO (which might include vacation, sick, and other PTO). This includes payroll reports through the pay period preceding the origination of the SBA loan.
- Documentation reflecting the health insurance premiums paid by the company under a group health plan for the immediately preceding 12 months prior to the date of the SBA loan origination.
- Documentation of all retirement plan funding by the employer for the immediately preceding 12 months. Copies of workpapers, schedules and remittances to the retirement plan administrator should be sufficient.

Others to Consider Having On Hand

- Articles of incorporation
- By-laws
- Financial statements (trailing 12 months Profit & Loss)
- Three years of 990s

What's on the application?

This is what we know so far. Lenders will have their way of completing but organizations are encouraged to start with this.

Paycheck Protection Program
Borrower Application Form

OMB Control No.: 3245-0407
Expiration Date: 09/30/2020

Check One: ❑ Sole proprietor ❑ Partnership ❑ C-Corp ❑ S-Corp ❑ LLC ❑ Independent contractor ❑ Eligible self-employed individual ❑ 501(c)(3) nonprofit ❑ 501(c)(19) veterans organization ❑ Tribal business (sec. 31(b)(2)(C) of Small Business Act) ❑ Other	**DBA or Tradename if Applicable**	
Business Legal Name		
Business Address	**Business TIN (EIN, SSN)**	**Business Phone**
		( ) -
	Primary Contact	**Email Address**

Average Monthly Payroll:	$	x 2.5 + EIDL, Net of Advance (if Applicable) Equals Loan Request:	$	Number of Employees:	
Purpose of the loan (select more than one):	☐Payroll ☐Lease / Mortgage Interest ☐Utilities ☐Other (explain):_____				

Applicant Ownership

List all owners of 20% or more of the equity of the Applicant. Attach a separate sheet if necessary.

Owner Name	Title	Ownership %	TIN (EIN, SSN)	Address

https://home.treasury.gov/system/files/136/Paycheck-Protection-Program-Application-3-30-2020-v3.pdf

What's on the application?

Fields	Suggested Guidance
Business Legal Name	Name on your Articles of Incorporation or what you put on your 990
DBA or Trade Name	If you go by a DBA on your 990
Business Address	Headquarters address or what you put on your 990
Business TIN (EIN, SSN)	EIN from your IRS letter of determination
Business Phone	Phone you maintain on your website, what you list on your 990, or phone number of your CEO
Primary Contact	Person who will manage banking relationship (Executive Director, CFO, Board Treasurer, etc.)
Email Address	Email address of Primary Contact who will manage banking relationship
Average Monthly Payroll	See next slide
x 2.5 + EIDL, Net of Advance (if Applicable) Equals Loan Request	See next slide
Number of Employees	Average Monthly Headcount from each payroll in the 12 months period (total number of people on your payroll + employees obtained from a temporary employee ÷ 12)
Purpose of the Loan	Check all that apply

What about the question on Ownership?

Given this application is meant to be inclusive of for-profits and since nonprofits have not typically been included in programs like this, the Ownership question has left many nonprofits scratching their heads.

Applicant Ownership

List all owners of 20% or more of the equity of the Applicant. Attach a separate sheet if necessary.

Owner Name	Title	Ownership %	TIN (EIN, SSN)	

Consider taking this approach if forced to fill it out:

Owner First Name = N/A
Owner Last Name = 501(c)(3)
Title = N/A
Ownership % = 0% or 100%

TIN (EIN, SSN) = Your Nonprofit EIN
Address = Nonprofit's Headquarters
DOB = Nonprofit Incorporation Date

How do we calculate Average Monthly Payroll?

Let's start with "Average Monthly" – there are options:

1) Calendar Year 2019: January 1, 2019 – December 31, 2019 ÷ 12
Why Use? Cleanest and most easily available data.

2) Last 12 Months: April 1, 2019 – March 31, 2020 ÷ 12
Why Use? Organization has grown during this time period and/or increased wages and benefits. Use our calculator to compare #1 and #2.

3) New Organization: January 1, 2020 – February 29, 2020 ÷ 2
This is for organizations that not in existence 2/15/19 – 6/30/19

4) Seasonal: February 15 or March 1, 2019 – June 30, 2019 ÷ 4.5 or 4

How do we calculate Average Monthly Payroll?

What counts as "Payroll"?

- **Compensation:** Gross **Salary, wages**, commissions, or tips
- Payments for **vacation**, parental, family, medical, or sick leave
- Allowance for separation or dismissal
- **Employee benefits** including
  - Payments required for the provisions of group health care benefits including insurance premiums; and
  - Payment of any retirement benefit
- **State and local taxes** assessed on compensation (e.g., SUTA)

What doesn't count as "Payroll"?

- Excess salaries for employees with annualized salaries that **exceed $100k**
- Employer share of **Federal taxes, including FICA taxes**
- Compensation of an employee whose **principal place of residence is outside of the United States**
- Qualified sick or family leave wages which a credit is allowed under the Families First Coronavirus Response Act) which was already paid
- **1099** independent contractors

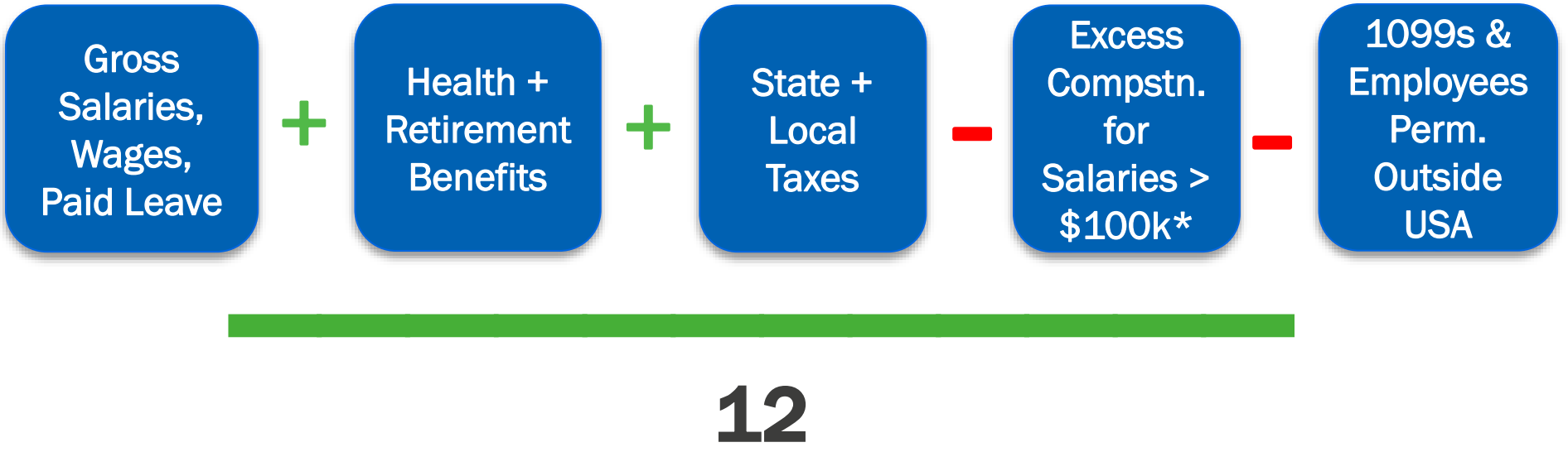
How do we calculate Average Monthly Payroll?

$$\frac{\text{Allowable Payroll Costs} - \text{Not Allowable During the Calculated Period}}{\text{Number of Months In the Calculated Period}} = \text{Average Monthly Payroll}$$

Reminder: Lender will ultimately calculate after you apply but get as close as you can. You must attest to the accuracy of your data.

How do we calculate Average Monthly Payroll?

Calendar Year 2019 and Last 12 Months Calculation



Reminder: Lender will ultimately calculate after you apply but get as close as you can. You must attest to the accuracy of your data.

How do we calculate the Loan Request?

Average Monthly Payroll X 2.5 = Loan Request

Note: if you are refinancing an Economic Injury Disaster Loan (EIDL): Add the outstanding amount of an EIDL made between January 31, 2020 and April 3, 2020, less the amount of any "advance" under an EIDL COVID-19 loan, to the Loan Request

.

Calculator Option 1: Input All Employee Data (Preferred)

1) What time period are you calculating? (See Instructions)	Calendar Year 2019 (Default)
Time Period for Payroll Costs	1/1/2019 - 12/31/2019

Average Monthly Payroll	$ 39,669
EIDL Adjustment	$ -
Loan Request	$ 99,173

2) Using an employee-detail payroll report, please complete the following table for all employees paid during the time period above. Do not include payments to sole-proprietors/independent contractors. *Please note if you have employees who started after 4/1/2019 with annual salaries above $100k, you will need to adjust the Salaries column to account for their annualized salary rather than what they were actually paid.*

Employee Name	Gross Salary, Wages, Tips, Commissions	Paid Vacation, Parental, Family, Medical or Sick Leave	Group Health Benefits	Retirement Benefits	Employer Paid State Tax	Employer Paid Local Tax	N
Corresponding Period:	**1/1/2019 - 12/31/2019**	**1/1/2019 - 12/31/2019**	**1/1/2019 - 12/31/2019**	**1/1/2019 - 12/31/2019**	**1/1/2019 - 12/31/2019**	**1/1/2019 - 12/31/2019**	
George	65,000.00	3,000.00	14,000.00	1,950.00	1,000.00	1,000.00	
Marica	103,000.00	3,000.00	14,000.00	3,090.00	2,000.00	2,000.00	
Sally	98,000.00	3,000.00	14,000.00	2,940.00	1,500.00	1,500.00	
Eloise	60,000.00	3,000.00	14,000.00	1,800.00	950.00	950.00	
Ronnie	45,000.00	3,000.00	14,000.00	1,350.00	500.00	500.00	

https://fmaonline.net/ppptoolbox/

Calculator Option 2: Simple Estimator

1) What time period are you calculating? (See Instructions Tab)	**Calendar Year 2019 (Default)**
Time Period for Payroll Costs	1/1/2019 - 12/31/2019
2) What are your total employer paid payroll costs for the time period? Payroll costs includes: gross salary and wages, benefits, and employer-paid state and local taxes. Do not include payments to sole-proprietors/independent contractors.	$479,030

3) If you have employees that make $100,000 or more in annualized salary or wages, click the + and fill in the table*

Unallowable Compensation	$ 3,000
N/A	
Total Payroll Costs Net of Unallowable Payroll	$ 476,030
If refinancing an EIDL: Add the outstanding amount of an EIDL made between January 31, 2020 and April 3, 2020, less the amount of any "advance" under an EIDL COVID-19 loan	$ -
Est. Average Monthly Payroll	**$ 39,669**
Est. Total Loan Request (2.5x Average Monthly Payroll + EIDL Calc.)	**$ 99,173**

https://fmaonline.net/ppptoolbox/

Jewish Federations of North America Tool

The Jewish Federations® OF NORTH AMERICA

Calculates the estimated amount of Payroll Protection Program Loan eligibility

1) Loans amounts will be based on the 12-month period prior to the date on which the loan is made (i.e. if loan is made on April 1, you would use April 1, 2019-March 31, 2020).
2) For seasonal employees, the calculation should be based on the average total monthly costs beginning Feb 15, 2019 and ending June 30, 2019.
3) For new businesses, average monthly payroll may be calculated using the time period from Jan 1, 2020 through Feb 29, 2020

Whose payroll costs should be included in this calculation? All employees (including full-time, part-time and any other status) plus independent contractors paid

		Input numbers in all highlighted blue cells	
Included Payroll Costs		Using the 12 month period	employer calculation
	Total salaries & wages	-	-
(1a)	Total commissions	-	-
	Total other compensation (including parsonage)	-	-
	Total cash tips or equivalents	-	-
	(a) Total salaries, wages, commissions and other compensation	-	-
	Monies paid by Employer:		
	Sick leave (including Covid 19 leave costs)	-	-
	Medical leave (including Covid 19 leave costs)	-	-
(1b)	Vacation pay	-	-
	Parental pay	-	-
	Family leave (including Covid 19 leave costs)	-	-
	(b) Total leave calculation	-	-
(1c)	Severance payments (including dismissal or separation)	-	-
(1d)	Group health care benefits paid by employer (including insurance premiums [note: is not expected to include Long-term Disability or Accidental Death and Dismemberment premiums)	-	-
(1e)	Employer paid retirement benefits	-	-
(1g)	State or local taxes assessed on the compensation of the employee and paid by the employer	-	-
(sum of (1)	Total Included Payroll Costs	-	-

https://www.jewishtogether.org/sba-loan-information

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What can I begin applying?

Some lenders started to accept applications Friday April 3, 2020.

Several major lenders started to collect information but not documents. New banks coming online each day.

Either way: be prepared and act quickly.

Tips & Tricks

- The program is first come, first served. If in doubt, at least reach out to your bank and board to discuss.
- There is no fee to apply and no obligation to accept the loan if it is offered to you.
- Guidance is evolving daily. Be prepared to pivot.
- Do not assume you will get approved. Continue monitoring your cash flow, connecting with your funders, and going through scenario planning.
- Expect glitches when applying online. Sites have been crashing and were built very quickly, so not well tested.

FAQs

- Are independent contractors part of “Average Monthly Payroll”?
  No.

- Beyond the application and document requests from the lender, what else might they want to know?
  It will vary. You should be prepared to discuss the impact the economy has had on your cash flow and your ability to deliver programs, your mix of revenue and expenses and what decisions you are making about how you need to adjust your operations in this climate.

FAQs

- If we receive restricted government or foundation funding that cover positions, does this affect how much we can apply for?
  It does not affect how much you can apply for, but it is worth discussing after you submit your application how forgiveness would affect how you allocate, track and report your funding.

FAQs

- **What happens to how much we can get forgiven if we have reduced employee levels since February 2020 or may need to do this in the coming weeks?**

The rules are still being issued. Initial guidance indicates that employee levels will be measured based on whether there has been a reduction in FTEs (e.g.. 1FT plus .5PT = 1.5FTE).

The comparison will likely be made by comparing the Average # of FTEs for the 8 week period after the loan is made vs. the Average # of FTEs during either i) the period 2/15/19-6/30/19 or ii) the period Jan-Feb 2020, whichever is lower. FTEs will likely be measured on a gross basis, which means that new staff will count, whether they are filling existing positions or new positions.

Resources Available

FMA Paycheck Protection Program Toolbox

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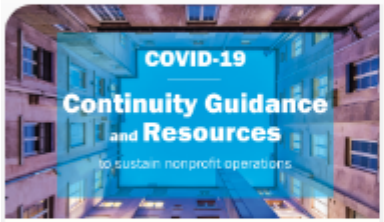

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FMA Paycheck Protection Program Toolbox

FMA Tools:

FMA PPP Calculator (xls) — This calculator will help you estimate the average monthly payroll and loan amount for your application.

FMA Template for Board Resolution Authorizing Loan (docx) — This template will allow you to quickly get approval from your board to apply for a PPP loan.

FMA Script for talking to a Bank about PPP (docx) — This script provides you with key questions you can use to call a bank immediately.

Additional Resources:

Paycheck Protection Program Application (pdf)

List of SBA Lenders (pdf)

PPP Borrower Information Fact Sheet (pdf)

"Everything you need to know to access the funds" – from the Jewish Federations of North America

JFNA Payroll Protection Loan Calculator (xls)

Department of Treasury Official Information Sheet

PAYCHECK PROTECTION PROGRAM (PPP) INFORMATION SHEET:

BORROWERS

The Paycheck Protection Program ("PPP") authorizes up to $349 billion in forgivable loans to small businesses to pay their employees during the COVID-19 crisis. ***All loan terms will be the same for everyone.***

The loan amounts will be forgiven as long as:

- The loan proceeds are used to cover payroll costs, and most mortgage interest, rent, and utility costs over the 8 week period after the loan is made; and
- Employee and compensation levels are maintained.

Payroll costs are capped at $100,000 on an annualized basis for each employee. Due to likely high subscription, it is anticipated that not more than 25% of the forgiven amount may be for non-payroll costs.

Loan payments will be deferred for 6 months.

When can I apply?

https://home.treasury.gov/policy-issues/top-priorities/cares-act/assistance-for-small-businesses

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2. Get authorization from your board via a resolution to apply (or at least in writing).

3. Gather payroll information from the last 15 months (January 1, 2019 – March 31, 2020) to establish how much you can borrow and key documents from slides 11 and 12.

4. Apply!

FMA

- Established in 1999 to serve not-for-profit organizations around the country
- Provides customized financial management, accounting, software, organizational development, and other consulting services
- Works directly with organizations or through funder-supported management and technical assistance programs

FMA exists to build a community of individuals with the confidence and skills to lead organizations that change the world

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