

The information contained in these FAQs is based on our understanding of published sources and is provided for informational purposes only. This communication is not intended to be a legal opinion or formal legal advice. You should review your circumstances with your own legal or tax advisor.

Paycheck Protection Program (PPP) – part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act)

FAQ's for Nonprofits

What types of non-profits are eligible?

In general, 501(c)(3) non-profits with 500 employees (who reside in the US) or fewer. Section 501(c)(19) veterans organizations and Tribal business concerns are also likely eligible.

The nonprofit had to be in operation on or before February 15, 2020, and either had employees for whom you paid salaries and payroll taxes or paid independent contractors as reported on Form 1099-MISC.

Is there a set revenue size for the organization to be eligible?

NO. For nonprofits, eligibility is based on your number of employees – fewer than 500 employees.

Are we eligible if we have more than 500 employees but the majority are part-time, so we have fewer than 500 full time equivalents?

NO. You must have fewer than 500 total employees, full-time and part-time.

When can I apply?

Starting on April 3, 2020, small businesses, including nonprofits, can apply for and receive loans to cover their payroll and other certain expenses (salary, wages, other compensation, vacation, family, medical, and sick leave, severance payments, health benefits, retirement benefits, state and local employment taxes) through existing SBA lenders. Independent contractors and self-employed individuals can apply for and receive loans to cover their payroll and other certain expenses through existing SBA lenders on April 10, 2020.

(PAYCHECK PROTECTION PROGRAM (PPP INFORMATION SHEET: BORROWERS (U.S. Treasury))

<https://home.treasury.gov/system/files/136/PPP--Fact-Sheet.pdf>

<https://home.treasury.gov/system/files/136/PPP--IFRN%20FINAL.pdf>

Where can I apply?

You can apply through any participating SBA lender, but should start by contacting your own bank, which may be prioritizing its own customers.

https://www.sba.gov/sites/default/files/articles/BDO%20Lender%20Contacts_0.pdf

How many loans can I take out under this program?

Only one.

Can we apply to more than one bank for this loan?

YES. You can apply to more than one bank, but you can only ACCEPT one of the loans.

What do you do when your bank is not an SBA loan provider?

A non-SBA provider can apply to be a lender just for the purposes of offering this loan. Also, nonprofits without a banking relationship are encouraged to try as many banks as they can until they find someone to accept them as a borrower.

How much money can I ask for?

The amount of the loan is based on aggregate payroll costs from the last 12 months for employees who live in the US. Do not include compensation above \$100,000 for any one employee. You calculate the average monthly payroll costs and multiply by 2.5.

For the loan to be forgiven, you must use at least 75% for payroll and no more than 25% for rent, mortgage interest or utilities, and you must use it within 8 weeks following the loan award, and you must use it before June 30, 2020. **What do I need to apply?**

You will need to complete the Paycheck Protection Program loan application and submit the application with the required documentation to an approved lender that is available to process your application by June 30, 2020.

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

<https://www.sba.gov/sites/default/files/2020-04/PPP%20Borrower%20Application%20Form.pdf>

What other documents will I need to include in my application?

You will need to provide your lender with payroll documentation.

How long will this program last?

Although the program is open until June 30, 2020, we encourage you to apply as quickly as you can because there is a funding cap and lenders will need time to process your loan.

What can I use these loans for?

Proceeds from these loans can be used for:

- Payroll costs, including benefits;
- Interest on mortgage obligations, incurred before February 15, 2020;
- Rent, under lease agreements in force before February 15, 2020; and
- Utilities, for which service began before February 15, 2020.

What counts as payroll costs?

Payroll costs include:

- Salary, wages, commissions, or tips (capped at \$100,000 on an annualized basis for each employee);
- Employee benefits including costs for vacation, parental, family, medical, or sick leave; allowance for separation or dismissal; 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; and
- For a sole proprietor or independent contractor: wages, commissions, income, or net earnings from self-employment, capped at \$100,000 on an annualized basis for each employee.

(PAYCHECK PROTECTION PROGRAM (PPP INFORMATION SHEET: BORROWERS (U.S. Treasury))

Can we include part-time employees?

YES.

If we have an endowment and do not NEED the funding to cover payroll, can we still apply and have the loan forgiven?

YES. The loan requires you to show your payroll expenses for the eight-week period, it does not require you document a need based on revenue or current assets. However, different banks may maintain different requirements.

Can you apply for the Economic Injury Disaster Loan Application and the Paycheck Protection Program?

YES. You can apply for both. If you secure a PPP loan in addition to an EIDL loan, the \$10,000 EIDL grant will be subtracted from the forgiveness amount

How do I calculate the average monthly payroll?

The average monthly payroll should be determined using gross payroll for 2019, or the 12 months prior to application. The SBA has indicated you should use the “prior 12 months,” which likely means April 1, 2019 – March 31, 2020. Some banks are using different timeframes on their applications.

How much of the loan will be forgiven?

If you use 75% or more of the loan for payroll costs over the 8 weeks following receipt of the loan amount, the entire loan amount will be forgiven.

Can these loans be used to cover payroll beyond 6/30/2020?

These loans cover a period of eight weeks - from when you get the loan to 6/30/2020; but this does not extend beyond June 30.

If we receive federal or state funds in grants or contracts that specifically cover payroll, can we still qualify for PPP?

YES. The PPP loan forgiveness does not take into account your revenue sources, only your expenses.

Can we include independent contractors in our average monthly payroll?

NO. Only W-2 employees on payroll can be included.

Does the PPP cover paid sick leave?

Yes, the PPP covers payroll costs, which include employee benefits such as costs for parental, family, medical, or sick leave.

How large can my loan be?

Loans can be for up to two months of your average monthly payroll costs from the last year plus an additional 25% of that amount. The loan will be capped at \$10 million. If you are a seasonal or new business, you will use different applicable time periods for your calculation. Payroll costs will be capped at \$100,000 annualized for each employee.

(PAYCHECK PROTECTION PROGRAM (PPP INFORMATION SHEET: BORROWERS (U.S. Treasury))

How much of my loan will be forgiven?

The entire loan amounts will be forgiven as long as:

- At least 75% of the loan proceeds are used to cover payroll costs;
- You use the loan proceeds during the eight-week period after the loan is made; and
- Employee headcount and compensation levels are maintained.

Payroll costs are capped at \$100,000 on an annualized basis for each employee.

You will owe money when your loan is due if you use the loan amount for anything other than payroll costs, mortgage interest, rent, and utilities payments over the eight weeks after getting the loan. No more than 25% of the forgiven amount may be for non-payroll costs. Your loan forgiveness also will be reduced if you decrease your full-time employee headcount; decrease salaries and wages by more than 25% for any employee that made less than \$100,000 annualized in 2019.

You have until June 30, 2020 to restore your full-time employment and salary levels for any changes made between February 15, 2020 and April 26, 2020.

(PAYCHECK PROTECTION PROGRAM (PPP INFORMATION SHEET: BORROWERS (U.S. Treasury))

How can I request loan forgiveness?

You can submit a request to the lender that is servicing the loan. The request should include documents that verify the number of full-time equivalent employees and pay rates, as well as the payments on eligible mortgage, lease, and utility obligations. You must certify that the documents are true and that you used the forgiveness amount to keep employees and make eligible mortgage interest, rent, and utility payments. The lender must decide on the loan forgiveness within 60 days.

(PAYCHECK PROTECTION PROGRAM (PPP INFORMATION SHEET: BORROWERS (U.S. Treasury))

What if we already laid off employees? Can we still get loan forgiveness?

YES. The purpose of the loan is to keep as many Americans employed as possible, so you can reinstate these employees and utilize the funds to pay them.

If we are a fiscally sponsored organization, or a chapter of a national affiliate, can we apply independently?

You can only apply independently if you have your own EIN and payroll. If you do not have your own EIN, then the parent organization or fiscal sponsor would need to apply. If they have more than 500 employees, it would not qualify.

Nonprofits do not have “owners” what should they put on the line on the application for “owner”?

If you need to name an “OWNER” for the application, choose an authorized officer of the organization to provide their personal social security number.

What if I already have enough money?

You should exercise sound business judgment in determining whether you need the loan. Many nonprofits will experience financial strain as a result of the coronavirus pandemic, and executive staff and the board of directors should evaluate whether the organization should pursue the loan.

If you do not use all the awarded funds, can you return the unused amount without penalty?

If you do not use all the money, you will have to pay it back; the interest rate is 1%.

Can churches apply for these loans?

Yes, Churches are eligible and certain requirements that apply to other nonprofits are waived.

<https://www.sba.gov/sites/default/files/2020-04/SBA%20Faith-Based%20FAQ%20Final.pdf>

Should I establish a “sub-account” for the deposit of PPP funds my organization is awarded?

Nonprofits that receive PPP funds should consider establishing a dedicated sub-account into which PPP funds are deposited. Payroll could be drawn down directly from the sub-account, as well as rent/utility expenses. The sub-account could simplify the accounting related to PPP funds (and the pursuit of forgiveness of the loan).