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A blue rectangular graphic with white and red text. At the top right, 'COVID-19' is written in large white letters, with '19' in red. Below it, 'RESPONSE TEAM' is written in white. Underneath that is the email address 'COVID19@APPLEGROWTH.COM' in white. On the left side, there are two red, spiky virus-like icons. At the bottom left, 'APPLE GROW+H PARTNERS Healthy Growth.' is written in white. At the bottom right, 'YOUR PARTNERS FOR NAVIGATING COVID-19 UPDATES FOR BUSINESS OWNERS' is written in white.

COVID-19
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YOUR PARTNERS FOR NAVIGATING
COVID-19 UPDATES FOR BUSINESS OWNERS

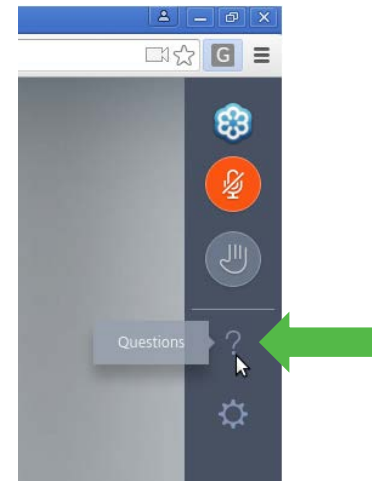
CARES Act, Nonprofit Focus

Paycheck Protection Program and Economic Disaster Injury Loan

PRESENTED BY CHRIS BENKO, ROBERT JACKSON, AND BRANDON FREDERICKS

Welcome

- + All attendees are placed on listen-only mode
- + Submit a confidential question at any time
- + Questions will be reviewed by our team and followed up after the webinar
- + Contact information will be provided
- + Today's webinar recording will be sent via email within 2 hours



Disclaimer

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COVID-19 Response Team

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Sue Peirce, CPA, MTax
Principal, COVID-19 Leader



Kathy Davis
Senior Manager



Brandon Fredericks, CPA
Senior Manager



Dave Gaino, CPA
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Robert Jackson, CPA
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Toby Kaye, CPA, MTax
Manager



Bethany Lawrence
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Taylor Lorenz, MAcc
Supervisor



A'Shira Nelson, CPA
Manager



Matt Silla, ASA, CFA
Senior Manager

Webinar Objectives

- + Paycheck Protection Program (PPP)
 - + *Does my business qualify?*
 - + *What are reasons to pursue this loan?*
 - + *Healthy Growth® advice to navigate this program*
- + Economic Injury Disaster Injury Loan (EIDL)
 - + *Program overview*
 - + *What are the changes within this program via the CARES Act?*
 - + *Healthy Growth® advice to navigate this program*
- + What we are hearing...



Chris Benko, CPA
Principal, NFP Leader

Paycheck Protection Program (PPP)



Overview

- \$349 billion
- 2 years | 1.0% interest rate cap | 6 months deferral
- Covered period – Feb 15, 2020 through Jun 30, 2020
- No collateral | No personal guarantees



Who's eligible

- 500 employees or less
- In existence as of Feb 15, 2020
- 501(c)(3) or 501(c)(19)
- Religious exemptions to the affiliation rules on April 4th



Allowable loan uses

- (1) Payroll costs; (2) Health care benefits; (3) Mortgage interest obligations; (4) Rent obligations; (5) Utility obligations; (6) interest on other debt obligations

Paycheck Protection Program (PPP)



Maximum loan amount

- Lesser of \$10M or 250% monthly payroll cost
- New NFP evaluated from Jan 1 – Feb 29, 2020
- Excludes compensation over \$100k, taxes imposed or withheld during covered period



Loan forgiveness

- 8-week period after loan origination
- Forgivable expenses: (1) payroll, (2) mortgage interest, (3) rent, and (4) utilities
- Reduction factor pitfall (1) headcount; (2) salary/wages
- Forgiven amount EXCLUDED from gross income

Further considerations for NFP



Have you considered any reimbursement-based government contracts? Foundations grants?



Review bylaws and governance practices. Is Board authorization required?



Are there any approvals needed on pre-existing loan agreements?



Have we assessed whether acceptance of the PPP would jeopardize our NFP status?

A Difficult Choice



Choice A = PPP

Choice B = Retention Credits + Social Security Deferral?



Key variables: Closing Date | Average Wage | Back to work date | Pace of recovery



Make business decisions and do the **MATH**

Emergency Injury Disaster Loan (EIDL)

- + Emergency Injury Disaster Loan Program (FFCRA)
- + Eligibility
 - + 501(c) | 501(d) | 501(e)
 - + In existence as of January 31, 2020
- + Working capital loans up to \$2.0 million
- + Long-term repayment structures (up to 30 years)
- + Interest rate 2.75%



Emergency Injury Disaster Loan (EIDL)

- + Collateral (on all loans over \$25,000)
- + Personal guarantee (20% or more owner)
- + SBA uses credit scores in approval decisions
- + Obtaining credit elsewhere
 - + Cash flow test
 - + Asset test
- + CARES Act - \$10,000 grant
- + *Should you apply for both?*



Emergency Injury Disaster Loan (EIDL)

- + Borrowers will be required to *retain receipts and evidence* of how loan proceeds used for three years
- + Borrowers who misapply loan proceeds may be liable to SBA for *1.5x total loan proceeds* disbursed



- (1) Fixed debt obligations
- (2) Payroll
- (3) Accounts payable

- (1) Refinancing prior debt
- (2) CapEx
- (3) Dividends and/or disbursements

What we are hearing...

- + **\$1.3B** for awards to community health centers
- + **\$425M** for substance abuse and mental health services
- + **\$3.5B** in grants to states for assistance to child-care providers
- + **\$1B** in community services block grants to local community-based organizations
- + **\$50M** for the Legal Services Corporation
- + An **amendment** to the definition of Cooperative and Small Employer Charity plans, related to pension plan rules

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Thank You

Part 6 - Tax Provisions | Tuesday, April 14 | 1 - 1:45 PM
Register at applegrowth.com/COVID19