

# PPP: Round 2

*A Guide for Non-Profits for Financial Assistance*

(Updated 1.20.2021)

# How Can Round 2 Help My Non-Profit?

- Non-Profits (including churches) are included in the Bill
- The Bill has allocated \$284.5 billion
- \$35 billion has been set aside for first-time PPP loans
- Must have been established before February 15, 2020 to be eligible
- Non-Profits with less than 300 employees are eligible

# Revenue vs. Salary

- The first round was focused on salary
- The second round is focused on revenue
- Both rounds can be paid out over an 8 week or 24 week period
- 2<sup>nd</sup> Round you must spend at least 60% on salary and as much as 40% on rent, utilities, PPE and a few other items
- In both PPP Rounds, you can spend 100% on salary

# How Do I Qualify?

- Applicants must demonstrate that gross receipts in any quarter of 2020 were at least 25% lower than the same quarter of 2019
- Instead of utilizing one quarter, applicants may compare annual gross receipts in 2020 with annual gross receipts in 2019
- Applicants choosing to use annual gross receipts must enter “Annual” in the 2020 Quarter and Reference Quarter fields and, as required documentation, must submit copies of annual tax forms substantiating the annual gross receipts. Churches will most likely use a spreadsheet.

# How Do I Qualify? *(continued)*

- For entities not in business during the first and second quarters of 2019 but in operation during the third and fourth quarters; applicants must demonstrate that gross receipts in any quarter of 2020 were at least 25% lower than either the third or fourth quarters

# How Do I Qualify? *(continued)*

- For entities not in business during the first, second and third quarters of 2019 but in operation during the fourth quarter of 2019, applicants must demonstrate that gross receipts in any quarter of 2020 were at least 25% lower than the fourth quarter

# How Do I Qualify? *(continued)*

- For entities not in business during 2019 but in operation on February 15, 2020; applicants must demonstrate that gross receipts in the second, third, or fourth quarter of 2020 were at least 25% lower than the first quarter of 2020

# How Do I Qualify? *(continued)*

- We are still awaiting definition of a partial quarter
- Example Question: Let's say you opened up on November 15, 2019 and you had gross receipts of \$25,000. Do you get to double the amount to \$50,000 for the full quarter or do you simply just get to count \$25,000 for 6 out of 12 weeks?



# Very Important Definition of “Gross Income”

- Gross Income is ALL income minus your PPP loan. (You do not include your PPP loan in your gross income.)
- Your banker may disagree with you (many have) but the Bill is clear...you do not include your first PPP loan
- If you received grant funds from your county...ask your banker whether or not that grant should be included in Gross Income

# What Amount Are We Eligible to Get?

- If you qualify, you can use the exact amount you got on your first PPP loan in applying for the second.
- You can also use the same formula for all 2020 payroll that you used for your first PPP and use it, if it is higher. It is likely that you will fall under greater scrutiny of the SBA and IRS if you do.

# Something to Think About

- Remember it is gross income that counts. Do not forget you may have one of the following in 2019 that did not happen in 2020
- Planned gift
- Will
- Building/Campaign payment
- New Endowment fund

# What about Forgiveness?

- You must represent that you have restored your full time employees, salaries and wages to pre-February 15, 2020 levels. Otherwise, forgiveness will be reduced and that amount would convert to a 5 year, 1% interest loan
- If your first loan is not forgiven, you still are eligible for the second PPP loan if you qualify and you can apply for forgiveness for both loans

# If This is Your First PPP

- Payroll costs: salary and benefits up to \$100,000 per employee (annually)
- Benefits include health, dental, vision insurance premiums, life insurance premiums, and vacation/paid time off
- Interest on any other debt obligations that were incurred before the loan period
- Mortgage or Rent payments and Utilities
- Any state and local taxes

# How Much Can My Non-Profit Borrow?

- The total average monthly payroll and benefits up to \$100,000 per employee for the preceding 12 months (January 2019 to December 2019) multiplied by 2.5  
(We are still waiting if you can use 2020)

**OR**

- If you are a brand-new organization, use average payroll costs for January and February 2020 multiplied by 2.5

# Where Do We Go to Apply for the Loan?

- Your lender will most likely be your current banker
- Your banker will receive funding from the Small Business Administration (SBA)
- If your banker does not have a relationship with the SBA, you need to ask your banker for a referral as soon as possible

# For Which SBA Loan are We Applying?

- You are applying for the SBA Disaster Loan PPP (Paycheck Protection Program)
- The SBA Disaster Loan EIDL (Economic Injury Disaster Loan Program) is a different program and does not offer forgiveness
- No SBA PPP loan payments are due for six months with a 5 year term January 1, 2021 to December 31, 2025)
- The interest rate will be 1%



# What Do We Need to Certify the Loan?

- You will need an Employer Tax Identification number (EIN)
- If you do not have one it is simple to get, go to [IRS.gov](https://www.irs.gov)
- Support for ongoing operations (general ledger, annual budget, etc.)
- Proof of funds used to retain workers and maintain payroll or make mortgage/rent payments and utility payments (banker will determine initial documentation needed, but will likely include payroll tax forms, payroll ledgers and invoices)

# How Can We Receive Loan Forgiveness?

- The full amount of the loan can be forgiven, but this requires an application for forgiveness submitted after the funds have been utilized.

## **FACTORS:**

- If you employ the same number of people during the loan period (Feb. 15-June 30, 2020) as you did last year (Feb. 15-June 30, 2019):
  - Full-time equivalent (FTE)
  - The goal of the loan is for your 2020 FTEs to be equal to or greater than your 2019 FTEs
  - If you have fewer employees you will have to pay a portion back

# What Collateral Do We Need?

- Zero, yes, zero!
- Funds that are not forgiven have a loan maturity of 5 years

# So, Now What?

- Call your banker today
- Funds hopefully available as soon as February 1st
- If you change banks you will be required to open a new account at the new bank
- We will keep you updated as we learn more information

# Contact Information

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