



## MONEY TO SUPPORT STAFF AND RENT: CARES ACT Loan Options

With the COVID-19 pandemic disrupting programs and fundraising, nonprofits are either furloughing or laying off staff or utilizing cash reserves to meet basic expenditures including payroll and occupancy related expenses. The CARES Act, signed into law March 27<sup>th</sup>, offers two key ways for nonprofit organizations **with fewer than 500 employees** to access cash to support these expenses today:

Note: This document does not constitute legal advice and is intended for small to mid-size community-based 501(c)(3) organizations, with less than 500 employees. It is not a comprehensive review of the CARES Act.

Emergency & Normal Economic Injury Disaster Loan (EIDL)	Paycheck Protection Program (PPP)
<p>Administered by the Small Business Administration, this program grants \$10,000 within three days of the application to be used on payroll, sick leave, mortgage, or interest or principal on other debt. This grant will be forgiven.</p> <p>An additional loan can be obtained up to \$200,000 without a personal guarantee at an interest rate of 2.75%.</p>	<p>Administered by local financial institutions (banks), this program loans up to 2.5 times your average monthly payroll costs and will be eligible to be forgiven if you maintain employment and compensation as outlined below.</p>

### Frequently Asked Questions:

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<b>Is our organization eligible?</b>	501(c)(3) organizations with less than 500 employees that existed on 1/31/2020. This excludes religious institutions like churches. This grant is also available to other private nonprofits and small businesses.	501(c)(3) organizations and veterans' organizations with less than 500 employees that existed on 2/15/2020. This loan is also available to small businesses.
<b>How much can our organization get?</b>	An initial grant of \$10,000 is available. Longer-term (30 year) loans of up to \$200,000 without a personal guarantee are available.	<p>2.5x times average monthly payroll costs, up to \$10 million.</p> <ul style="list-style-type: none"> <li><b>Payroll Costs Include:</b> salary, wages, vacation, paid leave, health care, retirement, state tax on employer compensation.</li> <li><b>Excludes:</b> Excess of salaries over \$100,000, payroll taxes, employees living abroad, sick leave wages with credit allowed.</li> </ul>

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<b>What can we use the loan for?</b>	<ul style="list-style-type: none"> <li>• Payroll costs</li> <li>• Sick leave</li> <li>• Rent</li> <li>• Mortgage</li> <li>• Accounts Payable / Expenses</li> <li>• Increased costs</li> </ul>	<p>The following expenses that occur up to 8 weeks following the loan:</p> <ul style="list-style-type: none"> <li>• Payroll costs (capped at \$100,000/year salary per employee)</li> <li>• Health care benefits</li> <li>• Paid leave</li> <li>• Rent for a lease signed prior to 2/15/20</li> <li>• Utilities provided they were in service on 2/15/20</li> <li>• Mortgage &amp; debt interest incurred prior to 2/15/20</li> </ul>
<b>How do we repay it?</b>	The \$10,000 advance does not need to be repaid. If a larger, normal EIDL is secured, it must be repaid at 2.75% over the life of the loan starting at 6 months to a year.	If not forgiven (see below), interest is not to exceed 4% and will be repaid over the life of the loan (up to 10 years), starting at 6 months to a year.
<b>How can the loan be forgiven?</b>	The \$10,000 advance will be forgiven. It will be folded into the PPP loan if your organization receives one.	<p>The government's goal with this program is to keep people employed. Therefore, the loan will be forgiven if your organization is able to keep or rehire its employees.</p> <p>Specifically, the loan can be forgiven if the organization:</p> <ul style="list-style-type: none"> <li>• Uses the loan for payroll, mortgage interest, rent and utilities over the 8 weeks after getting the loan.</li> <li>• Maintains the salaries of employees.</li> <li>• Employs the same number of full-time equivalent employees ("FTEs" where 20 hours per week equals .5) as they had on average between either: <ul style="list-style-type: none"> <li>○ 2/15/2019 and 6/30/2019 OR</li> <li>○ 1/1/2020 and 2/29/2020.</li> </ul> </li> </ul>
<b>What if our organization already laid people off or cut wages?</b>	-	<p>If any employee laid off between February 15 and April 26, 2020 is rehired by June 30, 2020, you will remain eligible for loan forgiveness.</p> <p>If wages were reduced by more than 25%, as long as you restore them by June 30<sup>th</sup> you will be eligible for loan forgiveness.</p>

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Who do we contact to apply?	Go to the SBA website to apply: <a href="https://covid19relief.sba.gov/#/">https://covid19relief.sba.gov/#/</a>	Talk with your local banker to see if they are an SBA lender. Additional information including sample applications can be found here: <a href="https://home.treasury.gov/policy-issues/top-priorities/cares-act/assistance-for-small-businesses">https://home.treasury.gov/policy-issues/top-priorities/cares-act/assistance-for-small-businesses</a>
What additional information will I need?	<ul style="list-style-type: none"> <li>• Tax ID #</li> <li>• Revenue information for last year</li> </ul>	<ul style="list-style-type: none"> <li>• Tax ID #</li> <li>• Financial statements for the last year</li> <li>• Documentation of payroll for the last 12 months. This may include: <ul style="list-style-type: none"> <li>○ Payroll register</li> <li>○ IRS Payroll Tax Forms 940, 941 or 944</li> <li>○ Health insurance invoices</li> </ul> </li> </ul>

**What Should our Organization do Next?:**

If you need cash to continue operations, consider the following steps:

1. Go to the Small Business Administration Website and apply for an Emergency EIDL Grant of \$10,000 (<https://covid19relief.sba.gov/#/> )
2. Contact your banker about a loan under the Paycheck Protection Program.
3. Gather payroll expenses over the last year to determine loan amount for which organization is eligible.
4. Complete application in conjunction with bank.
5. Update cash flow projection.
6. Review budget and sustainability moving forward. Remember, this loan is to help you weather the crisis, but you must determine your financial viability and make decisions to adjust programs if necessary following the 8 week period of the loan.

**Updates:**

This document and additional resources are available at [www.nonprofitcaresact.org](http://www.nonprofitcaresact.org)

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