

The following information has been adapted from the Small Business Administration's (SBA) Paycheck Protection Program Borrower Information Fact Sheet to provide information tailored for nonprofits.

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PAYCHECK PROTECTION PROGRAM (PPP) INFORMATION SHEET: NONPROFIT BORROWERS

Updated on April 7, 2020

What is the Paycheck Protection Program?

The Paycheck Protection Program (“PPP”) is a loan program created by the federal CARES Act that authorizes up to \$349 billion in forgivable loans to nonprofits, among other business entities, to pay their employees and cover certain other core expenses during the COVID-19 crisis. All loan terms are the same for everyone.

How large can my loan be?

Loans can be for up to 2.5 times your average monthly payroll costs from the last year (either the previous 12 months or calendar year 2019). That amount is subject to a \$10 million cap. Payroll costs are capped at \$100,000 per year for each employee (note: an employee’s cash compensation above \$100,000 is not counted as part of the nonprofit’s payroll costs when calculating the amount of the loan, but the full cost of that employee’s benefits is counted).

Are the loans forgivable?

The loan amounts will be forgiven so long as:

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

The SBA has indicated that at least 75% of the forgiven amount must be used for payroll costs.

How much of my loan will be forgiven?

You will owe money when your loan is due if you use the loan for anything other than payroll costs, mortgage interest, rent, and utilities payments over the 8 weeks after getting the loan.

You will also owe money if you do not maintain your staff and payroll.

- Number of Staff: Your loan forgiveness will be reduced if you decrease your full-time employee headcount.
- Level of Payroll: If your total payroll expenses on workers making less than \$100,000 per year decreases by more than 25%, loan forgiveness will be reduced by the same amount.
- Re-Hiring: You have until June 30, 2020, to restore your full-time employment and salary levels for any reductions made between February 15, 2020 and April 26, 2020.

What if my nonprofit uses government funding to cover some of its payroll costs? How should I treat the portion of my payroll already covered by other government grants?

The government has not released guidance on this point, but we recommend the following steps.

So long as the nonprofit itself pays the staff member’s compensation (meaning that the government does not pay the staff member directly), the whole of that compensation should be included when calculating average monthly payroll costs in the first part of the PPP application.

When calculating the amount of loan forgiveness to claim, however, some of the nonprofit’s payroll costs may be excluded. If the nonprofit can defer using its other government grants to cover payroll during the 8 weeks after it receives a PPP loan, it should do so. In that case, the nonprofit can claim all of its otherwise qualifying payroll costs (or that portion for which other government funding can be deferred) as part of its loan-forgiveness amount.

If the nonprofit cannot defer using its other government grants to cover payroll, then it should exclude the portion of its average monthly payroll costs that are covered by those other grants from the amount it claims for loan forgiveness.

Which nonprofits can apply?

Nonprofits are eligible to apply for a PPP loan if:

- they are exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code;
- they were in existence before March 1, 2020;
- they employ no more than 500 full-time and part-time employees whose principal place of residence is in the United States.

Be aware that the SBA might consider two or more nonprofits under common control to be “affiliated.” An affiliation of multiple organizations could exceed the 500-employee limit. This determination is complex and may require legal counsel.

What if my nonprofit client is a religious organization? Can it qualify?

Yes. The government considers religious organizations to be eligible for loans under the Paycheck Protection Program.

What can I use these loans for?

You should use the proceeds from these loans on:

- 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.

When can I apply?

The application period opened on April 3, 2020. Applications will be accepted through June 30, 2020, or until the \$349 billion in federal funds for this program are exhausted. This program is on a “first come, first served” basis. If you are interested, apply as soon as you can.

Where can I apply?

Contact your existing bank or lending institution. Many participating lenders are only accepting applications from existing customers. Most lenders are accepting applications through their online portals. If you cannot apply through your bank or it is not an SBA-approved lender, visit www.sba.gov for a list of SBA lenders.

What do I need to apply?

You will need to complete the Paycheck Protection Program loan application and submit the application with the supporting documentation to an approved lender. Click [here](#) for the application.

What supporting documentation will I need to include with my application?

Each lender’s requirements may vary. You should be prepared to provide your lender with documents that verify the number of full-time equivalent employees and pay rates, as well as eligible mortgage, lease, and utility obligations. Consider compiling the following:

- 2019 IRS quarterly payroll tax reports.
- Last 12 months of payroll reports beginning with your last payroll date, including:
 - gross wages for each employee, including the officer(s) if paid;
 - W-2 wages;
 - paid time off for each employee;
 - vacation pay for each employee;

- family medical leave pay for each employee;
- state and local taxes assessed on the employee's compensation for each employee;
- documentation showing the total of all health insurance premiums paid by the nonprofit under a group health plan for all employees; and
- documentation of the sum of all retirement plan funding paid by the nonprofit (excluding contributions from the employees).
- Borrowers who do not have this documentation should provide supporting documentation, such as bank records, sufficient to demonstrate the qualifying payroll amount.

Do I need to look for other funds first, before applying to this program?

No. The SBA waived its usual requirement that a borrower first try to obtain some or all of the loan funds from other sources.

How long will this program last?

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

How can I request loan forgiveness?

You can submit a request to the lender that is servicing the loan. The request will 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.

What are the general PPP loan terms:

- Interest rate will be 1%.
- No collateral will be required.
- No personal guarantees will be required.
- You do not need to apply first for credit elsewhere.

When do I have to pay the loan back?

You will not have to start making payments on the loan for 6 months after you receive the money, but interest will accrue during this time. The full amount will be due within 2 years of when you received the money. If you want to pay earlier, there are no penalties for pre-payment.

What do I need to certify?

As part of your application, you need to certify in good faith that:

- Current economic uncertainty makes the loan necessary to support your ongoing operations.
- The funds will be used to retain workers and maintain payroll or to make mortgage, lease, and utility payments.
- You have not received and will not receive another loan under this program.
- You will provide documentation that verifies the number of full-time equivalent employees on payroll and the dollar amounts of payroll costs, covered mortgage interest payments, covered rent payments, and covered utilities during the 8 weeks after getting this loan.
- You understand that loan forgiveness will be provided for the sum of documented payroll costs, covered mortgage interest payments, covered rent payments, and covered utilities, and not more than 25% of the forgiven amount may be for non-payroll costs.
- All the information you provided in your application and in all supporting documents and forms is true and accurate. Knowingly making a false statement to get a loan under this program is punishable by law.
- You acknowledge that the lender will calculate the eligible loan amount using the tax documents you submitted. You affirm that the tax documents are identical to those you submitted to the IRS. And you also understand, acknowledge, and agree that the lender can share the tax information with the SBA's authorized representatives, including authorized representatives of the SBA Office of Inspector General, for the purpose of compliance with SBA Loan Program Requirements and all SBA reviews.