



# **COLLECTIVE EFFORT: CARES ACT RESOURCES**

# FINANCIAL RELIEF FOR CHURCHES & CHURCH EMPLOYEES

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- Paycheck Protection Program (PPP) expands the economic relief the Small Business Administration (SBA) can offer (now includes certain non-profit organizations)
- PPP commits \$349 billion for government-backed— potentially forgivable — loans

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## Which non-profit organizations are eligible to apply?

- Exempt from federal income taxes under either **Section 501(c)(3)**. This includes many religious organizations
- Fewer than 500 employees, including individuals employed on a full-time, part-time, or other basis
- Existed and operated prior to February 15, 2020

## How much are the loans?

- The loan amount is based on the organization's payroll and will be the lesser of:  
(a) 2.5 times the average monthly payroll costs for 2019 and (b) \$10 million

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## How is payroll defined?

- Payroll includes salaries (capped at \$100,000), wages, commission, payroll support (paid vacation, sick, medical and family leave), group healthcare benefits (including insurance premiums), retirement benefits and the payment of state or local employment taxes
- Payroll does **NOT** include: (a) salaries for individual employees in excess of \$100,000 annually, (b) payroll taxes and income taxes, (c) compensation for employees with a foreign principal residence, and (d) qualified wages for which a credit is permissible under another federal program (sick or family leave programs)

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## **What can the funds be used for?**

- Payroll costs
- Interest on mortgage obligations (not including prepayment or the payment of principal) existing prior to February 15, 2020
- Rent under an enforceable lease agreement executed prior to February 15, 2020
- Utility payments for which services began prior to February 15, 2020

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## What are the terms of the loan?

- SBA will guarantee 100% of the loan
- Interest rate is 0.5% (new guidance is stating it may be 1%)
- Loan is due in 2 years
- No personal guarantee is required
- No collateral is needed to be pledged to secure the loan
- No administration fee will be charged (although participating lenders may charge a fee)
- No prepayment penalties
- Nonrecourse (the lender has no claim against any member of a Non-profit Organization for non-payment), except if the proceeds are used for prohibited or illegal uses
- Repayment deferred for six (6) months (interest will continue to accrue over this period)

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## How is the loan forgiven?

- **FORGIVENESS IS NOT AUTOMATIC!**
- The organization will need to submit a loan forgiveness application to the servicing lender
- The lender must make a decision on the forgiveness of the loan within sixty (60) days from receipt of the forgiveness application

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## How much of the loan is forgiven (canceled)?

- Up to the principal amount if the funds were used for the permitted uses previously discussed (payroll, rent, utilities and interest on a mortgage)
- It is anticipated that the SBA will require that 75% of the forgiven indebtedness be used for payroll over the eight week period
- The forgiven amount can be **reduced** if:
  - Employment and/or compensation are reduced during the eight week period from receipt of the loan (organization can restore the reduction in employees and/or compensation by June 30, 2020)
  - Adequate records evidencing the use of the funds are not provided to the lender (**It is crucial to keep track of the funds!**)
  - Funds are not used for the permitted purposes



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## When can I apply?

- Non-profit organizations can start applying today (April 3<sup>rd</sup>)
- The program will continue until June 30, 2020, but the funds are “first come, first served” so you should **apply as soon as possible**

## Where do I apply?

- An existing SBA lender or through any federally insured depository institution, federally insured credit union, and Farm Credit System institution (loans do not come directly from the SBA)
- 100 Most Active SBA Lenders: <https://www.sba.gov/article/2020/mar/02/100-most-active-sba-7a-lenders>

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## How do I prepare to submit an application?

- Gather payroll records (payroll summary reports with bank statements) and determine the loan amount
- Twelve month profit and loss statement (as of the date of the application)
- Gather your corporate documents
- Obtain the TIN/EIN for your organization
- Obtain the standard tax-exemption letter from the Secretary's (Counsel's) office (*see in next slides*)
- Most recent mortgage or rent statement
- Follow the guidelines for corporate approvals (*see in next slides*)

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## Additional Sources:

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

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Section 1102 describes eligible entities as 501c3 tax-exempt organizations. Please note: congregations come under the umbrella 501c3 exemption of the Evangelical Lutheran Church in America. To prove their tax-exempt status, congregations would have to obtain the standard tax-exempt letter from the Secretary's (Counsel's) office. This should be done as soon as possible. To initiate the Group Ruling Exemption process for your congregation or other ELCA entity or organization, please send an e-mail to [501c3@elca.org](mailto:501c3@elca.org). Enter in the subject line "501 (c) (3) Exempt Status," note in the body of the email the legal name of the congregation, address of the congregation, and Tax ID number, and send it. A church email is preferred for the ELCA to send the digital certificates. Congregations should also have their own EIN in addition the ELCA's group exemption.

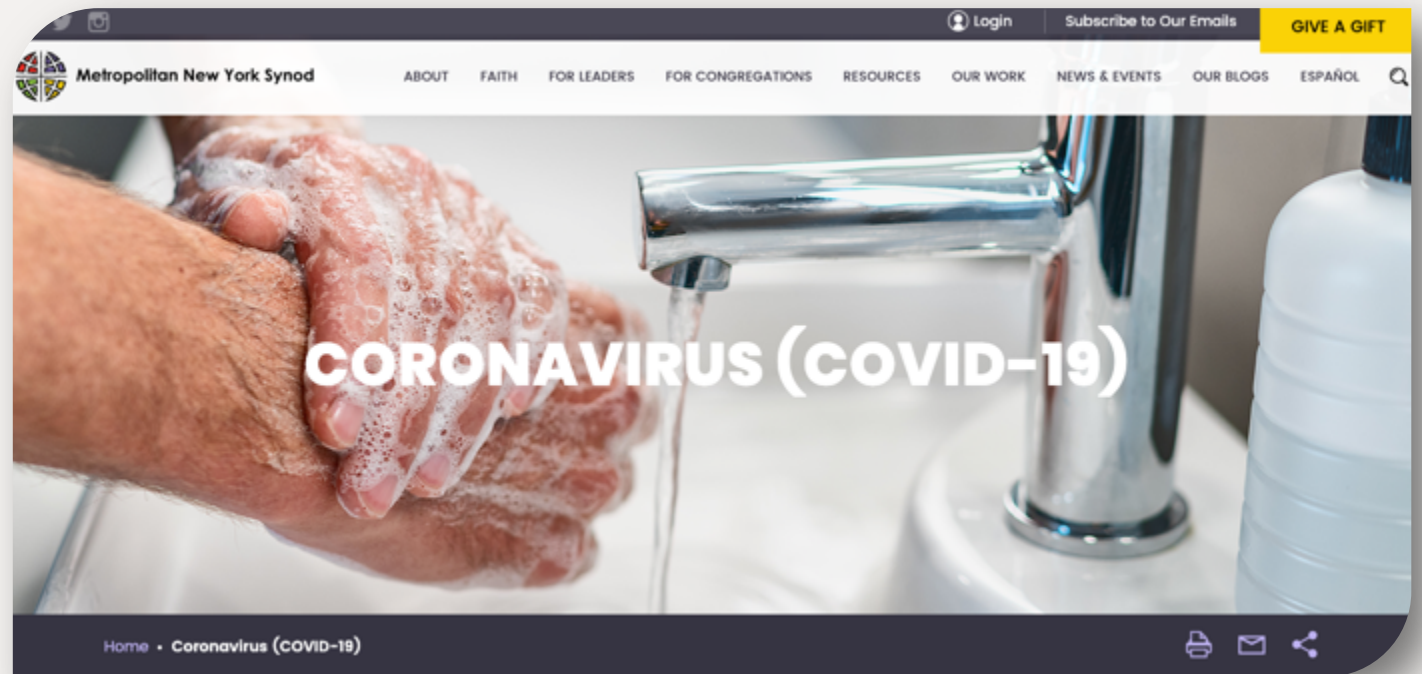
# CORPORATE GOVERNANCE & COVID-19

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- **Review Corporation Documents:**
  - Confirm organization's corporate documents, certificate of incorporation, bylaws, and/or constitution, are in possession and current.
- **Determine Voting Requirements:**
  - Confirm which corporate bodies (members/board) are required to vote on financial transactions of the corporation.
  - Determine voting requirements of member vote (i.e. congregational vote) and board of directors/trustees vote.
- **Determine Meeting Requirements:**
  - Confirm the process for calling a meeting.
  - Determine if the meeting can be conducted telephonically/electronically/remotely by reviewing the corporate documents.
  - Determine what constitutes a quorum (the number of people necessary to attend).
  - Determine how many votes are required to pass a resolution.
- **Prepare corporate action:**
  - Metropolitan New York Synod has been provided with proper language.
- **Consult with your lender:**
  - Consult your lender if they require any other corporate documents and approvals including a formal certificate of Secretary. The attached language approves a subsequent certificate of Secretary, if required.
- **Disclaimer:** Each entity, based on its specific circumstances, must determine whether to seek and secure an loan. In no way is Capell Barnett Matalon & Schoenfeld LLP advising that it is appropriate for you to seek a loan.

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Visit  
**[mnys.org/about/coronavirus-covid-19](https://mnys.org/about/coronavirus-covid-19)**  
for more information.



**THANK YOU!**