

TO: All Bookkeepers and Business Managers
FROM: Phil Signore, Executive Director of Finance
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RE: Government Loans and Assistance
DATE: April 7, 2020

Yesterday, Bishop Parkes issued a decree allowing entities to apply for Small Business Administration loans under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The Finance Office stands ready to assist you. We have been working closely with Joe Divito and Truist determining the requirements of the regulations, and compiling the data necessary to apply for the maximum loan amount, and determining what must be done to obtain forgiveness of the loans.

Bishop Parkes authorized Payroll Protection Program loan applications at any bank. Truist (formerly SunTrust) has determined that they will only accept applications from their current customers, and all loans are being processed in the order they are received. If you have decided to seek government assistance, the best way to increase the likelihood of obtaining these funds is to apply immediately.

Your pastor or corporation president needs to decide if they want your entity to complete its own application, or would you like for the Finance Office to complete it for you? If your entity will complete it, you should check our calculation of the maximum amount you qualify for. In order to receive your entity's data, please send a simple request to CARES@DOSP.org so we have the correct email address for where to send it.

If you want us to complete it, we will only need written authorization from your parish pastor, school pastor, or president of your corporation if your entity is incorporated, with your banking information. A form to communicate this information is attached; please send it via encrypted email to CARES@DOSP.org. Because these communications contain banking information, they should be sent via encrypted email (if you need assistance doing this, please email your phone number to Margi Becker at MAB@dosp.org and she will call you).

Bishop Parkes authorized immediate applications for loans. However, the loan must be approved by me or Frank Murphy before any funds are drawn on the loan. So, if the entity files the application, they will need to submit the application for approval before drawing any of the funds. Please do this as soon as possible by emailing a copy of your loan application to CARES@DOSP.org and stating that it is already filed and you are submitting it for approval. Once your loan is submitted for approval, we will reply-all to the email submitted with an indication of approval. Remember to also inform your parish finance council of your loan application, the portion of the loan which can reasonably be expected to be forgiven, and your projected cash flow.

In order for your loan to be forgiven, within 60 days of receiving the funds, you must spend at least 75% on:

- Wages, excluding Coronavirus PTO which will be credited from payroll taxes
- Health insurance premiums
- Pension

No more than 25% of the proceeds may be spent on utilities, rent, and interest expense (I apologize for accidentally mis-stating these two percentages in my memo to pastors and principals as 80% and 20%; please do your planning using 75% and 25%). Create your spending plan now in order to know that your loan can be forgiven. Here's a guide:

1. Project two months' utilities, rent, and interest expense _____
2. Project two months' wages, health insurance and pension _____
3. Add them together _____
4. Divide #2 by #3. Is it at least 75%? _____
5. What is the total amount of your loan request? _____
6. Enter the amount from #3 _____
7. Subtract #6 from #5 _____

This is a projection of the amount of your loan which will not be forgiven. If it is spent, it will be amortized over two years with payments beginning by December 31, 2020.

It will also be important to act quickly once your loan is funded. I have been informed by Truist that when they approve loans, the funds will be deposited into the customer's bank account and you will have 60 days from that day to spend your loan proceeds on qualified expenses.

I have encouraged pastors to develop their plans, including the time period before and after the two months in which you are required to spend the loan. You may still need to reduce expenses until you receive the loan, and you may still need to reduce expenses after spending all loan proceeds, since offertory probably will not return to normal by then.

I am also attaching a document prepared by Tammie Laurito, our Payroll Manager, with information on how to process COVID-19 Paid Time Off and COVID-19 Family Leaves. If you have not noticed, there are new fields showing in Paylocity with Paid Time Off (PTO) available for employees if they meet the requirements of the Families First Act. COVID-19 PTO should not be used unless the employer determines the employee meets all requirements. If you have any questions on whether they meet requirements, please contact Joe Loeber. If you have questions on how to use the new features in Paylocity, please contact Tammie.

Please keep checking your email for further information. I am willing to assist you in any way I can.

Instructions for completing Payroll Protection Program (PPP) loan applications:

The source of this information was the Small Business Administration. There are no guarantees that it is accurate.

When filing applications, you will be asked for the type of business entity. Most parishes are unincorporated associations, which will not be listed – choose “Other”. When asked for an NAICS Code, use code 813110 – Religious Organizations. And, you will likely be asked to provide a payroll worksheet, and to describe the documentation provided. My suggestion is that you upload the Borrower Worksheet that the Finance Office will provide you if you request it by sending an email to CARES@DOSP.org.

Begin by calculating your average monthly payroll. Payroll costs consist of:

- compensation to employees (whose principal place of residence is the United States) in the form of salary, wages, commissions, or similar compensation
- cash tips or the equivalent (based on employer records of past tips)
- payment for vacation, parental, family, medical, or sick leave
- allowance for separation or dismissal (severance)
- employee group health care coverage
- pension.

You must exclude from qualifying wages:

- compensation of an individual employee in excess of an annual salary of \$100,000, prorated as necessary
- qualified sick and family leave wages for which a credit is allowed under sections 7001 and 7003 of the Families First Coronavirus Response Act (Public Law 116-127).

Musicians and other 1099 contractors – the CARES ACT states that “independent contractors have the ability to apply for a PPP loan on their own so they do not count for purposes of a borrower’s PPP loan calculation.”

E-signature or e-consents can be used.

The interest rate will be 100 basis points or one percent.

You will not have to make any payments for six months following the date of disbursement of the loan. However, interest will continue to accrue on PPP loans during this six-month deferment period.

The amount of loan forgiveness can be up to the full principal amount of the loan and any accrued interest. That is, the borrower will not be responsible for any loan payment if the borrower uses all of the loan proceeds for forgivable purposes described below and employee and compensation levels are maintained. The actual amount of loan forgiveness

will depend, in part, on the total amount of payroll costs, payments of interest on mortgage obligations incurred before February 15, 2020, rent payments on leases dated before February 15, 2020, and utility payments under service agreements dated before February 15, 2020, over the eight-week period following the date of the loan. However, not more than 25 percent of the loan forgiveness amount may be attributable to nonpayroll costs.

The applicant must submit SBA Form 2483 (Paycheck Protection Program Application Form) and payroll documentation, as described above. The lender must submit SBA Form 2484 (Paycheck Protection Program Lender's Application for 7(a) Loan Guaranty) electronically in accordance with program requirements and maintain the forms and supporting documentation in its files.

Documentation verifying the number of full-time equivalent employees on payroll as well as the dollar amounts of payroll costs, covered mortgage interest payments, covered rent payments, and covered utilities for the eight week period following this loan will be provided to the lender.

Loan forgiveness will be provided for the sum of documented payroll costs, covered mortgage interest payments, covered rent payments, and covered utilities. As explained above, not more than 25 percent of the forgiven amount may be for non-payroll costs.

Each lender shall: i. Confirm receipt of borrower certifications contained in Paycheck Protection Program Application form issued by the Administration; ii. Confirm receipt of information demonstrating that a borrower had employees for whom the borrower paid salaries and payroll taxes on or around February 15, 2020; iii. Confirm the dollar amount of average monthly payroll costs for the preceding calendar year by reviewing the payroll documentation submitted with the borrower's application