

Does your church have employees?

Do you have less than 500 employees?

If yes to both, there may be funds available to help with payroll costs.

If you are like me, you are sick of all the COVID-19 updates, memes and sundry information. I wouldn't weigh in and add to the pile, but I think this is **vital information that our churches may be missing and need to react to immediately**. This past weekend, Congress passed a bill, the Coronavirus Aid, Relief, and Economic Security (CARES) Act. There are several pieces to the CARES Act (the \$1,200 stimulus checks, student loan payment deferrals, expanded unemployment benefits...) but we are going to focus on the Paycheck Protection Program, which is a new disaster loan program.

To add to the confusion, there are several SBA disaster loan programs available, but not all are available for local congregations. Included with this letter is a very brief overview of the three primary SBA Disaster Loan programs currently being discussed in the media.

The CARES Act **does apply** to non-profits, including churches, and can provide some financial relief to your congregation. Below is a very brief snapshot of the **CARES Act Paycheck Protection Program (PPP)**, with some critical points highlighted:

- The CARES PPP loan program is for organizations with fewer than 500 employees and is administered through the Small Business Administration (SBA).
- The loan will be **processed through a local SBA lender**. Your bank might already be an approved SBA lender. Enclosed with this letter is a list of SBA lenders in Indiana. Note the financial institution will be listed in the city where its headquarters reside, not branch locations. Everyone is still awaiting specific guidelines from the SBA including the application, so you cannot yet apply for a loan, but you can reach out to your financial institution to determine if they are an SBA lender and **inform them you are interested in participating in the program now. Many are compiling lists and processing opens Friday.**
- The maximum loan amount is equal to **2½ times the average monthly payroll expenses**, which includes salaries, benefits and state unemployment taxes, if your church pays into state unemployment, many don't. The time period covered to calculate the average monthly payroll is March 2019 through February 2020 (or possibly on calendar year 2019). One area the SBA will provide more guidance is on how housing allowance for clergy should be handled.
- **The loan may be forgiven up to the full amount of the loan if:**
 - The loan is **spent on qualified expenses** (payroll, mortgage or rent, and utilities) incurred from date of receipt of funds through the next 8 weeks. { Note any amount not spent on qualified expenses within the 8 weeks would be required to be repaid with interest over the life of the loan. }
 - **Maintain the same number of employees** for the eight weeks after the loan is originated or rehire all employees by June 30.
 - **You have not participated in other CARES assistance programs, which includes the Employer Payroll Tax deferral or the Employee Retention Tax Credit.**

- You are not required to provide collateral or a personal guarantee. You are required to provide a good-faith certification that:
 - The loan is needed to continue operations during the pandemic.
 - The funds will be used to retain workers, meet payroll expense and cover mortgage, rent and utilities.
 - The organization **does not have any other SBA 7(a) loans or pending applications.**
 - The application will not receive duplicative payments under this program from February 15 to December 31, 2020.
- To request loan forgiveness after the 8-week period, you will need to provide to your lender:
 - Documentation verifying the Full Time Employee Equivalents (FTEE) and their pay rates.
 - Documentation of amounts spent on covered items (payroll & benefits, mortgage or rent payments and utilities.)
 - A statement that the information provided is accurate and that the loan was used to retain employees through the crisis.
 - Other documentation requested by your lender.

This is a lot of information and we are still waiting for clarification on several pieces of this program from the administrators to be able to fully understand this Act, but there are a few things you can do now:

- Contact your bank or other financial institution to determine if they are qualified to make SBA loans and to inform them you are interested in participating in the program. There is a loan pool of \$350 billion, but that will be quickly distributed with the size of this disaster, so act now.
- Make sure your financial statements are current through March 2020 month end.
- Gather the necessary payroll reports and 1099 Misc information for 2019 and 2020 to date.
- Identify your church's policy on loans and hold the necessary meetings (virtually please) to approve borrowing. Please note, the Discipline requirements for a mortgage would not be applicable as no collateral is required for this loan.
- Remember if your ministry includes a day care or other such affiliate activity, they may also be eligible to be included and if operating under the same federal identification number (EIN) the application should cover all payroll, assuming they too will be able to retain employees for the forgiveness requirement.

The Indiana Conference has a short video on this program that may also be helpful at <https://vimeo.com/403074420>.

The United Methodist Foundation of Indiana and the IN U.M. Loan & Savings Ministry are still open for business. While we have redeployed much of our office staff, working from home as much as possible, we can still conduct any business necessary and can help with your questions on the CARES Act. We care about you and your ministry; please let us know what more we can do to help you through these interesting and challenging times.

Relying on God's Grace,



D. Manet Shettle
President