Cashflow, Capital and COVID-19 Financial Resources for Nonprofit Organizations

April 3, 2020 11:00am
Heather Piper, Executive Director
Hawaii Community Reinvestment Corporation
Agenda

• Panelist: Heather Piper HCRC, Jane Sawyer SBA, and Chelsea Schull of LISC-HCRC
• Cash Needs Assessment & Cash Flow Forecasting (Heather)
  • Open Q&A (Linda)
• New Sources of Capital Available to Nonprofit Organizations through the SBA under the “Coronavirus Aid, Relief, and Economic Security Act” or the “CARES Act” (Jane)
• SBA Loan Programs and Application Tips for Nonprofit Organizations (Heather)
  • SBA Q&A (Jane and Chelsea)
• Additional Resources Available for Nonprofit Organizations (Heather)
  • Open Q&A (Linda)
Disclosure

Information provided within this webinar is provided for information purposes only and is not intended as legal or tax advice. Please consult your attorney or accountant to discuss your particular business situation. Information is subject to change and has been updated in this presentation as of 4/2/20.
Performing a Cash Needs Assessment

Cash Flow Forecasting for Non-Profit Organizations
Why Should You Prepare a Cash Needs Assessment?

• A cash flow forecast is a tool to help your non-profit organization identify cash needs over the next 90-days, 6-months, and 1-year.

• This will help your organization determine the type of capital that is appropriate and available for your situation which could be a loan, a grant, or a combination loan and grant.

• This information can be shared with your board of directors, lenders, and grantors to provide them with a better understanding of the situation.
What is included in a Cash Flow Forecast

- A combination of your P&L statement and bank statements can help identify your cash inflows and outflows:
  - Opening balance of available cash
  - Cash in
  - Cash out
  - Release of Temp. Restricted "Cash"
  - Total cash flow for the period
  - Closing balance of available cash
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SBA PPP Maximum Loan Amount is 2.5x or 250% average monthly payroll. The loan proceeds can be used to cover up 8 weeks of payroll costs and 25% of funds can also be used to pay interest on mortgage loans, rent, and utilities.
NPO Cash Flow Forecast Template

The cashflow template along with a few other templates will be available on hcrchawaii.com at the end of the day.
Cashflow Q&A
New Sources of Capital Available to Nonprofit Organizations through the SBA under the “Coronavirus Aid, Relief, and Economic Security Act” or the “CARES Act”

Jane A. Sawyer
District Director- Hawaii District Office
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SBA Loan Programs for Non-Profits

SBA Disaster Loan Assistance Federal Disaster Loans for Private Non-profits

1. Paycheck Protection Program
2. Economic Injury Disaster Loan (EIDL)
SBA Paycheck Protection Program

Program Overview

• The Paycheck Protection Program is a loan designed to provide a direct incentive for small businesses to keep their workers on the payroll.
• SBA will forgive loans if all employees are kept on the payroll for eight weeks and the money is used for payroll, rent, mortgage interest, or utilities.
• The Paycheck Protection Program will be available from April 3, 2020 through June 30, 2020.
• Neither the government nor lenders will charge small businesses any fees.
• This loan has a maturity of 2 years and an interest rate of 1.0%.
• No collateral required.
• No personal guarantees required.
• Loan is 100% guaranteed by the SBA
• Loan payments will also be deferred for six months.
SBA Paycheck Protection Program

Who Can Apply

• This program is for any small business with less than 500 employees (including sole proprietorships, independent contractors and self-employed persons), private non-profit organization or 501(c)(19) veterans organizations affected by coronavirus/COVID-19.
• Businesses in certain industries may have more than 500 employees if they meet the SBA's size standards for those industries.
• Small businesses in the hospitality and food industry with more than one location could also be eligible at the store and location level if the store employs less than 500 workers. This means each store location could be eligible.
SBA Payroll Protection Program

How to Apply

• You can apply through any existing SBA 7(a) lender or through any federally insured depository institution, federally insured credit union, and Farm Credit System institution that is participating. Other regulated lenders will be available to make these loans once they are approved and enrolled in the program. You should consult with your local lender as to whether it is participating in the program.
• Lenders may begin processing loan applications as soon as April 3, 2020.

SBA Paycheck Protection Program

What you will need to apply:*

• SBA Form 2483 (PPP Application)
• IRS Form 941 Employers Quarterly Tax filings for 2019
• IRS Form 1099 MISC: 2019
• Calculation of historic payroll
• Other Payroll Documentation including payroll schedule or reports from CPA, bookkeeper, or payroll provider

*Lenders may have different application requirements.
Form2483 is available on SBA website and most SBA Lenders have it on their websites.
Paycheck Protection Program
Application Form

By Signature Below, You Make the Following Representations, Authorizations, and Certifications

REPRESENTATIONS AND AUTHORIZATIONS
I certify that:
• I have read the Statements Required by Law and Executive Order included in this form, and I understand them.
• I will comply, whenever applicable, with the civil rights and other limitations in this form.
• All information included will be used only for business or credit purposes as specified in this loan application.
• To the extent feasible, I will purchase only American-made equipment and products.
• The Applicant is not engaged in any activity that is illegal under federal, state, or local law.

For Applicants who are individuals and all associates, I authorize the SBA to request record information about me from criminal justice agencies for the purpose of determining my eligibility for programs authorized by the Small Business Act, as amended.

CERTIFICATIONS
The business and each owner must certify as good faith to all of the below by checking next to each one.

☐ Correct economic necessity makes this loan request necessary to support ongoing operations of the Applicant.

☐ The funds will be used to retain workers and maintain payroll or make mortgage payments, lease payments, and utility payments; I understand that if the funds are used for non-essential purposes, the federal government may pursue civil fraud charges.

☐ Documentation verifying the number of full-time equivalent employees on payroll as well as the dollar amounts of payroll costs, covered mortgage interest payments, and 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. Due to likely high subscription, it is anticipated that not more than twenty-five percent (25%) of the forgiven amount may be for non-payroll costs.

☐ During the period beginning on February 15, 2020 and ending on December 31, 2020, the Applicant has not and will not receive another loan under this program.

☐ I further certify that the information provided in this application and the information that I have provided in all supporting documents and forms is true and accurate. I declare that knowingly making a false statement to obtain a guaranteed loan from SBA is punishable under 18 U.S.C. 1001 and 1341 by imprisonment for not more than five years and/or a fine of not more than $250,000 under 18 U.S.C. 1341 or by imprisonment of not more than two years and a fine of not more than $50,000, and if submitted to a Federally insured institution, under 18 U.S.C. 1344 by imprisonment of not more than forty years and/or a fine of not more than $1,000,000.

☐ I acknowledge that the lender will calculate the eligible loan amount using the documents I have submitted. I affirm that these tax documents are identical to those I submitted to the SBA. I also understand, acknowledge, and agree that the Lender can share this tax information with 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.

Signature of Authorized Representative of Business

Print Name

Date

Title

Signature of Owner of Applicant Business

Print Name

Date

Title
SBA Paycheck Protection Program

What can the funds be used for?

- Maximum Loan Amount is equal to 250% or 2.5 x average monthly payroll
- At least 75% of the loan proceeds must be used towards payroll expenses to qualify for loan forgiveness.
- No more than 25% of the loan proceeds can be used for other expenses covered by the PPP program:
  - Rent or Interest payments on Mortgage
  - Utilities (Payment for a service for the distribution of electricity, gas, water, transportation, telephone, or internet access for which service began before February 15, 2020 (CARE Act Bill Sec. 1105: Loan Forgiveness))
  - Other
### SBA Paycheck Protection Program

- **Average Monthly Payroll** = $XX,XXX multiplied by 2.5

<table>
<thead>
<tr>
<th>Average Monthly Payroll Definitions</th>
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<tbody>
<tr>
<td>Existing business average monthly payroll</td>
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<tr>
<td>Seasonal business average monthly payroll</td>
</tr>
<tr>
<td>New (less than 1 year) business average monthly payroll</td>
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</tbody>
</table>

'SBA Paycheck Protection Loan Program', Brian Schatz United States Senator for Hawai‘i; [https://www.schatz.senate.gov/coronavirus/small-businesses/sba-paycheck-protection-loan-program](https://www.schatz.senate.gov/coronavirus/small-businesses/sba-paycheck-protection-loan-program)
SBA Paycheck Protection Program

Loan Details and Forgiveness

• The loan will be fully forgiven if the funds are used for payroll costs, interest on mortgages, rent, and utilities (due to likely high subscription, at least 75% of the forgiven amount must have been used for payroll). Forgiveness is based on the employer maintaining or quickly rehiring employees and maintaining salary levels. Forgiveness will be reduced if full-time headcount declines, or if salaries and wages decrease.

• Timing:
  • The SBA Lender has 60 days to process the Borrower's loan forgiveness request.
  • Not later than 15 days after the date on which the Administrator (Small Business Administration) receives a report under subparagraph (A), the Administrator shall purchase the expected forgiveness amount under subparagraph (B) with respect to each covered loan to which the report relates (CARE ACT Bill, Section 1106: Loan Forgiveness page 42).

SBA Paycheck Protection Program

What you will need to apply for the Loan Forgiveness

• Documentation verifying the number of employees on payroll, their pay rate, IRS payroll and state income tax filings, and unemployment insurance filings;

• Documentation verifying payments of rent, mortgage interest, utilities, and other debt; and

• Certification from your business that the documentation provided is true and that amount of the loan that is being forgiven was used in line with the program’s requirements.
SBA Paycheck Protection Program

Payroll Cost

• Salary, wages, commissions, or tips (capped at $100,000 on an annualized basis for each employee)
• Employee benefits including costs for vacation, parental, family, medical, or sick leave; allowance for separation or dismissal; payments required for the provisions of group health care benefits including insurance premiums; and payment of any retirement benefit;
• State and local taxes assessed on compensation
• For a sole proprietor or independent contractor: wages, commissions, income, or net earnings from self-employment, capped at $100,000 on an annualized basis for each employee

SBA Paycheck Protection Program

How to Calculate the Eligible Payroll Amount

• Most SBA Lenders have templates available on their websites along with the Application and other required information.

• Check with your payroll provider to see if they can prepare a report for you.
SBA Economic Injury Disaster Loan (EIDL) Program

Overview
- In response to the Coronavirus (COVID-19) pandemic, small business owners in all U.S. states, Washington D.C., and territories are eligible to apply for an Economic Injury Disaster Loan advance of up to $10,000. This advance will provide economic relief to businesses that are currently experiencing a temporary loss of revenue. Funds will be made available following a successful application. This loan advance will not have to be repaid.
SBA Economic Injury Disaster Loan (EIDL) Program

Eligibility
• This program is for any small business with less than 500 employees (including sole proprietorships, independent contractors and self-employed persons), private non-profit organization or 501(c)(19) veterans organizations affected by COVID-19.
  • Link to application: https://covid19relief.sba.gov/#/
• The SBA’s Economic Injury Disaster Loan program provides small businesses with working capital loans of up to $2 million that can provide vital economic support to small businesses to help overcome the temporary loss of revenue they are experiencing.
• The loan advance will provide economic relief to businesses that are currently experiencing a temporary loss of revenue.
• The loan advance will be made available within three days of a successful application, and this loan advance will not have to be repaid.

SBA Economic Injury Disaster Loan (EIDL) Program

What you will need to apply

- EIDL online application (OMB Control #3247-0406)
- Profit & Loss for the twelve (12) months prior to the date of the Disaster (January 31, 2020)
- List of lost rents due to the Disaster
- List of compensation sources received as a result of the Disaster
- Date your organization was established
- Other information as requested by the SBA
Disaster Loan Assistance
Federal Disaster Loans for Businesses, Private Non-profits, Homeowners and Renters

COVID-19 ECONOMIC INJURY DISASTER LOAN APPLICATION

STREAMLINED PROCESS REQUIREMENTS

SBA is collecting the requested information in order to make a loan under SBA’s Economic Injury Disaster Loan Programs to the qualified entities listed in this application that are impacted by the Coronavirus (COVID-19). The information will be used in determining whether the applicant is eligible for an economic injury loan. If you do not submit all the information requested, your loan cannot be fully processed.

The Applicant understands that the information contained in the application to verify that the Applicant is an eligible entity to receive the assistance and that the Applicant is providing the information and all supporting documents requested in this application.

The estimated time for completing this entire application is two hours and ten minutes. Although you may not need to complete all parts, you are required to respond to this collection of information unless it displays a currently valid OMB control number.

ELIGIBLE ENTITY VERIFICATION

Choose One:

- Applicant is a business with not more than 500 employees.
- Applicant is a government agency or entity that currently has an effective ruling from the IRS granting tax exemption under sections 501(c)(3), not for profit or the Internal Revenue Code of 1984, or satisfactory evidence from the State that the non-revenue producing organization or entity is a non-profit tax-exempt organization or does business under State law, or a faith-based organization.
Review and Check All of the Following:
Applicant must review and check all the following (If Applicant is unable to check all of the following, Applicant is not an Eligible Entity):

- Applicant is not engaged in any illegal activity (as defined by Federal guidelines).
- No principal of the Applicant with a 50 percent or greater ownership interest is more than sixty (60) days delinquent on child support obligations.
- Applicant is not an agricultural enterprise (e.g., farm), other than an aquaculture enterprise, agricultural cooperative, or nursery.
- Applicant does not present live performances of a prurient sexual nature or derive directly or indirectly more than de minimis gross revenue through the sale of products or services, or the presentation of any depictions or displays, of a prurient sexual nature.
- Applicant does not derive more than one-third of gross annual revenue from legal gambling activities.
- Applicant is not in the business of lobbying.
- Applicant cannot be a state, local, or municipal government entity and cannot be a member of Congress.

If you have questions about this application or problems providing the required information, please contact our Customer Service Center at 1-800-659-2955 or (TTY: 1-800-877-8339) DisasterCustomerService@sba.gov.
Step 1 of 3

Business Information

Business Legal Name *

Trade Name *

EIN/SSN for Sole Proprietorship *

Organization Type *

Is the Applicant a Non-Profit Organization? *

Yes  No

Is the Applicant a Franchise? *

Yes  No
<table>
<thead>
<tr>
<th>Question</th>
<th>Answer</th>
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<tbody>
<tr>
<td>Gross Revenues for the Twelve (12) Month Prior to the Date of the Disaster (January 31, 2020)</td>
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<tr>
<td>Cost of Goods Sold for the Twelve (12) Month Prior to the Date of the Disaster (January 31, 2020)</td>
<td></td>
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<tr>
<td>Rental Properties (Residential and Commercial) Only - Lost Rents Due to the Disaster</td>
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<tr>
<td>Non-Profit Cost of Operation for the Twelve (12) Month Prior to the Date of the Disaster (January 31, 2020)</td>
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<tr>
<td>Combined Annual Operating Expenses for the Twelve (12) Months Prior to the Date of the Disaster (January 31, 2020) for All Secular Social Services Provided by the Faith Based Entity</td>
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<tr>
<td>List the Secular Social Services Provided by the Faith Based Entity</td>
<td></td>
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<tr>
<td>Compensation From Other Sources Received as a Result of the Disaster</td>
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<tr>
<td>Provide Brief Description of Other Compensation Sources</td>
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<tr>
<td>Primary Business Address (Cannot be P.O. Box)</td>
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<tr>
<td>City</td>
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<tr>
<td>State</td>
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</table>
Business Owners Information

Is Your Business Owned by a Business Entity? *

Individual Owner/Agent(s)

Owner/Agent 1

First Name *

Last Name *

Mobile Phone *

Title / Office *

Ownership Percent *
Email *

SSN *

Birth Date *

mm/dd/yyyy

Place Of Birth *

U.S. Citizen *

Yes  No

Residential Street Address *

City *

State *

Zip *
## Additional Information

In the past year, has the business or a listed owner been convicted of a criminal offense committed during and in connection with a riot or civil disorder or other declared disaster, or were engaged in the production or distribution of any product or service that has been determined to be obscene by a court of competent jurisdiction?  
- Yes  
- No

- Is the applicant or any listed owner currently suspended or debarred from contracting with the Federal government or receiving Federal grants or loans?  
- Yes  
- No

- a. Are you presently subject to an indictment, criminal information, arraignment, or other means by which formal criminal charges are brought in any jurisdiction?  
- Yes  
- No

- b. Have you been arrested in the past six months for any criminal offense?  
- Yes  
- No

- c. For any criminal offense other than a minor traffic violation have you ever been convicted, pleaded guilty, pleaded no contest, been placed on pretrial diversion, or been placed on any form of parole or probation (including probation before judgment)?  
- Yes  
- No

If anyone assisted you in completing this application, whether you pay a fee for this service or not, that person must enter their information below.

**Indication Name:**

**Name of Company:**

**Phone Number:**

**Street Address, City, State, Zip:**

**Fee Charged or Agreed Upon:**

I give permission for SBA to discuss any portion of this application with the representative listed above.  
- Yes  
- No
I would like to be considered for an advance of up to $10,000.

Where to Send Funds

Bank Name

Account Number

Routing Number

On behalf of the individual business identified in this application and for the business applying for the loan,

I authorize my business, financial institution or other creditors to release to SBA all records and information necessary to process this application and for the SBA to obtain credit information about the individuals completing this application.

If your loan is approved, additional information may be required prior to loan closing. (We will be advised in writing what information will be required to obtain your loan funds.) I hereby authorize the SBA to verify my employment and present employment information and salary history as needed to process and service a disaster loan.

If the application is approved, the SBA, as required by the Privacy Act, will release any information collected in connection with this application to federal, state, local, tribal or non-profit organizations (e.g., Red Cross Salvation Army, event planning organizations, etc.) for the purpose of assisting me with my disaster loan application, evaluating eligibility for assistance, or otherwise as otherwise authorized.

I will not object to participating in or deny the benefits of, or otherwise subject to discrimination under any program or activity for which I receive Federal financial assistance from SBA, any person or entity on the basis of race, color, handicap, marital status, national origin, sex, religion, or age.

I will report to the SBA, Office of the Inspector General, Washington, DC 20416, any Federal employee who offers, in return for compensation of any kind, to help get this loan approved. We have not paid anyone connected with the Federal government for help in getting this loan.

CERTIFICATION AS TO TRUTHFUL INFORMATION: By signing this application, you certify that all information in your application and submitted with your application is true and correct to the best of your knowledge, and that you will submit truthful information in the future.

WARNING: Whoever knowingly misstates the proceeds of an SBA disaster loan shall be guilty to the Administrator an amount equal to one and one half times the original principal amount of the loan under 15 U.S.C. 1317I. In addition, any false statement or misrepresentation to the SBA may result in criminal, civil, or administrative sanctions (including, but not limited to: fines and imprisonment, or both; under 15 U.S.C. 449, 18 U.S.C. 1821, 18 U.S.C. 1822, 18 U.S.C. 1824, 18 U.S.C. 371, and any other applicable laws; 2) false statements and civil penalties under the False Claims Act, 31 U.S.C. 3729; 3) civil penalties and civil penalties under the Program Fraud Civil Remedies Act, 31 U.S.C. 2032; and 4) suspension and/or debarment from all Federal procurement and non-procurement transactions. Statutory fines may increase if amended by the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015.

I hereby certify UNDER PENALTY OF PERJURY UNDER THE LAWS OF THE UNITED STATES that any proceeds of the Economic Injury Disaster Loan or grant will only be used to provide necessary assistance to the general public, and that I have the authority to make this certification, and that all of the foregoing is true and correct.

Click for additional statements required by ins and executive orders.
SBA Programs Q&A
With the SBA
SBA Loan Programs Q&A
Webinar Participants
HCRC Emergency Loan Program (HELP), Heather Piper

- The purpose of this fund is to provide short-term bridge and longer-term financing for non-profit organizations that are in immediate need of capital during the COVID19 crisis. Priority will be given to non-profit organizations who have submitted an application for either the SBA PPP or EIDL program.
- More information on the program will be available on hcrchawaii.com next week.
Additional Resources

Liliuokalani Trust, Dreana Reyes
LT is offering support services to small businesses seeking federal financial assistance through Small Business Administration (SBA) programs and other programs. LT wishes to ensure that small businesses especially those in underserved communities have access to the resources they need to pay their bills, keep ‘ohana and kamali‘i employed, and build resilient communities.

Technical assistance includes preparing financial information, packaging application documentation and completing and submitting the on-line or paper-version application. LT will not receive any compensation for providing these services. They will support as much as their capacity allows to ensure efficiency and appreciate working with community partners who are providing similar to serve those in need.

Please direct anyone who is in need of Small Business Administration (SBA) programs and other programs to covid19sbasupport@onipaa.org.
Mahalo to our Partners

Hau‘oli Mau Loa Foundation

CDFI Fund

KL Felicitas Foundation

Hawaii Community Foundation

Harold K.L. Castle Foundation

Gerbode Foundation

Atherton Family Foundation

DBEDT

City and County of Honolulu
Heather Piper, Executive Director
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www.herchawaii.com