

April 7, 2020 Chat from Q&A Presentation hosted by Melanie Schmidt (Timpano Consulting)

Featuring Mindy Rowland (Spark), Jeff Femrite (Scholz Nonprofit Law), Melodi Bunting (Wegner CPAs)

NOTE: content has been edited to remove participant names and for relevancy

- 12:50:40 From Melanie Schmidt : Please add "mschmidt@timpanogroup.com" to your 'safe senders' list to receive follow-up communication. Check your junk/spam folders for emails.
- 12:50:48 From Melanie Schmidt : Welcome. I'm delighted to host the discussion today featuring Mindy Rowland (Spark LLC) and Melodi Bunting (Wegner CPAs) as well as Melissa Scholz and Jeff Femrite (Scholz Nonprofit Law). Please keep your video active and your microphone muted. We invite you to be an active member of this learning community by being seen and by chatting your questions.
A recording of this session, modified to blur attendees, along with referenced resources will be made available to registrants later this week.
- 12:50:55 From Melanie Schmidt :
CARES Act = Coronavirus, Aid, Relief, and Economic Security Act
FFCR Act = Families First Coronavirus Response Act
SBA = Small Business Administration
PPP = SBA Paycheck Protection Program
EIDL = SBA Economic Injury Disaster Loans
UI = unemployment insurance
- 12:51:06 From Melanie Schmidt : CDC Guidance: <https://www.cdc.gov/coronavirus/2019-ncov/index.html>
Council of Nonprofits COVID Resource Center: <https://www.councilofnonprofits.org/nonprofits-and-coronavirus-covid-19>
SBA Options/Resources: <https://www.sba.gov/page/coronavirus-covid-19-small-business-guidance-loan-resources>
- 13:09:03 What if you don't use 75% of the PPP for payroll. Do you pay it back @ 1%?
- 13:09:51 Do you count hourly employees for calculation of payroll for the PPP application?
- 13:11:47 What is the time frame to use the PPP loan for payroll?
- 13:17:16 From Melissa Scholz : timeframe for using PPP loan is 8 weeks from funding of the loan
- 13:17:36 From Mindy Rowland - Spark LLC : yes, do you do count hourly employees for payroll.
- 13:17:43 To tag on to prior question. In terms of the time frame, if I use up loan proceeds by May 31, do I still need to keep my employee count up through June 30?
- 13:17:47 From Melissa Scholz : Sarah, yes, hourly employees count for PPP application. All payroll costs
- 13:18:03 Can a business apply for both loans?
- 13:18:56 From Melissa Scholz : Yes, Jeff will cover that. You can seek both loans but can't claim the same expenses on the loans
- 13:19:03 From Mindy Rowland - Spark LLC : Sara Flynn - Yes, you can apply for both loans. But you can't "double dip". :)
- 13:19:25 From Sarah Kissel : PPP's requirements for converting to grant start at receipt of loan and runs for 8 weeks. Jeff Femrite can speak to this further.
- 13:20:03 I'm confused. The SBA website says this: "The Economic Injury Disaster Loan advance funds will be made available within days of a successful application, and this loan advance will not have to be repaid."
- 13:20:11 What about if you don't use 75% for payroll -does it become a low interest loan?
- 13:20:36 My banker told me that you can't apply for both!
- 13:21:13 From Mindy Rowland - Spark LLC : \$10,000 of the EIDL is available as an advance that you don't have to pay back. The rest of the EIDL is a regular loan.
- 13:23:44 Can an organization apply for ONLY the \$10,000 advance and not take out an additional EIDL loan? (Effectively obtaining a \$10,000 EIDL grant with no loan portion).

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- 13:23:53 Our payroll is only for me - calculations comes to \$8333. Should we apply for that through PPP or apply for the EIDL for \$10,000?
- 13:24:36 From Mindy Rowland - Spark LLC : Yes, I believe you can apply ONLY for the \$10,000 EIDL "advance"
- 13:25:19 I applied for the EIDL loan before PPP came out - it seemed that SBA determines the loan amount, not the applicant.
- 13:25:27 From Melissa Scholz : That's correct. You can get just the \$10,000
- 13:26:16 We are 96% grant funded. If my payroll is paid by this PPP loan, I can't also draw down funds from a grant, correct? That is double dipping from funding sources. How are people handling that accounting? Should I create a separate funding code for this PPP loan?
- 13:26:17 From Melissa Scholz : Yes, if you don't use the 75% on payroll, the balance will not be forgiven and it will become a loan
- 13:26:45 From Mindy Rowland - Spark LLC : Tanya - a separate funding code for this PPP loan is a great idea.
- 13:27:16 If this goes on for more than two months and you exhaust PPP via payroll, can you then use EIDL for continuing payroll and contractor expenses?
- 13:27:43 From Mindy Rowland - Spark LLC : Wendy- Yes.
- 13:27:32 From Mindy Rowland - Spark LLC : I would apply for both loans and see what you get.
- 13:28:54 So if you don't use the PPP loan for payroll - it is a very low interest loan - correct?
- 13:29:34 From Mindy Rowland - Spark LLC : 75% has to be used for payroll. The rest can be used for other permissible items and still be forgiven. Otherwise, yes, it's a low-interest rate loan.
- 13:29:40 We are also funded mostly by donations. So can we use PPP for payroll and the EIDL to cover programming in place of lost donations?
- 13:29:49 From Melissa Scholz : 1%, 2 yr term on PPP loan
- 13:29:54 As required, we used 2019 data for our application, but our staffing numbers now are approximately 25% lower due to attrition over the last 12 months. Do you know what effect this will have on the loan forgiveness of the PPP? Would the remainder just convert to a loan? or would this make us "noncompliant" with the terms
- 13:30:29 The PPP funds are only for 501c3 orgs. Do we see this being extended to include 501c6? If not, are there other options for them than EIDL?
- 13:31:25 From Mindy Rowland - Spark LLC : that's a good idea (use PPP for payroll and EIDL for other programming costs).
- 13:31:57 1%, 2 yr term on PPP loan - with 6 months forbearance?
- 13:35:56 Can a 501 c3 use the PPP because its only benefit/fundraiser of the year was canceled?
- 13:36:30 We have not laid off staff, and we have applied for the PPP. How long should we expect for an idea of approval? IF we do not know soon, we will have to lay off, which will then possibly decrease the forgiveness.
- 13:37:29 From Mindy Rowland - Spark LLC : some loans have already been approved; it really depends on the bank. If you do lay off people, it won't affect your forgiveness rate, so long as you bring those people back when the loan is actually approved. Does that make sense?
- 13:38:52 From Melissa Scholz : Some have heard in a few days. Others have learned that their applications haven't even been reviewed yet. You can lay off now and bring them back when you get the funding. Then you will count the payroll expense towards the forgivable amount
- 13:40:31 Can a sponsorship be amended to next years event as a remedy versus reclassifying to a donation?
- 13:40:31 Has the state of WI legislation "accepted" the \$600 from the federal unemployment? I understood that the legislation still hadn't responded to Governor Evers proposal.
- 13:43:59 Do you know anything about the addition \$454B in funds coming from the Treasury Dept and whether or not that will be available to nonprofits or if it's for larger companies?

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- 13:44:59 From Sarah Kissel : Not yet. Still waiting for agreement for WI. Keep checking the DWD UI website for updates.
- 13:49:04 From Mindy Rowland - Spark LLC : I believe the issue between Evers and the Legislature was whether or not to waive the one-week waiting period. The CARES Act came out and told the states that it would cover that one-week period, if the states aren't doing it themselves. So the \$600/week from the federal govt shouldn't be held up, nor will the one-week waiting period, now the the CARES Act has passed. I think that's what you are getting at, at least?
- 13:50:56 From Sarah Kissel : The DWD site will tell you that the one-week waiting period is waiting for passage, though it has bi-partisan support and will likely pass.
- 13:51:00 From Mindy Rowland - Spark LLC : roughly speaking (re: lowering an exempt employee's salary), you have to make a long-term plan to reduce the employee's salary. It cannot be a reduction on a week by week basis, or "let's see how much work we have next week and we'll base your Compensation based on how much money you make." That's not going to cut it. It has to be an established plan for the foreseeable future. It's a great question and not to be taken lightly, for sure.
- 13:52:37 From Sarah Kissel : As for the \$600, it is not available until the state reaches an agreement with the federal government. Check the DWD website. It advises that this has not yet happened but they are working on it.
<https://dwd.wisconsin.gov/uiben/caresact/>
- 13:53:57 As required, we used 2019 data for our application, but our staffing numbers now are approximately 25% lower due to attrition over the last 12 months. Do you know what effect this will have on the loan forgiveness of the PPP? Would the remainder just convert to a loan? or would this make us "noncompliant" with the terms
- 13:54:03 If an employee quits during the forgiveness period of the PPP loan, will this affect the forgiveness?
- 13:54:09 If an employer wishes to reduce an employees salary, does the employee have to agree to it. If they don't, are they eligible for unemployment
- 13:54:21 If we pay on a monthly basis, but get loan proceeds on April 15, are amounts we pay for the period 4/1-4/15 still forgivable if paid out on April 30?
- 13:57:05 From Mindy Rowland - Spark LLC : I believe there is a percentage of "wiggle room" that wouldn't mess up your forgiveness.

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Following is information Mindy referenced during the session:

When does the small business exemption apply to exclude a small business from the provisions of the Emergency Paid Sick Leave Act and Emergency Family and Medical Leave Expansion Act?

An employer, including a religious or nonprofit organization, with fewer than 50 employees (small business) is exempt from providing (a) paid sick leave due to school or place of care closures or child care provider unavailability for COVID-19 related reasons and (b) expanded family and medical leave due to school or place of care closures or child care provider unavailability for COVID-19 related reasons when doing so would jeopardize the viability of the small business as a going concern (This is limiting the exception's availability to situations where employees would want to take the sick leave/family leave because of child care. That means that the exception is NOT available if an employee needs to take sick leave for any of the other reasons). A small business may claim this exemption if an authorized officer of the business has determined that:

1. The provision of paid sick leave or expanded family and medical leave would result in the small business's expenses and financial obligations exceeding available business revenues and cause the small business to cease operating at a minimal capacity;
2. The absence of the employee or employees requesting paid sick leave or expanded family and medical leave would entail a substantial risk to the financial health or operational capabilities of the small business because of their specialized skills, knowledge of the business, or responsibilities; or
3. There are not sufficient workers who are able, willing, and qualified, and who will be available at the time and place needed, to perform the labor or services provided by the employee or employees requesting paid sick leave or expanded family and medical leave, and these labor or services are needed for the small business to operate at a minimal capacity. (This is more specific than what we'd gotten earlier).

If I am a small business with fewer than 50 employees, am I exempt from the requirements to provide paid sick leave or expanded family and medical leave?

A small business is exempt from certain paid sick leave and expanded family and medical leave requirements if providing an employee such leave would jeopardize the viability of the business as a going concern. This means a small business is exempt from mandated paid sick leave or expanded family and medical leave requirements only if the:

- employer employs fewer than 50 employees;
- leave is requested because the child's school or place of care is closed, or child care provider is unavailable, due to COVID-19 related reasons; and
- an authorized officer of the business has determined that at least one of the three conditions described in Question 58 (that's the question above) is satisfied.

The Department encourages employers and employees to collaborate to reach the best solution for maintaining the business and ensuring employee safety.