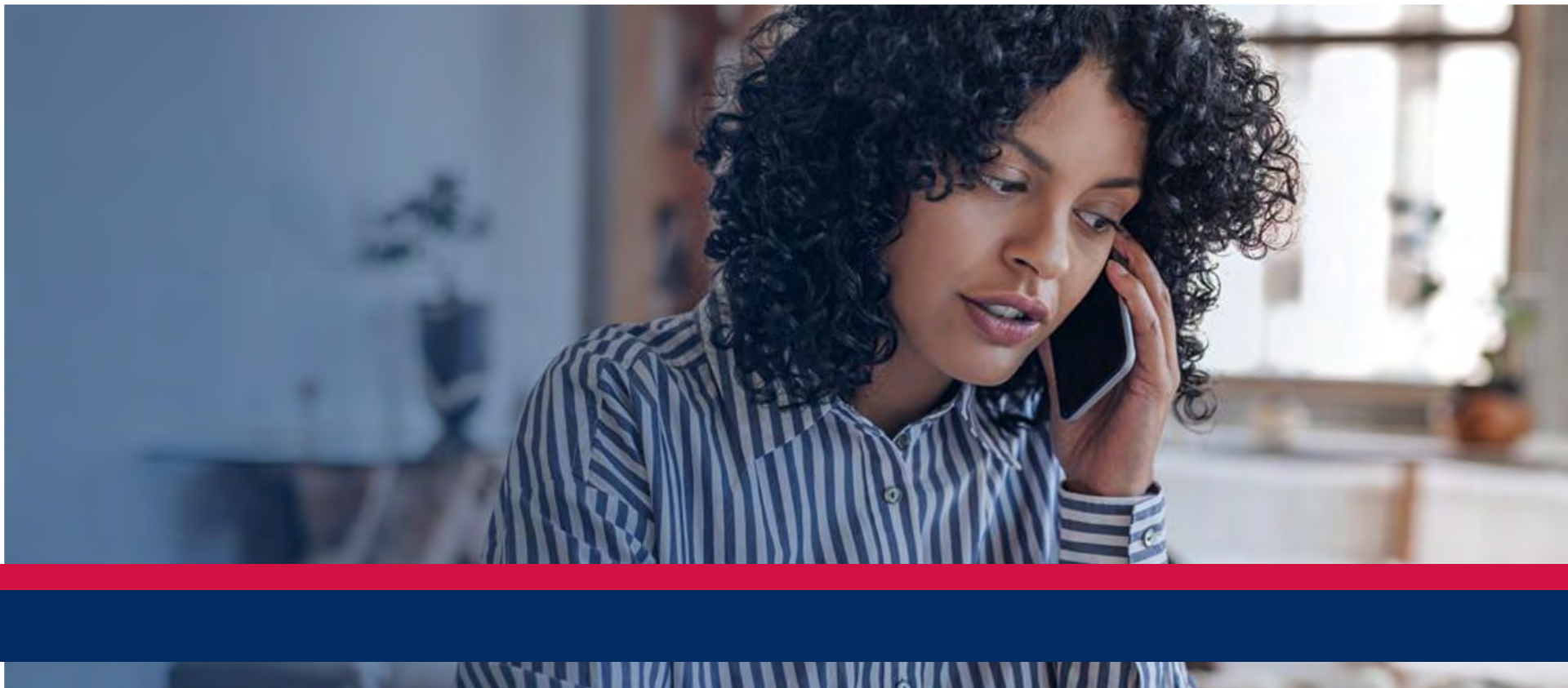


SBA Funding Options for Non-Profits During COVID-19



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What is the SBDC?

The LA Small Business Development Center provides training and 1:1 business consulting to small biz and non-profits

SBDCs receive funding through the U.S. Small Business Administration (SBA) and grants from the CA Governor's Office of Business and Economic Development (GO-Biz). ***We essentially function like a non-profit; our goal is to serve the community.** We are a pre-paid service via your federal and state tax dollars.



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Non-Profits and COVID-19

- **Nonprofit organizations** play a vital role in building strong communities and provide critical services and JOBS, all of which contribute to **economic** stability
- Non-Profits are adept at managing grants/deliverables; might be an advantage during this uncertain time. Keep in mind the entire country is applying for SBA loans right now. Must keep eyes on all opportunities (i.e. LISC/Verizon grant, microloans/grants through cities, philanthropies, etc.)



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Tips during COVID-19

- Beware of Fraud – already fake websites, phishing attempts from “banks, : “brokers,” etc.
- Speak with landlord/creditors. Can you defer payments, negotiate a new rate? Communication is key.
- Is there a new opportunity to partner, leverage resources, etc. with another business/organization?
- Communicate with your board/donors/funders. Let them know where you stand. How is your cash flow?
- Do you have business insurance? File a claim.



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What is the Economic Injury Disaster Loan? (EIDL)

EIDL is a working capital loan through SBA. Funds come from U.S. Department of Treasury NOT from a bank or lender

- Credit score and collateral are supporting factors in the application, but not necessarily determining factors.
- Non-profits with IRS tax exemption under sections 501(c),(d), or (e) are eligible.
- Non-profit interest rate is 2.75% , small biz rate is 3.75%
- Can borrow up to \$2 million
- 30-year term



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Economic Injury Disaster Loans (EIDL)

- Credit is a qualifying factor; payments deferred 12 months
- Loans under \$25,000 do not require collateral
- Apply on-line: www.covid19relief.sba.gov
- Deadline to apply 12/31/2020
- **Advance Loan: Up to \$10,000 MAY be forgiven**
- Advances are tied to number of employees



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What Can I Use EIDL For?

- Fixed Expenses (e.g. insurance, mortgage interest, rent.) and Accounts Payable
- Payroll and other general operating expenses that you may not be able to pay because of impacts from COVID-19.
- You may project up to a year of damage as a result of the pandemic.



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What do I need to apply?

You'll need SBA Form 5 (5C for sole proprietors) and SBA form P-019 (Revenue and COGS for 12 months).

*We recommend you complete these forms first before visiting the online SBA application at: covid19relief.sba.gov.

The form should take about 30 minutes to complete. *These figures should come from your 2019 tax return. Use 2018 if you have not yet filed your 2019 taxes.



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EIDL – New Application

COVID-19 ECONOMIC INJURY DISASTER LOAN APPLICATION



If you applied before March 30st → REAPPLY

- Credit limitations have been expanded
- This is the only way to be considered for the (up to) \$10K Advance Loan
- The Advance Loan MAY be forgivable

Apply online: www.covid19relief.sba.gov



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What is the Paycheck Protection Program – PPP?

- Part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act
- \$349 billion allocated; loan was designed to help small businesses/non-profits keep their workforce employed.
- Can be used for: Interest on mortgage payments (principal or prepayments excluded)
- Payroll, rent and utilities
- Interest on any debt incurred prior to Feb. 15, 2020



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Paycheck Protection Program (PPP)

- Low-interest loan: 1%/ 2-year-term
- Can borrow up to \$10 million
- First payment is deferred for six months.
- Know your payroll; your loan amount will be determined by: 2.5x your average monthly payroll costs capped at \$100K per employee
- Must keep employees on payroll or rehire to same level as before layoffs
- You can apply through any existing SBA 7(a) lender (if they are participating in PPP) any participating federally insured depository institution or federal credit union.



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PPP - Eligibility Specifics

Eligible entities:

- Businesses with fewer than 500 employees
- 501(c)(3) nonprofit organizations
- Certain tribal business concerns
- Eligible self-employed individuals
- Faith-Based Organizations
- Independent contractors
- Sole proprietorships
- Businesses in the accommodation and food services industry (NAICS 72) that have less than 500 employees per physical location



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Will PPP Loans Be Forgiven?

How Much?

A borrower is eligible for loan forgiveness equal to the amount the borrower spent on the following items during the 8-week period beginning on the date of the origination of the loan:

- **Payroll costs** (using the same definition of payroll costs used to determine loan eligibility)
- **Interest on the mortgage obligation** incurred in the ordinary course of business
- **Rent on a leasing agreement**
- **Payments on utilities** (electricity, gas, water, transportation, telephone, or internet)

*The amount of loan forgiveness is reduced if there is a reduction in the number of employees or a reduction of greater than 25% in wages paid to employees



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FAQ

Can I apply for the EIDL and the PPP?

Yes, but you can't use them for the same thing (no double-dipping)

If I apply for the EIDL, is it true that 3 days later a \$10,000 grant will be deposited into my account?

No. Remember, the EIDL is a LOAN. There is an opportunity for loan forgiveness however this will be determined by SBA. It is true that applicants may receive a \$10,000 advance, but no guarantee that this will be forgiven. I also have not personally seen anyone receive \$10,000 advance 3 days after application filed.

Some members of my workforce are independent contractors – should I include them in my payroll costs for EIDL or PPP?

No, those independent contractors are not employees and are not part of your payroll cost. However, those independent contractors can each apply individually.



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FAQ

Do I need to have collateral for either the EIDL or PPP?

Collateral is required on EIDL if looking to borrow more than \$25,000. Not required on PPP. PPPs do not require personal guarantee either.

My bank said they aren't participating in the PPP, what should I do?

The best thing to do at this point is to wait. There will be more information in the next couple of days. Community banks might be a good place to check.

Is there a PPP Application Form?

Yes there is please find link below, however remember each bank will have its own application process.

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



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Help

Los Angeles Small Business Development Center

Visit:

smallbizla.org/covid-19

Call:

1-866-588-SBDC



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