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Business Development & Strategy

Preparing for the Next Round of PPP

PRESENTED BY

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Disclaimer

All information provided in this session is intended to be informative in nature and should not be considered legal or financial advice. All information presented is based on our current interpretation of the information provided by The SBA, The Republicans Small Business Committee, and current text of the COVID relief bill. Information and rules regarding this program are subject to change at any time and it is up to everyone to complete their own due diligence to ensure they understand the financial and legal requirements and consequences of participation in this program.

For Today's Discussion

Recap of Existing PPP1 Rules

Updates Under New Legislation

Recap of Important Takeaways

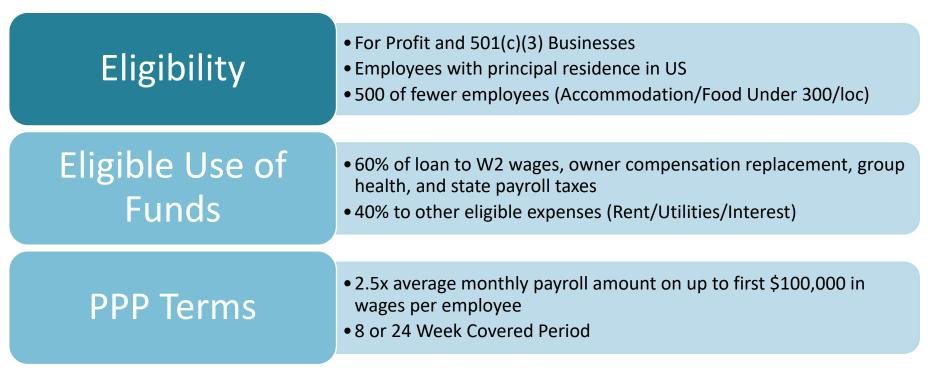
Recap of Existing PPP1 Rules

Other Stimulus Provisions

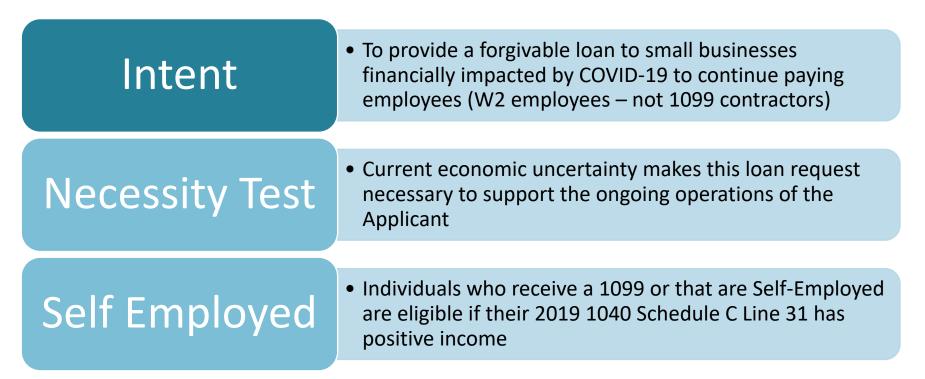




Recap of PPP Round 1 Rules



Recap of PPP Round 1 Rules



Importance of "Necessity"

The Necessity Requirement

 If the business has been profitable or at least broke even and fully expects to survive without assistance, until when the virus clears, then the loan may not be sufficiently "necessary" to justify taking it.

Consequences

- While the SBA will not question loans under \$2MM:
 - All PPP Loans are Public Knowledge
 - Competitors or Employees can Report You

The Burning Questions

Can I Get a 2 nd PPP Loan?	 Borrowers who received a previous PPP loan <u>ARE</u> eligible for a 2nd PPP loan if they meet certain conditions and forgiveness on the 1st PPP is <u>NOT</u> required before applying for a 2nd PPP loan
Can I Get a 1 st PPP Loan?	 Businesses that <u>did not</u> receive a PPP during a previous round <u>will be</u> eligible to receive a PPP for the first time
When/How Can I Apply?	 Apply Now! You will be able to apply on our website or with your participating lender <u>www.prestamosloans.org/ppp</u>

Updates Under New Legislation

Additional Eligible Expenses

Operations Expenditures:

Software, cloud computing, human resource, and accounting needs

Property Damage Costs:

Costs related to property damage during 2020 public disturbances not covered by insurance

Worker Protection:

PPE and adaptive instruments necessary for health compliance

Updates Under New Legislation

Unexpected Supports

EIDL Advance

Borrowers are no longer required to reduce forgiveness by EIDL advance amount

Accommodations & Food Services

Industries with an NAICS code 72XX (Accommodations and Food Service) can now receive 3.5X their avg payroll

IRS Deductions

Expenditures covered by the PPP are now eligible for deduction on tax returns

Group Insurance

Clarifies that group life, disability, vision, and dental insurance are eligible payroll costs

Eligibility Requirements for "Second Draw" Loan

Business Start Date Must have been in OPERATION on February 15, 2020

Number of Employees No more than 300

25% Reduction in GROSS RECEIPTS

Borrower can demonstrate a 25% decrease in at least one quarter of 2020 compared to the same quarter of 2019

Safe Harbor Rules

Extends safe harbor rules if businesses were unable to operate at full capacity and saw a reduction in business

PPP Loan Terms

Loan Amount

Up to 2.5x average monthly payroll costs in the one year prior to the loan OR the calendar year (72XX NAICS = 3.5x)

Seasonal Businesses

Can calculate based on any 12-week period between February 15, 2019 and February 15, 2020

New Recipients

Churches and 501(c)(6) are eligible to apply**

Use of Funds Requirements

60% for payroll costs and 40% for other eligible costs

Determining Eligible Amount

You can use 2019 OR 2020 documentation – but only ONE year

Schedule C, No Employees

IRS 1040 Schedule C – Line 31 (Must have positive net income)

Schedule C, W2 Employees

- IRS 1040 Schedule C Line 31
- Payroll Documentation IRS 940 FUTA, IRS 941 Q1-Q4, AZ UC-018 Q1-Q4, Payroll Summary

1065 Partnership

- IRS Form K1/Partner Line 14
- Payroll Documentation IRS 940
 FUTA, IRS 941 Q1-Q4, AZ UC-018
 Q1-Q4, Payroll Summary

1120/1120s Corporations/Non Profits

 Payroll Documentation – IRS 940 FUTA, IRS 941 Q1-Q4, AZ UC-018 Q1-Q4, Payroll Summary

Other Documentation

You can use 2019 OR 2020 documentation – but only ONE year

Ownership

- Articles of Organization/Inc
- Owners with 20%+ Need ID/Personal Info

Verification

- February 2020 Bank Statement
- 1099-MISC/Book of Business

Payroll Documents

- IRS 940 FUTA Annual
- IRS Quarterly 941 Q1-Q4
- AZ Unemployment UC-018 Q1-Q4
- Payroll Summary Report By Employee

Banking

• Voided Check

Loan Forgiveness

Full Forgiveness

Borrowers are eligible for full forgiveness if 60%/40% cost allocation is met during the 8-week or 24-week covered period

Non-Forgiven Amounts

10-month deferral on a 5-year repayment term with 1% interest

Simplified Process

Borrowers with loans under \$150,000 will utilize a one-page forgiveness application and certify proper use & eligibility

Timeline

Borrower can apply once funds are used if it has been at least 8-weeks. Borrowers should apply within 10-months of end of covered period for full forgiveness

Term Clarification

Seasonal Employer

Employer that operates for no more than 7 months in a year, or, earned no more than 1/3 of its receipts in any 6-month period

Covered Period

The 8-week or 24-week covered period begins once PPP funds are deposited into your account. Funds must be utilized during this period of time.

72XX NAICS Code

The Accommodation and Food Services sector comprises establishments providing customers with lodging and/or preparing meals, snacks, and beverages for immediate consumption.

Hotels/Inns, RV Parks, Campground, Mobile Food Services/Food Trucks, Caterers, Bars, Restaurants, Snack Bars, Cafeterias

Recap of Takeaways

Application Process

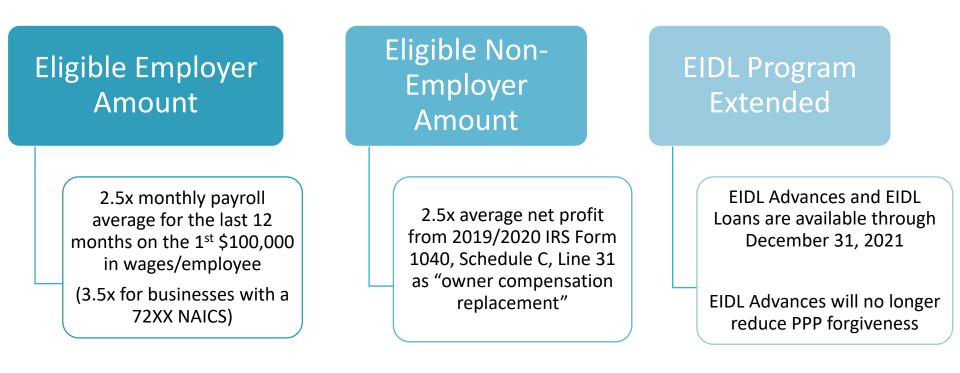
Application Requirements

Forgiveness

You can apply online through your eligible lender or our website www.prestamosloans.org/ppp -Payroll Documents -Proof of 25% Reduction -2019 Business Tax Return -Business Info/Articles of Org -2020 Profit & Loss Statements -Copies of 1099's -Owner Information/ID

Loan if fully forgivable if used for at least 60% payroll costs and no more than 40% other covered expenses (Rent, Utilities, Interest, PPE, Property Damage, Supply Costs, Operating Expenses)

Recap of Takeaways



Next Steps to Prepare

Gather Required Documentation

- Pull January December 2019 and 2020 Bank Statements
- Gather 2019 and 2020 Payroll Documents (941, Payroll Summary)
- 2019 and 2020 Profit & Loss Statement by Month

Compare 2019 vs 2020 Gross Revenue

• Input monthly sales/income/revenue data into 25% Reduction Spreadsheet in "Handouts"

When/How Can I Apply?

- Apply Now!
- You can apply on our website or with your authorized <u>www.prestamosloans.org/ppp</u>

25% Gross Revenue Reduction Spreadsheet



Enter the gross receipts/gross revenue received each month of the year. Only fill in the colored fields.

	January	February	March	April	Мау	June	July	Augu st	September	October	November	December
2019	\$ 1,500.00	\$ 1,600.00	\$ 1,550.00	\$ 1,800.00	\$ 1,600.00	\$ 1,550.00	\$ 1,580.00	\$ 2,000.00	\$ 1,950.00	\$ 1,800.00	\$ 1,875.00	\$ 2,100.00
2020	\$ 1,550.00	\$ 1,580.00	\$ 1,420.00	\$ 1,300.00	\$ 1,250.00	\$ 900.00	\$ 925.00	\$ 955.00	\$ 1,200.00	\$ 1,350.00	\$ 1,800.00	\$ 1,750.00
	Q1 2019	\$ 4,650.00		Q2 2019	\$ 4,950.00		Q3 2019	\$ 5,530.00		Q4 2019	\$ 5,775.00	
	Q1 2020	\$ 4,550.00		Q2 2020	\$ 3,450.00		Q3 2020	\$ 3,080.00		Q4 2020	\$ 4,900.00	
	Difference	-2%		Difference	-30%		Difference	-44%		Difference	-15%	

Qualitying Quarters						
Q1	FALSE					
Q2	Eligible					
Q3	Eligible					
Q4	FALSE					

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