



**Baltimore-Washington Conference**  
The United Methodist Church

# Paycheck Protection Program Introducing First Draw/Second Draw

January 14, 2021

Pier McPayten, BWC Controller – [pmcpayten@bwcumc.org](mailto:pmcpayten@bwcumc.org)

Paul Eichelberger, BWC Treasurer – [peichelberger@bwcumc.org](mailto:peichelberger@bwcumc.org)

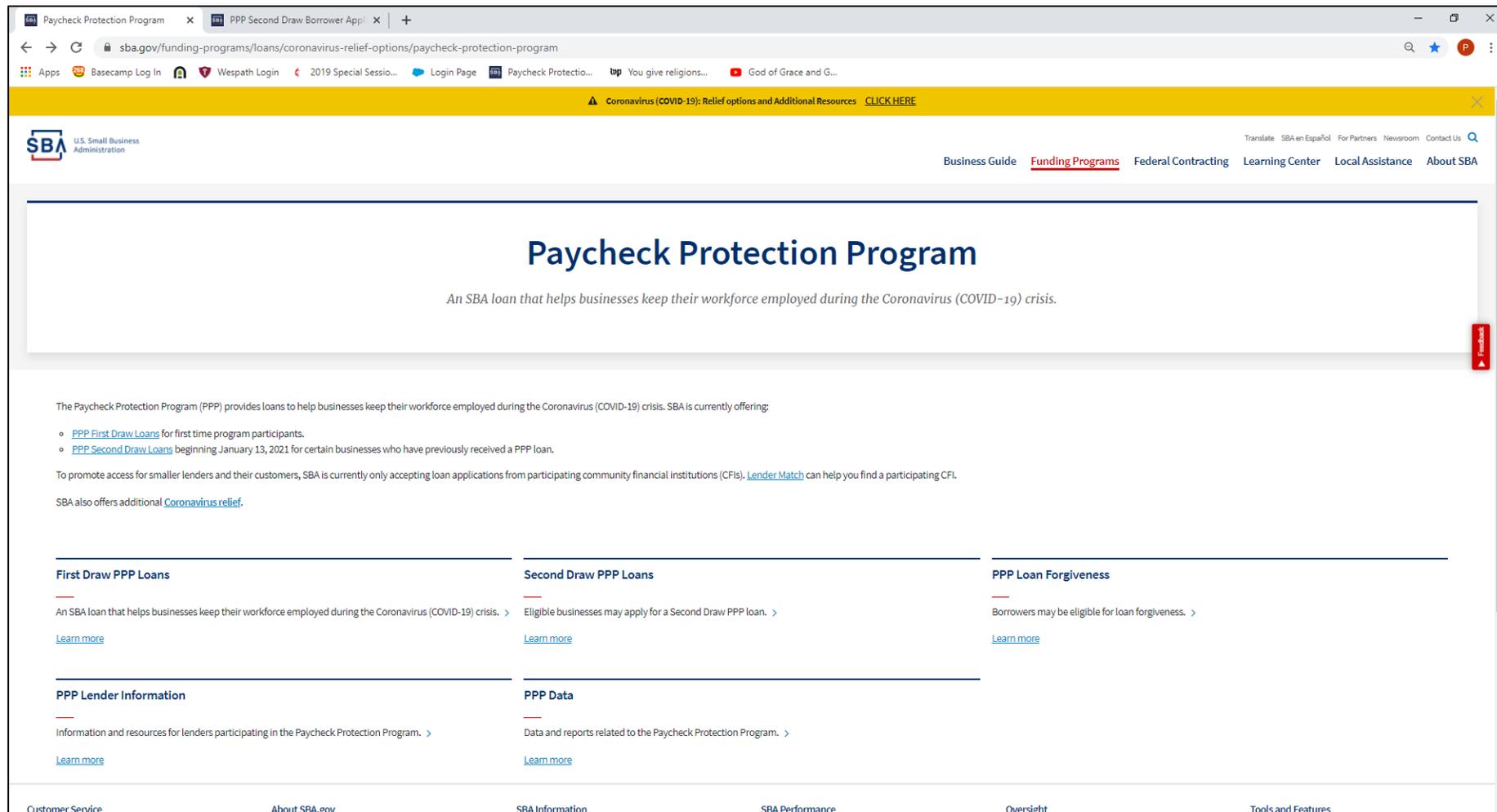
# Tonight's Agenda

---

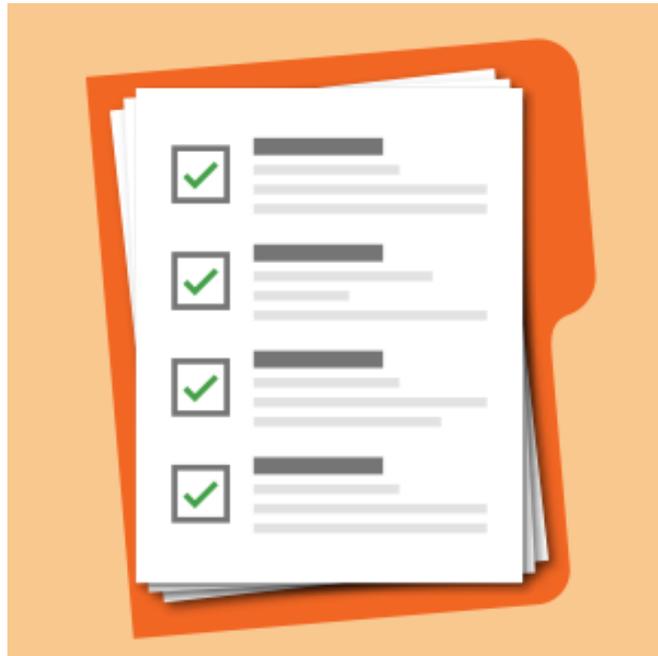
- Overview of Economic Aid Act
  - Reopened Paycheck Protection Program (PPP1)
  - Established New “Second Draw” Program (PPP2)
- Compare PPP1 and PPP2 Applications and Processes
- Examine “Gross Receipts” and the 25% decline requirement
- Three Most Common PPP2 Questions
  - Can we change our lender for PPP2?
  - Can we change our Payroll Cost calculations for PPP2?
  - Can our preschool apply for PPP2 by themselves?
- General Q&A

# SBA Website is an Excellent Resource

- <https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/paycheck-protection-program>



# Local Church Consultations



Do you need more time to discuss your options in your church's context?

Sign up for a consultation!

<https://www.bwcumc.org/article/local-church-financial-relief-consultations/>

# Economic Aid Act: Paycheck Protection Program (PPP)

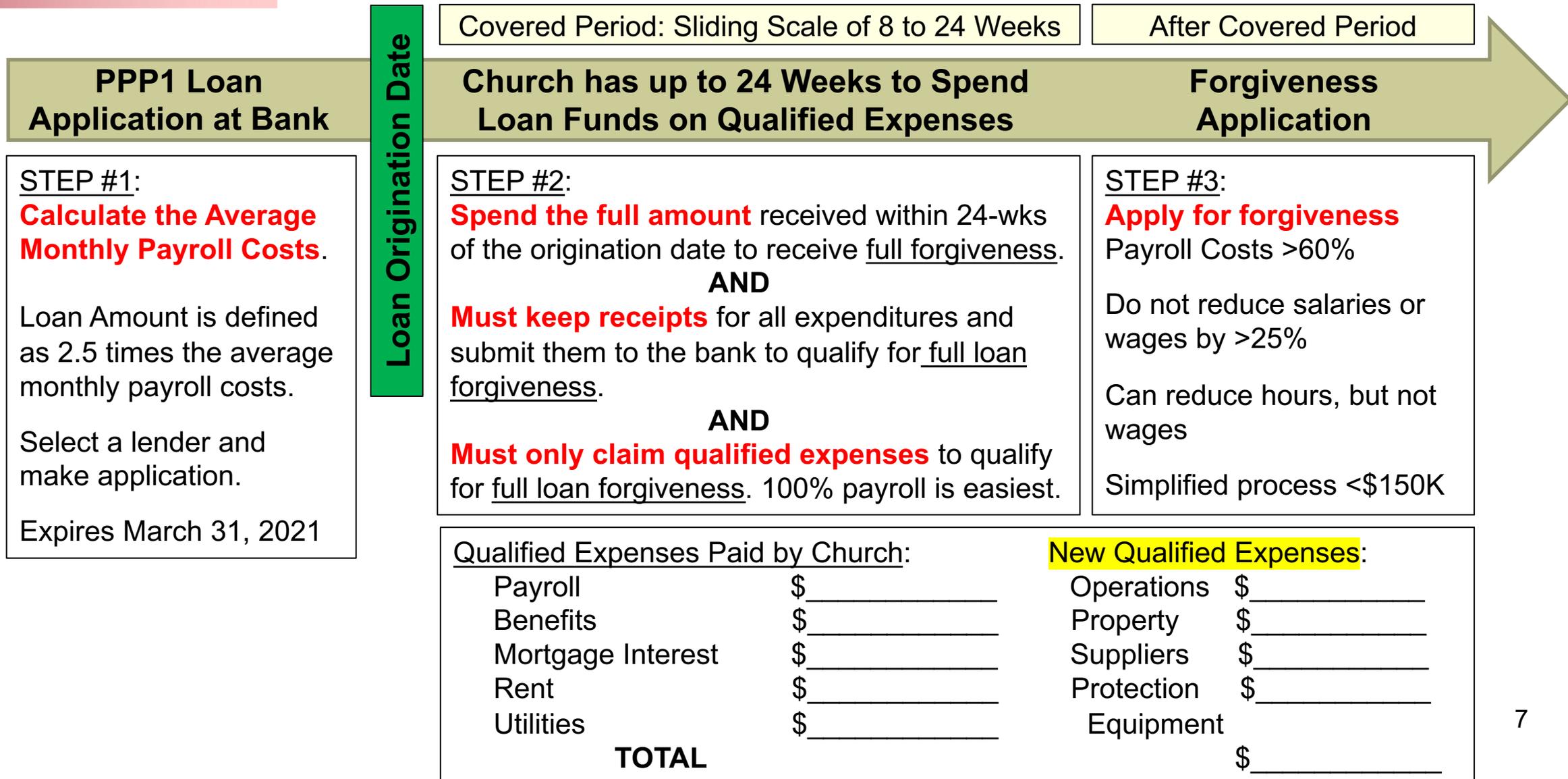
Three Programs are Available for churches (Effective 1/11/21 to 3/31/21)

1. **First Draw Loans** are available to all churches who did not participate in PPP1
  - SBA will first accept applications from community lenders, Start date January 11, 2021
  - **(NEW)** The SBA can match you with a community lender (“Lender Match”)
  - Application received until March 31, 2021
2. **Revised First Draw Loans** can be requested to increase the amount received
  - Not eligible if you received loan forgiveness before December 27, 2020
  - Consideration for a church that returned some or all of their PPP1 funds
  - Also provides opportunity to correct the Average Payroll Costs used in PPP1
3. **Second Draw Loans** are available to all churches who have spent all received PPP1 funds
  - Required to document at least a 25% decline in “gross receipts” in any 1 quarter of 2020 compared to the same quarter in 2019. Can also compare 2020 YE to 2019 YE.
  - PPP1 forgiveness is NOT required to apply for PPP2. The PPP2 certification states, *“will have used the full loan amount”* of PPP1 before PPP2 is disbursed.

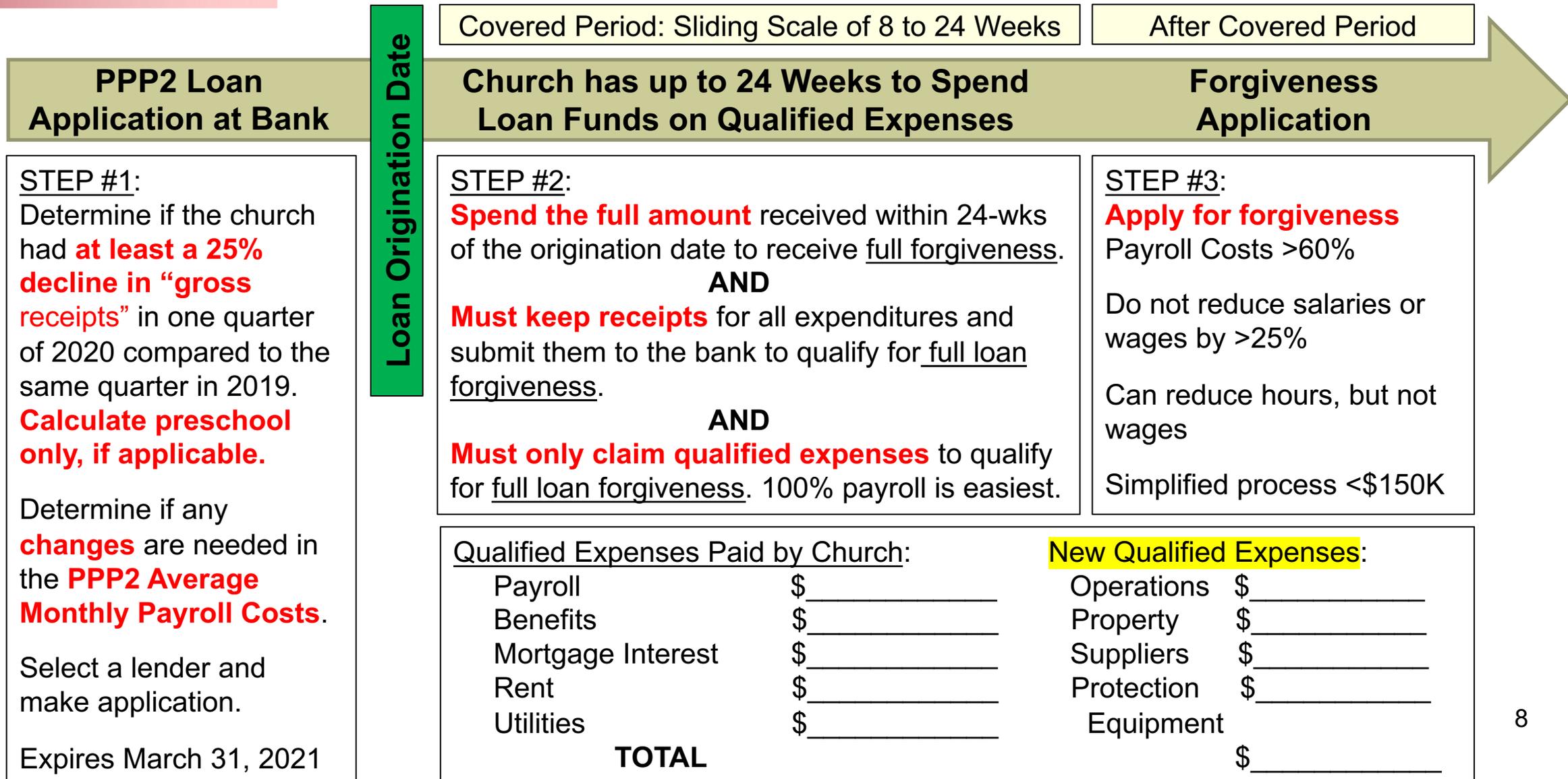
# PPP Applications are Similar

- Amount: Loans available up to 2.5x the average monthly Payroll costs (2019 **or 2020**)  
Payroll costs include: Cash Salary, Housing Allowance, Employer Paid Benefits  
Payroll costs DO NOT include: MISC-1099 Paid Employees (they apply individually)
- Used For: Payroll Costs  
Utilities  
Payment of mortgage (debt) interest  
Rent  
**Operations** (online giving, streaming)  
**Property** (during public disturbances)  
**Supplier** (essentials ordered before loan)  
**Protective Equipment** (PPE, plexiglass)
- Forgiveness: Loan will be converted to a grant if receipts are submitted to the lender that show the full amount of the loan was spent over **8 to 24-weeks** on qualified expenses.
- Authorization: BWC will treat these as grant applications and will NOT require a charge conference UNLESS loan forgiveness is not received. **Recommend Church Council vote to approve application and authorize one person to make the online application for the church. Document in minutes.**
- Certifications:  
PPP1 and PPP2: *Current economic uncertainty makes this loan request necessary to support the ongoing operations of the Applicant*  
PPP2: *The Applicant has realized a reduction in gross receipts in excess of 25% relative to the relevant comparison time period*

# PPP1 Process Overview



# PPP2 Process Overview



# PPP2 Application is Intended to be Simple

The application can be based on the same 2019 Average Monthly Payroll Costs used in PPP1

Reference is provided to the PPP1 Loan which ties this application to the documents that supported PPP1

## What's New?

Applicants must document a decline in "Gross Receipts"

Paycheck Protection Program Second Draw Borrower Application Form		OMB Control No.: 3245-0417 Expiration Date: 7/31/2021	
<b>Check One:</b> <input type="checkbox"/> Sole Proprietor <input type="checkbox"/> Partnership <input type="checkbox"/> C-Corp <input type="checkbox"/> S-Corp <input type="checkbox"/> LLC <input type="checkbox"/> Independent Contractor <input type="checkbox"/> Self-Employed Individual <input type="checkbox"/> 501(c)(3) nonprofit <input type="checkbox"/> 501(c)(6) organization <input type="checkbox"/> 501(c)(19) veterans organization <input type="checkbox"/> Housing cooperative <input type="checkbox"/> Tribal Business <input type="checkbox"/> Other		DBA or Tradename (if applicable)	Year of Establishment (if applicable)
Business Legal Name		NAICS Code	
Business Address (Street, City, State, Zip Code - No P.O. Box addresses allowed)		Business TIN (EIN, SSN)	Business Phone
		Primary Contact	Email Address
Average Monthly Payroll:	\$	x 2.5 (or x 3.5 for NAICS 72 applicants) equals Loan Request Amount (may not exceed \$2,000,000):	\$
Purpose of the loan (select all that apply):	<input type="checkbox"/> Payroll Costs	<input type="checkbox"/> Rent / Mortgage Interest	<input type="checkbox"/> Utilities
	<input type="checkbox"/> Covered Property Damage	<input type="checkbox"/> Covered Supplier Costs	<input type="checkbox"/> Covered Worker Protection Expenditures
	<input type="checkbox"/> Covered Operations Expenditures		
	<input type="checkbox"/> Other (explain):		
PPP First Draw SBA Loan Number:			
Reduction in Gross Receipts of at Least 25% (Applicants for loans of \$150,000 or less may leave blank but must provide upon or before seeking loan forgiveness or upon SBA request):	2020 Quarter (e.g., 2Q 2020):		Reference Quarter (e.g., 2Q 2019):
	Gross Receipts:	\$	Gross Receipts
		\$	\$

NAICS = North American Industry Classification System

Code 813110 = Religious Organizations

Code 624410 = Preschools/Infant Day Cares

# What is Included in Gross Receipts?

The Second Draw Application states:

- “Gross Receipts includes all revenue in whatever form received or accrued from whatever source...”
- “For a nonprofit organization ... gross receipts has the meaning in 26 U.S. Code § 6033” (Internal Revenue Code - Returns by exempt organizations) i.e. Form 990, Item G

Form <b>990</b>	<b>Return of Organization Exempt From Income Tax</b>		OMB No. 1545-0047
Department of the Treasury Internal Revenue Service	Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except private foundations) ▶ Do not enter social security numbers on this form as it may be made public. ▶ Go to <a href="http://www.irs.gov/Form990">www.irs.gov/Form990</a> for instructions and the latest information.		<b>2020</b> <b>Open to Public Inspection</b>
<b>A</b> For the 2020 calendar year, or tax year beginning _____, 2020, and ending _____, 20			
<b>B</b> Check if applicable: <input type="checkbox"/> Address change <input type="checkbox"/> Name change <input type="checkbox"/> Initial return <input type="checkbox"/> Final return/terminated <input type="checkbox"/> Amended return <input type="checkbox"/> Application pending	<b>C</b> Name of organization		<b>D</b> Employer identification number
	Doing business as		
	Number and street (or P.O. box if mail is not delivered to street address)	Room/suite	<b>E</b> Telephone number
	City or town, state or province, country, and ZIP or foreign postal code		<b>G</b> Gross receipts \$
	<b>F</b> Name and address of principal officer:		<b>H(a)</b> Is this a group return for subordinates? <input type="checkbox"/> Yes <input type="checkbox"/> No <b>H(b)</b> Are all subordinates included? <input type="checkbox"/> Yes <input type="checkbox"/> No If "No," attach a list. See instructions
<b>I</b> Tax-exempt status: <input type="checkbox"/> 501(c)(3) <input type="checkbox"/> 501(c) ( ) ◀ (insert no.) <input type="checkbox"/> 4947(a)(1) or <input type="checkbox"/> 527			<b>H(c)</b> Group exemption number ▶
<b>J</b> Website: ▶			<b>L</b> Year of formation: <b>M</b> State of legal domicile:
<b>K</b> Form of organization: <input type="checkbox"/> Corporation <input type="checkbox"/> Trust <input type="checkbox"/> Association <input type="checkbox"/> Other ▶			

# Gross Receipts – Per the Form 990 Instructions

## Gross Receipts include:

- All Donations, Grants and Bequests  
Restricted and Unrestricted; Cash and In-Kind at Fair Mkt Value  
Operations, Building Fund, Capital Campaign, Cemetery Fund, etc.
- All Fundraising (Gross amounts raised, NOT Net of Expenses)
- All Program Service Revenue  
Preschool Registrations, Building Use Fees, Event Fees, etc.
- Interest and Investment Returns
- Gross Proceeds from Rents and Sale of Property
- DO NOT INCLUDE
  - ✓ Cash Draws from Reserves or Refinancing
  - ✓ Pass-Through Payments (ex: ROCK fees)
  - ✓ PPP Funds received in 2020 (per SBA)

# Second Draw Requirement:

## Document at least a 25% Decline in 2020 Qtrly Gross Receipts

- Must document at least one quarter in 2020 that had at least a 25% decline in gross receipts compared to the same quarter in 2019 (called the Reference Quarter)

Reduction in Gross Receipts of at Least 25% (Applicants for loans of \$150,000 or less may leave blank but must provide upon or before seeking loan forgiveness or upon SBA request):	2020 Quarter (e.g., 2Q 2020):	<b>2Q 2020</b>	Reference Quarter (e.g., 2Q 2019):	<b>2Q 2019</b>
	Gross Receipts:	\$ <b>\$75,000</b>	Gross Receipts	\$ <b>\$100,000</b>

- This requirement can also be documented by showing a 25% decline in year end gross receipts between 2020 and 2019.

Reduction in Gross Receipts of at Least 25% (Applicants for loans of \$150,000 or less may leave blank but must provide upon or before seeking loan forgiveness or upon SBA request):	2020 Quarter (e.g., 2Q 2020):	<b>Annual</b>	Reference Quarter (e.g., 2Q 2019):	<b>Annual</b>
	Gross Receipts:	\$ <b>\$300,000</b>	Gross Receipts	\$ <b>\$400,000</b>

# How and When to Document the Gross Receipts Decline

The Second Draw application states, *“the Applicant must provide documentation that identifies the 2020 quarter meeting this requirement, identifies the reference quarter, states the gross receipts amounts for both quarters and supports the amounts provided.”*

- Lenders might ask for the church annual tax returns to document gross receipts, i.e. Form 990, Item G. Let them know that Churches are exempt from filing Form 990s
- Ask the lender to consider replacing the Form 990 with the two quarterly Profit and Loss statements from the financial system (aka Statement of Financial Activity)
- Loans exceeding \$150,000 will supply documentation with application
- Loans of \$150K or less will supply documentation when seeking forgiveness

Reduction in Gross Receipts of at Least 25% (Applicants for loans of \$150,000 or less may leave blank but must provide upon or before seeking loan forgiveness or upon SBA request):	2020 Quarter (e.g., 2Q 2020):	<b>2Q 2020</b>	Reference Quarter (e.g., 2Q 2019):	<b>2Q 2019</b>
		Gross Receipts:	\$ <b>\$75,000</b>	Gross Receipts

# Statement of Revenue

## Form 990, Part VIII

- If the Profit and Loss documentation is not accepted or is difficult to provide, then consider completing the Form 990, Part VIII that compiles the **Total Revenue**.
- The 990 Instructions provide guidance on how to calculate the **Gross Receipts** (Form 990, Item G) from the revenues listed in Part VIII.

*Total Revenue adds “net income” for rental income, sale of assets, and fundraising income.*  
*Gross Receipts adds revenues “before any expenses”.*

<https://www.irs.gov/pub/irs-pdf/f990.pdf>

<https://www.irs.gov/pub/irs-pdf/i990.pdf>

Form 990 (2020) Page **9**

**Part VIII Statement of Revenue**  
 Check if Schedule O contains a response or note to any line in this Part VIII

		(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512-514	
<b>Contributions, Gifts, Grants and Other Similar Amounts</b>	<b>1a</b> Federated campaigns . . . . .	<b>1a</b>				
	<b>b</b> Membership dues . . . . .	<b>1b</b>				
	<b>c</b> Fundraising events . . . . .	<b>1c</b>				
	<b>d</b> Related organizations . . . . .	<b>1d</b>				
	<b>e</b> Government grants (contributions)	<b>1e</b>				
	<b>f</b> All other contributions, gifts, grants, and similar amounts not included above	<b>1f</b>				
	<b>g</b> Noncash contributions included in lines 1a-1f . . . . .	<b>1g</b> \$				
	<b>h Total.</b> Add lines 1a-1f . . . . .					
			Business Code			
<b>Program Service Revenue</b>	<b>2a</b> _____					
	<b>b</b> _____					
	<b>c</b> _____					
	<b>d</b> _____					
	<b>e</b> _____					
	<b>f</b> All other program service revenue . . . . .					
	<b>g Total.</b> Add lines 2a-2f . . . . .					
			Business Code			
	<b>Other Revenue</b>	<b>3</b> Investment income (including dividends, interest, and other similar amounts) . . . . .				
<b>4</b> Income from investment of tax-exempt bond proceeds						
<b>5</b> Royalties . . . . .						
<b>6a</b> Gross rents . . . . .		<b>6a</b>	(i) Real	(ii) Personal		
			<b>b</b> Less: rental expenses	<b>6b</b>		
			<b>c</b> Rental income or (loss)	<b>6c</b>		
<b>d</b> Net rental income or (loss) . . . . .						
<b>7a</b> Gross amount from sales of assets other than inventory		<b>7a</b>	(i) Securities	(ii) Other		
			<b>b</b> Less: cost or other basis and sales expenses . . . . .	<b>7b</b>		
			<b>c</b> Gain or (loss) . . . . .	<b>7c</b>		
			<b>d</b> Net gain or (loss) . . . . .			
<b>8a</b> Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c). See Part IV, line 18 . . . . .		<b>8a</b>				
			<b>b</b> Less: direct expenses . . . . .	<b>8b</b>		
			<b>c</b> Net income or (loss) from fundraising events . . . . .			
<b>9a</b> Gross income from gaming activities. See Part IV, line 19 . . . . .		<b>9a</b>				
			<b>b</b> Less: direct expenses . . . . .	<b>9b</b>		
			<b>c</b> Net income or (loss) from gaming activities . . . . .			
<b>10a</b> Gross sales of inventory, less returns and allowances . . . . .		<b>10a</b>				
			<b>b</b> Less: cost of goods sold . . . . .	<b>10b</b>		
	<b>c</b> Net income or (loss) from sales of inventory . . . . .					
		Business Code				
<b>Miscellaneous Revenue</b>	<b>11a</b> _____					
	<b>b</b> _____					
	<b>c</b> _____					
	<b>d</b> All other revenue . . . . .					
	<b>e Total.</b> Add lines 11a-11d . . . . .					
<b>12 Total revenue.</b> See instructions . . . . .						

# Beyond Simple: Can I Change Lenders?

**Yes.** PPP2 can be coordinated with a new lender.

## Why Change?

- The PPP1 lender did not include the housing allowance or health benefits in the payroll costs.
- Looking for better customer service.

## Is it Easy to Change?

- Should be easy since all of the PPP1 documents are available to be submitted by you to the new lender
- But, a new lender may prioritize their work to preference current customers and PPP1 clients.

Two of My Favorites from  
PPP1 Include:



<https://www.tumcu.org/paycheck-protection-program-ppp-round-ii/>



<https://www.wesbanco.com/coronavirus/sba-paycheck-protection-program/>

# Beyond Simple: Can I Change the Average Monthly Payroll Calculation?

## Yes

- Applicants for PPP2 can use the 2020 Average Monthly Payroll Costs instead of 2019.
- Ensure the housing allowance and employer paid benefits are included
- Ensure Independent Contractors (MISC-1099) are not included in the church payroll costs since they can apply directly to a lender for PPP funds

## Seasonal Details

- Applicants for PPP2 can elect to use the Average Monthly Payroll Costs for any twelve-week period between Feb 15, 2019 and Feb 15, 2020

# Beyond Simple: Can the Preschool apply by themselves?

## Appears to be Yes

- This answer is based on the PPP affiliation waiver extended to religious organizations. The SBA provided Faith-Based Organizations FAQ offers an Addendum Statement that can be submitted with your application to claim the affiliation waiver that will enable a preschool to apply by themselves even if they operate under the same EIN.
- It is recommended to verify this position with the lender before submitting the application.



## Faith-Based Organizations FAQ

[Sample]

### ADDENDUM A

- ✓ The Applicant claims an exemption from all SBA affiliation rules applicable to Paycheck Protection Program loan eligibility because the Applicant has made a reasonable, good faith determination that the Applicant qualifies for a religious exemption under 13 C.F.R. 121.103(b)(10), which says that “[t]he relationship of a faith-based organization to another organization is not considered an affiliation with the other organization . . . if the relationship is based on a religious teaching or belief or otherwise constitutes a part of the exercise of religion.”

<https://www.sba.gov/sites/default/files/2020-06/SBA%20Faith-Based%20FAQ%20Final-508.pdf>



**Baltimore-Washington Conference**  
The United Methodist Church

# Questions & Answers

Stay Well!

Pier McPayten, BWC Controller – [pmcpayten@bwcumc.org](mailto:pmcpayten@bwcumc.org)

Paul Eichelberger, BWC Treasurer – [peichelberger@bwcumc.org](mailto:peichelberger@bwcumc.org)