An Overview of the Paycheck Protection Program and Economic Injury Disaster Loan Opportunities for Child Care Centers

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Welcome

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An Overview of the Paycheck Protection Program (PPP) and Economic Injury Disaster Loans (EIDL) Opportunities for Child Care Centers

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Agenda for Today’s Session

- Purpose
- Eligibility
- Gathering List
- Application How-To’s
- Advocating for Your Business
- Where to Turn for Additional Support
Overcoming the Challenges This Time Around

INFORMATION IS THE PATHWAY!

Assessing eligibility
- Figuring out if your business is eligible first!

Connection to local/regional bank or CDFI (PPP)
- Contact your state’s SBA office to find out which financial institutions are participating in PPP in your state.

Documentation
- Account numbers, tax ID numbers, and tax forms need to be compiled before the application.
Understanding Recovery Grant and Loan Programs

- Economic Injury Disaster Loan (EIDL)
- Paycheck Protection Program (PPP)

- If eligible, child care business can receive funding from one or both programs.
- If you apply for both programs, you must use the funds for different purposes.
### Understanding Recovery Grant and Loan Programs

<table>
<thead>
<tr>
<th></th>
<th>EIDL Loan</th>
<th>PPP</th>
</tr>
</thead>
<tbody>
<tr>
<td>What type of funding is it?</td>
<td>Loan</td>
<td>Forgivable Loan</td>
</tr>
<tr>
<td>Will I need to pay this money</td>
<td>Yes</td>
<td>Possibly, depending on how the funding is used</td>
</tr>
<tr>
<td>back?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Where do I apply for this</td>
<td>Directly from the SBA</td>
<td>From a bank that administers the program</td>
</tr>
<tr>
<td>program?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>How much money can I apply</td>
<td>6 months of working capital</td>
<td>2.5x your average monthly payroll</td>
</tr>
<tr>
<td>for?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>What is the repayment period?</td>
<td>1st payment deferred 1 year; Interest accrues during deferral period;</td>
<td>Up to 24 weeks to use the funds; 10 months to apply for forgiveness;</td>
</tr>
<tr>
<td></td>
<td>30 years to repay</td>
<td>Up to 5 years to repay any unforgiven portion of the loan</td>
</tr>
<tr>
<td>What is the interest rate?</td>
<td>3.75% APR (fixed); businesses</td>
<td>1%</td>
</tr>
<tr>
<td></td>
<td>2.75% APR (fixed); non-profits</td>
<td></td>
</tr>
</tbody>
</table>
What can I use these programs for?

EIDL and PPP are offered to cover losses incurred due to the COVID-19 pandemic. They can be used for expenses such as:

- Payroll
- Rent or mortgage interest
- Utility bills
- Food costs*
- Regular operating costs such as a payroll service*
- Personal Protective Equipment (PPE)*

*Newly eligible expenses in 2021. Confirm eligibility for forgiveness with your lender

Unallowable uses for EIDL and PPP include but are not limited to:

- Personal expenses
- Business expansion
- Paying off a mortgage or buying property
How do you determine which programs to apply for?

<table>
<thead>
<tr>
<th>Consider Needs</th>
<th>Think about the financial needs of your business and how they fit into each programs’ eligible expenses.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Apply</td>
<td>You can apply for EIDL and PPP loans and not accept them or accept only part of them.</td>
</tr>
<tr>
<td>Pay back</td>
<td>You can pay back money lent through EIDL or PPP early and avoid interest with no early payment penalty.</td>
</tr>
</tbody>
</table>
Purpose

- EIDL is a long-term direct loan program administered by U.S. Small Business Administration (SBA) designed to provide economic relief to businesses that are currently experiencing a temporary loss of revenue due to COVID-19.
- EIDL is a true disaster loan; in other instances, it might help businesses address weather-related losses. COVID-19 qualifies as the disaster in this instance.
- Providing up to 6 months of working capital to cover a wide array of working capital needs and normal operating expenses, such as rent, utilities, payroll, accounts payable, and other fixed debt payments.
EIDL Advance

- Targeted grant program offered by SBA, designed to help small businesses that did not receive the full $10,000 grant in 2020.
- More information should be available in the next few weeks.
- EIDL Advance funds are not available currently.
- Up to $10,000 loan advance; limited to $1,000 per employee.
- Funds do not have to be repaid; they are forgivable.
- Stay in contact with your local SBA district to determine changes in availability.
Eligibility

- U.S. citizens and “noncitizen national”/“qualified alien” owning 20% or more of business
- Physically located in the US or designated territory
- Suffered working capital losses due to the coronavirus pandemic
  - Not due to a downturn in the economy or other reasons
- Businesses with < 500 employees or defined as small by SBA
- Cooperatives with < 500 employees
- Most private nonprofits
- Faith-based organizations
- Sole proprietorships and independent contractors

You will be asked about federal criminal history and history of defaulting on previous loans.
EIDL Terms

Eligibility /Loan Quote or Acceptance is dependent upon:

- Credit History
- Repayment Ability

- Collateral for EIDL loans over $25,000
  - SBA will require applicants to pledge what is available but will not decline a loan for lack of collateral

- Personal guarantee for loans over $200,000
How & Where to Apply for EIDL

Applications must be submitted online through the SBA

https://covid19relief.sba.gov
Gathering List

- SBA Loan Application (online)
- Business’ Legal name, trade name & tax ID number
- Social Security Number
- Ownership percentage of the company
- Total gross revenue from February 1, 2019 – January 30, 2020
- Total cost of goods sold from February 1, 2019 – January 30, 2020
- Profit and Loss Statement
- Bank Name, Account Number & Routing Number – use the business account for your child care business
- Information about any other funding sources to cover losses due to COVID-19
Disaster Loan Assistance
Federal Disaster Loans for Businesses, Private Non-profits, Homeowners and Renters

COVID-19 ECONOMIC INJURY DISASTER LOAN APPLICATION

Application How-To
Eligible Entity Verification

Select one of the following options that best describes your business:

- Applicant is a business with not more than 500 employees
- Applicant is an agricultural enterprise with not more than 500 employees
- Applicant is an individual who operates under a sole proprietorship, with or without employees, or as an independent contractor
- Applicant is a cooperative with not more than 500 employees
- Applicant is an Employee Stock Ownership Plan (ESOP), as defined in 15 U.S.C. 632, with not more than 500 employees.
- Applicant is a tribal small business concern, as described in 15 U.S.C. 657a(b)(2)(C), with not more than 500 employees.
- Applicant is a business, including an agricultural cooperative, aquaculture enterprise, nursery, or producer cooperative (but excluding all other agricultural enterprises), with more than 500 employees that is small under SBA Size Standards found at https://www.sba.gov/size-standards.
- Applicant is a business with more than 500 employees that is small under SBA Size Standards found at https://www.sba.gov/size-standards.
- Applicant is a private non-profit organization that is a non-governmental agency or entity that currently has an effective ruling letter from the IRS granting tax exemption under sections 501(c),(d), or (e) of the Internal Revenue Code of 1954, or satisfactory evidence from the State that the non-revenue producing organization or entity is a non-profit one organized or doing business under State law, or a faith-based organization.
Conditions

- Review and check to agree to the conditions of EIDL
- If you are unable to check all the conditions, you will be considered ineligible and unable to move forward with the application process.

**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 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.
Disaster Loan Assistance
Federal Disaster Loans for Businesses, Private Non-profits, Homeowners and Renters

COVID-19 ECONOMIC INJURY DISASTER LOAN APPLICATION

Application How-To
Business Legal Name

- Your business’ legal name can be found on your tax statement.
- Search your business on your Secretary of States’ website if you need to confirm the legal name of your business.
Trade Name

- DBA means “Doing Business As”
- Also known as a tradename or fictitious business name
- Paperwork you would have submitted to your state’s Secretary of State
  - Likely to connect your legal entity name to the name of your center
- Okay to leave this blank if you do not have a Trade Name/DBA.
EIN/SSN

Enter your Employer Identification Number (EIN)
- This is also known as Federal Tax Identification Number.
- Can be found on your EIN confirmation receipt, a previous tax statement, contacting the IRS Business & Specialty Tax Line at 800-829-4933

-or-

Enter your Social Security Number for Sole Proprietorship.
- Nine-digit number can be found on your Social Security card.
Organization Type

Use the dropdown list to select your organization type.

- Limited Liability Company
- Sole Proprietorship
- C-Corporation
- S-Cooperation
- General Partnership
- Limited Liability Partnership
- Limited Partnership
- Cooperative
- Trust
- Independent Contractor
- Other

NONPROFIT QUESTION:
If you’re a nonprofit entity, check Yes.
If you’re not a nonprofit, select No.

FRANCHISE QUESTION:
If you are a franchise, check Yes.
If you’re not a franchise, check No.
Gross Revenue for the 12 months prior to the date of the disaster (01/31/2020)

- SBA utilizes January 31, 2020 as the day COVID-19 was declared a disaster.
- Gross revenue is the profit you earn prior to subtracting costs.
- Completing a profit and loss statement can assist with determining this amount.
Cost of Goods Sold for the 12 Months Prior to the Date of the Disaster (January 31, 2020)

- As a child care center, it is likely that you may not have cost of goods.
- An example of a business that would have cost of goods is a supermarket as they have inventory that must be sold.
- If you do not have cost of goods sold, enter “0” as this is a required field.
Rental Properties (Residential and Commercial) Only – Lost Rents Due to the Disaster

If you have a rental property enter the amount of rent lost due to the pandemic.

If you do not have a rental property, you can skip this question.
Nonprofit Cost of Operation for the Twelve (12) Month Prior to January 31, 2020

If you are a nonprofit entity, enter your cost of operation from February 1, 2019 – January 30, 2020.

Completing a profit and loss statement can assist with determining this amount.
Compensation From Other Sources Received as a Result of the Disaster

If you have received funding from other sources due to losses experienced by COVID-19, enter the total amount of funds received.

List the funder and the type of funding that you received.
Business Contact Information

- Locate your primary business address.
- This address may differ from the physical location of your center.
- Enter your phone number and your email address.
- Review and ensure that all contact information is entered accurately for ease of contact and to prevent delays.
Date Business Established

- List the date your business was started.
- This may be available on your business’ tax return.
- This may also be available on your Secretary of State’s website by searching your business.
Current Ownership Since

List the date that you took ownership of the business if purchased from a previous owner.

If you have always been the owner of your business, you can enter the date business started as your ownership date.
Business Activity

☑ Select “Educational Services” as your business activity.
☑ The Detailed Business Activity dropdown menu will change depending on your Business Activity selection.
☑ Select “Daycare” as your detailed business activity.
Number of Employees

☐ List the number of employees your business had as of January 31, 2020.
☐ Be sure to include yourself if you are an employee of your business.
Disaster Loan Assistance
Federal Disaster Loans for Businesses, Private Non-profits, Homeowners and Renters

COVID-19 ECONOMIC INJURY DISASTER LOAN APPLICATION

Application How-To
**Business Owners Information**

**Is Your Business Owned by a Business Entity?**
- If you are the owner of the business select, “No”
- If your business is owned by another business, select, “Yes”

**Individual Owner/Agent(s)**
- Enter personal information on each business owner and their percentage ownership.
- Select, “Add Additional Owner” to add additional business owner’s personal information.
Disaster Loan Assistance
Federal Disaster Loans for Businesses, Private Non-profits, Homeowners and Renters

COVID-19 ECONOMIC INJURY DISASTER LOAN APPLICATION

Application How-To
Additional Information

Answer first 3 questions of this section, by selecting Yes or No.

Select if you were assisted in completing the application
- If Yes, provide the name of the individual whether this service was paid or pro bono and whether or not you give the SBA permission to contact this person
- If you were not assisted in completing the application, select, No

Where to send funds
- Bank Name
- Bank Account Number
- Bank Routing Number
EIDL: Next Steps

SBA Loan Officer may ask for:
- Tax Information Authorization (IRS Form 4506T) for the applicant, principals and affiliates
- Complete copies of the most recent 3 years of Federal Income Tax Returns
- Schedule of Liabilities (SBA Form 2202)
- Personal Financial Statement (SBA Form 413)
- Profit and Loss Statement
Tips for Communicating w/SBA Loan Officer

- Correspondence and requests for additional documents regarding EIDL loans may be received via email, phone, and or physical mail.
- Be sure to monitor each mode, as EIDL loans can be declined for failure to respond or failure to provide documentation.
- Emails regarding EIDL will come from an email address ending in “@sba.gov”.
- Unsure of correspondence received? Reach out to your SBA Regional Office to verify.
Last Notes on EIDL

- If you are **approved** for an EIDL loan, you can change the loan amount up to the maximum loan quote or deny the loan.
- If you are **declined** for an EIDL loan, it’s not the end!
  - You can request a consideration within 6 months of decline letter
  - Review all information and documents submitted for accuracy
- Determine what is right for your business!
Paycheck Protection Program

HOW-TO’S AND MORE FOR PPP
How PPP Works

❑ PPP is a federally funded forgivable loan program administered by banks
❑ PPP is designed to help small businesses maintain their payroll. Businesses will be eligible for loan forgiveness if at least 60% of the funding they receive is used to cover eligible payroll costs, and 40% or less is used to cover other eligible business expenses
❑ Banks interpret SBA regulations and may also have their own policies
❑ Ask your banker questions throughout the process
❑ The SBA will not contact you directly about your PPP loan
❑ Applications are due by March 31st but it is possible funding will run out before then
How PPP Works

Apply and receive PPP loan

Use the funds within an 8-24 week period

Within 10 months after using the funds

Apply for forgiveness and show you’ve met all criteria for forgiveness

Apply for forgiveness but only meet some of the criteria

Don’t apply for forgiveness

Loan forgiven in full

Part of the loan is forgiven, and part is not

Pay off loan at 1% interest for up to five years
Changes to PPP Benefit Child Care Businesses

Increased Flexibility
- PPP funding can be used over a longer, more flexible time period
- More of the funding you receive can be used for nonpayroll costs and still meet the requirements for forgiveness

New Eligible Costs
- PPP can now be used for expenses such as PPE, food, and software expenses

Set Aside Funding
- Money has been set aside for lenders working with women-owned, minority-owned, and veteran-owned small businesses as well as for businesses in low- and moderate-income areas and with 10 or fewer staff

Streamlined Forgiveness
- Borrowers with PPP loans of $150,000 or less will fill out a one-page certification form to apply for forgiveness

Tax Implications
- Money from PPP is not taxed as income, nor does it reduce the ability to deduct normal business expenses
Eligibility

**All applicants:**

- The SBA does not require a credit check or a specific credit score, although some banks may run a check (ask your bank!)
- The business must employ U.S. citizens or legal permanent residents with a valid green card
- None of the business owners (20%+) can have a felony record within the last year, or last 3 years for certain financial crimes
- Must have been in operation February 15, 2020 and can’t be out of business. Business can be closed currently if there are plans to reopen
- Must have fewer than 300 employees (500 for first time borrowers)
Eligibility

If you received a PPP loan in 2020:

☐ You are referred to as a “Second Draw PPP applicant.”

☐ You must have fewer than 300 employees.

☐ You must demonstrate a 25% loss in gross receipts in at least one quarter in 2020 as compared to the same quarter in 2019.
### Application How-To

<table>
<thead>
<tr>
<th>Check One:</th>
<th>DBA or Tradename (if applicable)</th>
<th>Year of Establishment (if applicable)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sole Proprietor</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Partnership</td>
<td></td>
<td></td>
</tr>
<tr>
<td>C-Corp</td>
<td></td>
<td></td>
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<tr>
<td>S-Corp</td>
<td></td>
<td></td>
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<tr>
<td>LLC</td>
<td></td>
<td></td>
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<tr>
<td>Independent Contractor</td>
<td></td>
<td></td>
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<tr>
<td>Self-Employed Individual</td>
<td></td>
<td></td>
</tr>
<tr>
<td>501(c)(3) nonprofit</td>
<td></td>
<td></td>
</tr>
<tr>
<td>501(c)(6) organization</td>
<td></td>
<td></td>
</tr>
<tr>
<td>501(c)(19) veterans organization</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Housing cooperative</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tribal Business</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Business Legal Name</strong></td>
<td><strong>NAICS Code</strong></td>
<td><strong>Applicant (including affiliates, if applicable) Meets Size Standard (check one):</strong></td>
</tr>
<tr>
<td><strong>Business Address (Street, City, State, Zip Code - No P.O. Box addresses allowed)</strong></td>
<td><strong>Business TIN (EIN, SSN)</strong></td>
<td><strong>Business Phone</strong></td>
</tr>
<tr>
<td><strong>Primary Contact</strong></td>
<td><strong>Email Address</strong></td>
<td></td>
</tr>
</tbody>
</table>
Identifying a Lender for Your PPP Loan Application

To find the list of PPP-participating lenders in your state:

1. Consult your state’s SBA webpage: Find A Local SBA Office | The U.S. Small Business Administration | SBA.gov

2. Use the SBA Lender Match function: Lender Match helps you find lenders (sba.gov)
Gathering List for the Application

- Legal name, address, and year of incorporation for your business
- Federal tax ID #
- Business budget
- Bank account number and routing numbers for business checking accounts
- Corporate tax information from either 2019 or 2020

Your bank may ask you to upload your 2019 corporate tax return, articles of incorporation, and/or state business registration certificate
Where to Find Your Business Information

- Go to the Secretary of State website for the state you incorporated in (most likely your home state). They will have a searchable corporation database online.

  You can find a list of official state websites for every state on IRS.gov

- Your business information can also be found on your corporate tax returns
Considerations for using 2019 or 2020 business information in your application

- Use caution using 2019 information if your business has changed dramatically since the start of the pandemic (e.g. going from a staff of 24 to a staff of 12) as this could impact your ability to achieve full forgiveness.
- You can use 2020 tax information that hasn't been filed with IRS yet. Make sure it is as accurate as possible.
- For Entities with Employees using 2020 for loan calculation:
  - Federal Form 941 and quarterly state unemployment filings OR other tax forms or equivalent payroll processing records containing similar information.
  - Evidence of any employer paid benefits (retirement, health, life, disability, vision, and dental) if applicable.
Application Walk-Through

- Walking through the SBA form
- Your bank may present these questions within an online portal that looks a little different, but the content will be the same
- Your bank may also ask additional questions
- You will also need to upload some documents
- The SBA provides this form in English and Spanish
Business Entity Type ("Check One")

- Can be found on the Secretary of State website

You can also look at your federal corporate tax return and look up the number at the top left. For example, if you receive a form 990, your business entity is a nonprofit.
Business Legal Name and Address

The legal name and address of your business may not be the same as the sign on your center or its street address. Here are a few ways to find this information if you are unsure:

- Look on your most recent business tax return
- Look on your Secretary of State website
- Find the filing documents you received from the state or your lawyer when you set up the business.
DBA or Tradename if applicable

- DBA means “Doing Business As”
- Also known as a tradename or fictitious business name
- Paperwork you would have submitted to your state’s secretary of state
  - Connects your business legal name to the name of your center, if different
- Okay to leave this blank if you do not have a DBA!
NAICS Code

- Business Classification System

- Child care centers use NAICS Code 624410 – Child Day Care Services
  - Broad category that includes centers, family child care homes, preschools, Head Start organizations, baby-sitting companies, etc.

- Standalone kindergartens or programs associated with Elementary schools may use NAICS Code 624411

- You can confirm your NAICS code at www.naics.com or find it on your tax return
Year of Establishment

- Find this in your incorporation paperwork, or
- Search your Secretary of State business database online
Applicant Meets Size Standard

❑ Almost all child care centers will want to check the first box that they have fewer than 500 employees if they are a first time PPP applicant or 300 employees if they are “second draw” applicant applying for another round.

❑ Businesses with more staff could see if they qualify based on SBA’s industry size standard for child care which is under $8 million in annual revenue or the alternative size standard for small businesses, which is a valuation of less than $15 million.
Business TIN, EIN, SSN

- This number can be found in the top right corner of your business tax return.
- It is also on your W-9 forms
- Most child care centers will have an EIN rather than a TIN. An EIN is required to hire employees and pay payroll tax. You may also have paperwork from when you originally filed with the IRS that lists your EIN.
- Do not put your social security number (SSN) in this box unless you are a sole proprietor.
Contact Information

Include your name and the phone number and email where you can be reached.

Check and double-check that this information is entered correctly. If a lender is unable to contact you because of a mis-typed email address or phone number, your loan application may not be approved!
Calculating Average Monthly Payroll

- Can use annual payroll from 2019 or 2020 but must be consistent throughout the application.
- Determine annual payroll costs and then divide by 12.
- Will need to make further adjustments if any employees in the company make more than a $100,000 annual salary or primarily live outside the U.S.
Calculating Average Monthly Payroll (cont.)

- If you don’t have a payroll system that makes this information easily available, use your taxes as a starting place and then add any benefit costs not included.
- Should include all benefits (paid leave, insurance, retirement contributions).
- Don’t include federal payroll tax.
- Don’t include payments to 1099 contractors.
- Doesn’t include all staffing or hiring costs (e.g. background checks).
- Don't include costs associated with paid sick leave and family leave related to COVID (this paid time off is eligible for the Families First Coronavirus Response Act tax credit).
Loan Request Amount

**Example:**

1. Step 1: Center had an **$300,000 annual payroll cost** in 2019
2. Step 2: Divide by 12 = **$25,000 average monthly payroll**
3. Step 3: Multiply by 2.5 = **$62,500 Loan Request Amount**
Loan Request Amount – Refinancing EIDL

PPP provides an opportunity to refinance and apply for forgiveness

EXAMPLE: In 2020, this child care center received an EIDL advance of $10,000 (grant) and a $50,000 EIDL Loan.

Average Monthly Payroll Cost x 2.5 = $62,500

Outstanding EIDL Loan = $50,000

Total Loan Request Amount = $112,500
**Number of Employees**

- Can use 2019 or 2020 records but the year must be consistent with year used for the average monthly payroll calculation
  - Do count part time employees and student employees
  - Don’t count contractors (1099) or volunteers
Purpose of the Loan

❑ Can select all if applicable!
❑ Payroll costs will need to equal 60% or more of expenses for full forgiveness

**New allowable expenses in this round:**
❑ “Covered Worker Protection Expenditures” = PPE and other safety measures costs
❑ “Covered Property Damage” = “costs related to property damage and vandalism or looting due to public disturbances in 2020 that were not covered by insurance or other compensation”
❑ “Covered Operations Expenditures” = Software/IT, HR, Payroll, Admin, Accounting costs
❑ “Covered Supplier Costs” = includes "perishable goods"
Make sure you have the correct form!
Second Draw Applicants Only

- Will need your loan number from your first PPP loan
- Will need to demonstrate at least a 25% loss in 2020 compared to 2019.
- Some child care businesses may find it easier to demonstrate an annual loss rather than a quarterly one. This method requires completed 2020 annual taxes and the business must have been in operation for all of 2019 to make the comparison.
Calculating 25% Revenue Loss

Gross receipts are "the total amounts the organization received from all sources during its annual accounting period, without subtracting any costs or expenses."

If an entity was not in operation in the 1st or 2nd quarters in 2019 but did operate during the 3rd and 4th quarter, the entity qualifies for a second draw loan if gross receipts for one of the quarters of 2020 drops by 25 percent or more as compared to the gross receipts for the third or fourth quarter of 2019.

IRS Form 1120, Federal Corporate Tax Return, line 1c is the allowable gross receipts:
- Line 1a = gross receipts or sales
- Line 1b = Returns and allowances
- Line 1c = Balance. Subtract line 1b from line 1a
Calculating Revenue Loss (example #1)

Jane runs a child care center in 2019, generating $100,000 in gross receipts each quarter. Due to COVID-19 pandemic in 2020, revenues dropped; quarter 1 revenues equaled $75,000 and quarter 2 revenues equaled $50,000. Revenue dropped 25% in 2020 quarter 1 and 50% in quarter 2. Both quarters show at least at 25% drop in revenue from 2019 to 2020 for the same quarters. Jane qualifies based on the drop in revenue for the Second Draw PPP Loan.

- Gross receipts in Q1 2019 = $100,000
- Gross receipts in Q1 2020 = $75,000
- Results in a 25% reduction and is eligible for a Second Draw PPP Loan

\[
\begin{align*}
$100,000 \times 0.25 &= $25,000 \\
$100,000 - $25,000 &= $75,000
\end{align*}
\]

$75,000 = 25\%\text{ reduction}
Calculating Revenue Loss (example #2)

Mary started a child care center in September 2019 and because it was a start-up business, revenue was slow in quarter 3 of 2019, roughly $25,000. Business increased in quarter 4 of 2019 to $50,000.

In 2020, due to COVID-19 pandemic, quarters 2 & 3 were slow but steady, both at $35,000. Based on comparing quarter 4 in 2019 to quarter 3 in 2020, Mary had a revenue drop of 30% and will qualify for the Second Draw PPP Loan.

- Gross receipts in Q4 2019 = $50,000
- Gross receipts in Q3 2020 = $35,000
- Results in a 30% reduction and is eligible for a Second Draw PPP Loan

\[
\frac{50,000 \times .25}{50,000 - 12,500} = 37,500
\]

$37,500 = 25\% \text{ reduction}
Questions

❑ Nine yes or no questions. Only 1, 2, 5 and 6 are disqualifying if you answer yes. The rest may require you to provide additional information to your bank.

❑ Don’t forget to initial for questions 5 and 6!
Applicant Ownership

- Include contact information for all owners of at least 20% of the business.
- If your child care program is operated as a nonprofit and does not have owners, provide contact information for your authorized signatories.
Certifications

You will be asked to initial to certify 10 statements, including:

❑ That your business hasn’t closed permanently
❑ That the loan is necessary for the continuation of your business
❑ That funds will be used for allowable costs
❑ That you understand that loan forgiveness requires that 60% or more of the funds be used for payroll and 40% or less be used for allowable nonpayroll purposes

The authorized representative of the Applicant must certify in good faith to all of the below by initialing next to each one:

- The Applicant was in operation on February 15, 2020, has not permanently closed, and was either an eligible self-employed individual, independent contractor, or sole proprietorship with no employees, or had employees for whom it paid salaries and payroll taxes or paid independent contractors, as reported on Form(s) 1099-MISC.
- Current economic uncertainty makes this loan request necessary to support the ongoing operations of the Applicant.
- The funds will be used to retain workers and maintain payroll; or make payments for mortgage interest, rent, utilities, covered operations expenditures, covered property damage costs, covered supplier costs, and covered worker protection expenditures as specified under the Paycheck Protection Program Rules; I understand that if the funds are knowingly used for unauthorized purposes, the federal government may hold me legally liable, such as for charges of fraud.
- I understand that loan forgiveness will be provided for the sum of documented payroll costs, covered mortgage interest payments, covered rent payments, covered utilities, covered operations expenditures, covered property damage costs, covered supplier costs, and covered worker protection expenditures, and not more than 40% of the forgiven amount may be for non-payroll costs. If required, the Applicant will provide to the Lender and/or SBA documentation verifying the number of full-time equivalent employees on the Applicant’s payroll as well as the dollar amounts of eligible expenses for the covered period following this loan.
- The Applicant has not and will not receive another loan under the Paycheck Protection Program, section 7(a)(36) of the Small Business Act (15 U.S.C. 636(a)(36)) (this does not include Paycheck Protection Program second draw loans, section 7(a)(37) of the Small Business Act (15 U.S.C. 656(a)(37)).
- The Applicant has not and will not receive a Shuttered Venue Operator grant from SBA.
- The President, the Vice President, the head of an Executive department, or a Member of Congress, or the spouse of such person as determined under applicable common law, does not directly or indirectly hold a controlling interest in the Applicant, with such terms having the meanings provided in Section 322 of the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act.
- The Applicant is not an issuer, the securities of which are listed on an exchange registered as a national securities exchange under section 6 of the Securities Exchange Act of 1934 (15 U.S.C. 78f).
- I further certify that the information provided in this application and the information provided in all supporting documents and forms is true and accurate in all material respects. I understand that knowingly making a false statement to obtain a guaranteed loan from SBA is punishable under the law, including under 18 U.S.C. 1014 and 3571 by imprisonment of not more than five years and/or a fine of up to $250,000; under 15 U.S.C. 655 by imprisonment of not more than two years and/or a fine of not more than $5,000; and, if submitted to a federally insured institution, under 18 U.S.C. 1014 by imprisonment of not more than thirty years and/or a fine of not more than $1,000,000.
- I acknowledge that the Lender can share any tax information that I have provided 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 Applicant

Date

Print Name

Title

SBA Form 2483 (1/21)
Optional Demographic Information

<table>
<thead>
<tr>
<th>Principal Name</th>
<th>Position</th>
</tr>
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<tbody>
<tr>
<td>Veteran</td>
<td></td>
</tr>
<tr>
<td>Gender</td>
<td></td>
</tr>
<tr>
<td>Race (more than 1 may be selected)</td>
<td></td>
</tr>
<tr>
<td>Ethnicity</td>
<td></td>
</tr>
</tbody>
</table>

- Veteran: 1=Non-Veteran; 2=Veteran; 3=Service-Disabled Veteran; 4=Spouse of Veteran; X=Not Disclosed
- Gender: M=Male; F=Female; X=Not Disclosed
- Race: 1=American Indian or Alaska Native; 2=Asian; 3=Black or African-American; 4=Native Hawaiian or Pacific Islander; 5=White; X=Not Disclosed
- Ethnicity: H=Hispanic or Latino; N=Not Hispanic or Latino; X=Not Disclosed

Disclosure is voluntary and will have no bearing on the loan application decision.

This information will be used to assess the PPP program and who received loans. We encourage you to fill out this information if you are comfortable doing so.
How You Track What You Need for Forgiveness

Current loan forgiveness forms: Forgiveness Application (SBA Form 3508 and 3508S)

☑ Simplified one-page process for applying for forgiveness is coming soon for borrowers with loans of $150,000 or less.

☑ Maintain careful records of how you used the PPP funding.

☑ You are eligible for forgiveness if you use at least 60% of your PPP funds on eligible payroll costs and 40% or less on eligible non-payroll costs.

☑ You will submit your forgiveness paperwork through the lender who is servicing your PPP Loan.

☑ Be in touch with your lender about forgiveness from the start!
Employee Retention Credit (ERC) 2021

Refundable payroll tax credit has been extended into the first two quarters of 2021

- Effective 1/1/2021, the credit increased to 70% of qualified wages, which is amended to include the cost to continue providing health benefits.
- Eligibility: Effective Jan. 1, 2021, business operations that are either fully or partially suspended by a COVID-19 lockdown order, or for a quarter in 2021, if gross receipts are less than 80% of gross receipts for the same quarter in 2019.
- Cap on the tax credit is currently $10,000 per employee per quarter
- Small businesses can retroactively apply for the ERC if they took advantage of PPP; however, a credit may not be claimed for wages paid with the proceeds of a PPP loan that have been forgiven.
- Additional guidance from the IRS is coming soon
Additional Support
Please Be Aware That...

1. Only apply once!
2. Monitor your email, voicemail, and physical mail; be responsive.
3. Things are shifting and moving and changing so sign up for the SBA newsletter.
4. Your SBA Lender may require additional documents or collect additional information.
5. New fraud prevention measures will cause a slower review process for applications.
6. Be your own advocate! Call and email your loan lender until you receive confirmation that your PPP application has been successfully submitted.
7. If you received a state grant that was designed to cover operating costs, talk with the administering agency in your state about how that state grant will interact with these loans.
8. Prepare copies of all materials so that items can be easily resubmitted should anything be lost.
Please stay tuned for two forthcoming documents which provide an overview of the EIDL and an overview of the PPP.

Consider ALL of the federal options that exist: Employee Retention Credits, CCDBG funding that will come through state governments, and any new programs which may emerge.

Your state may have forthcoming grant programs and it may be that the funding they release will have fewer barriers.
Please share your questions!