

May 18, 2020 Update to Standing Committee RE: Paycheck Protection Program

In late March, Congress passed the CARES Act – Coronavirus Aid, Relief, and Economic Security Act. Within the CARES Act is a program called the Paycheck Protection Program (PPP) administered by the Small Business Administration (SBA).

The UUA Office of Church Staff & Finances provided extensive information on many aspects of the CARES act. In addition to their usual memorandums, they also held multiple conference calls. In addition to the information from the UUA and the SBA, conference calls and detailed memorandums were also offered for free from Church Law & Tax, Church West, Mission Well, and Vanderbloemen.

PPP summary:

The PPP authorizes forgivable loans to small businesses to pay and retain their employees during the COVID-19 crisis. The loan amount is average monthly payroll including benefits multiplied by 2.5. All loan terms will be the same for everyone – 2yr loan at an interest rate of 1%. The loan amounts will be forgiven as long as the loan proceeds are used to cover payroll costs, and most mortgage interest, rent, and utility costs over the 8-week period after the loan is made and Employee and compensation levels are maintained.

After reading all the information that was available and listening to all of the conference calls and presentations from the above groups, we decided that WUS should apply to the program through Needham Bank.

Prior to the pandemic:

We were already looking at significant budget deficits for both the current fiscal year and for next fiscal year. Without some significant cuts, we were expecting that we might need to use all but a small portion of our undesignated reserves. While we do have endowment money, we are dependent on the income that the invested funds produce and prefer not to draw down capital to pay our bills. Doing so impacts our income indefinitely. The recent pledge drive, while successful, promises less income than in recent years. In addition, we were not able to hold a large fundraiser for the current fiscal year.

Why Apply:

Sadly, we anticipate that the impact of the pandemic will be with us for many years. It is crucial that we are able to maintain our services and support now and in the future. There are limited places for WUS to save money without limiting what we offer to our members and to the larger community. We have loyal and highly valued staff that we would like to continue to employ throughout this difficult and uncertain time. There is a tremendous amount of uncertainty with regard to the amount of pledge income that we will receive. How many in our community have lost jobs or seen their incomes decline? All of our budget estimates, for now, have been made assuming that everyone who has made a pledge will honor it both this year and next year. In addition, our Town Day fundraiser had to be canceled along with Winchester's Town Day. While

there are plans to hold an online fundraiser this fall, it is unlikely we will match the funds we expected to receive from Town Day and a fall Dine-around.

So, when looking at where we were prior to the pandemic and then adding the impact of the pandemic, it seemed irresponsible not to apply to the SBA program.

Here is the email sent to the Standing Comm on April 4,2020:

I apologize for the firedrill and I had planned to provide a more detailed executive summary. HOWEVER - I received a phone call this morning from Needham Bank saying that time is of the essence - the application must be submitted as soon as humanly possible.

QUICK VERSION - The \$2+ Trillion dollar stimulus package includes a provision to help small businesses maintain their employees wages, etc. It is called Payroll Protection Program. I have read all the documentation put out by UUA, Church West, Church Law & Tax, MissionWell, and the SBA/Treasury. I listened to 4 conference calls - UUA, ChurchWest in cooperation with Church Law & Tax, and MissionWell, and Vanderbloemen. We are eligible to apply for somewhere (exact number TBS - Judy and I are scrambling to accumulate the necessary data) in the range of \$50-100,000 (2.5 times average monthly payroll expenses including benefits).

We need your approval because technically this is a loan/liability that could carry an interest rate of 1% for 2 years - it CAN be PREPAID at any time with NO penalties. HOWEVER - the intent is that the loan is FORGIVEN 100% as long as we prove we use the money to pay wages (minimum 75%) and utilities (25% maximum).

I have attached a fact sheet - but I believe this is an excellent opportunity and encourage you to vote YES.

It is FIRST COME FIRST SERVED - hence the fire drill - our rep at Needham Bank said every minute counts and they are there working on this today!

Thank you!

Sue

We received 7 YES votes and 0 negative responses/votes - not all SC members were able to respond in the allotted time. The advice from the UUA and other relevant parties including our lender Needham Bank was that the application needed to be submitted at the earliest possible moment. We first reached out to Needham Bank on Thursday, April 2nd. In a phone conversation with our representative at Needham Bank on Saturday morning, April 4th, we were specifically asked to submit the application by the end of the day if at all possible.

We applied and received a loan for \$89,500. This loan was funded on May 5th. Even if none of the loan is forgiven, the annual cost of the loan would be only \$895. However, based on the terms provided from the SBA and the guidance offered by the UUA, we believe that we will qualify for forgiveness for the entire portion of the loan that we use within the 8wk period that began on May 5th and ends on June 30th. The UUA continues to provide guidance on what qualifies and how to maintain necessary records. We also have ongoing support from our payroll vendor – FOX Payroll. We are currently reviewing the application for forgiveness that was released on May 15th.

There were many discussions within the UUA-Money forum and on conference calls regarding both the separation of church and state and the potential for issues with the requirement to agree with the Small Business Administration's (SBA) non-discrimination regulations. However, clarification on these issues was provided.

From the US Treasury:

"Nothing in [SBA nondiscrimination regulations] shall apply to a religious corporation, association, educational institution or society with respect to the membership or the employment of individuals of a particular religion to perform work connected with the carrying on by such corporation, association, educational institution or society of its religious activities."

From the UUA (from the memo dtd 4/24/20):

Some congregational leaders have voiced first amendment or "establishment clause" concerns. They question whether it is appropriate to accept government money as a religious organization. If they mean government should not favor one faith tradition over another, Unitarians, Universalists, and Unitarian Universalists have historically been strong advocates of this principle. The Paycheck Protection Program does not favor one faith over another. All faiths are treated equally. This program makes all 501(c)(3) nonprofits eligible for loans. Not to allow funding to religious organizations, who are valid 501(c)(3) organizations, might be construed as a violation of the Establishment Clause since it would be discriminating against faith-based organizations. Besides, UU congregations accept exemption from property taxes, sales taxes, and the tax deductibility of donations. Given the serious economic consequences of this time, congregations should avail themselves of this loan/grant program. It is critically important that our congregations retain their staffing infrastructure to carry on during this difficult period and to be ready to relaunch programs when "stay-at-home" orders are eventually lifted. Without help, some congregations will have no choice but to lay off/terminate staff. When in-person programming resumes, it will take months to replace some of these staff members and a year or more to recover the institutional memory and personal relationships that are so important to effective congregations.

Accepting and using the loan, and having the loan forgiven, does not commit WUS to any long-term staffing retention. It merely helps us maintain our beloved staff as long as possible and helps us have time to make decisions with care instead of haste.

With regard to the provision in the original bill asking recipients to make a good-faith certification concerning the necessity of their loan request, clarification from the U.S. Treasury and SBA was recently provided:

SBA, in consultation with the Department of the Treasury, has determined that the following safe harbor will apply to SBA's review of PPP loans with respect to this issue: **Any borrower that, together with its affiliates received PPP loans with an original principal amount of less than \$2 million will be deemed to have made the required certification concerning the necessity of the loan request in good faith.**

If you would like additional information, here are some of the more informative pieces that we have reviewed.

Overview of the CARES act from the UUA dtd 3/28/20

https://www.uua.org/sites/live-new.uua.org/files/ocsf_cares_fact_sheet.pdf

SBA Faith-Based Organizations FAQ

<https://www.sba.gov/sites/default/files/2020-04/SBA%20Faith-Based%20FAQ%20Final.pdf>

UUA PPP Update Memo dtd April 24

https://www.uua.org/sites/live-new.uua.org/files/ocsf_legislative_update_042220.pdf

UUA Slide Show (updated 4/9/20) discussing PPP from the series of conference calls in early April

https://www.uua.org/sites/live-new.uua.org/files/covid-19_federal_programs_staffing_and_finances_slides.pdf

UUA Recommendation to Congregations as Employers dtd 3/30/20

https://www.uua.org/sites/live-new.uua.org/files/covid-19_staffing_and_finances_memo.pdf

CARES Act – Vanderbleomen

https://docs.google.com/presentation/d/1d14SKWUdFnASf1rwNGX3y3HwCXGIVojcTKxPyjfvmdQ/edit#slide=id.g40853d763a_0_7

SBA – PPP Q & A

https://www.sba.gov/sites/default/files/2020-05/Paycheck-Protection-Program-Frequently-Asked-Questions_05%2013%2020_2.pdf

UUA Memo regarding PPP Loans & Forgiveness Criteria dtd 5/8/20

https://www.uua.org/sites/live-new.uua.org/files/ocsf_memo_ppp_forgiveness.pdf

Respectfully submitted,
Sue Kiewra & Judy Murray