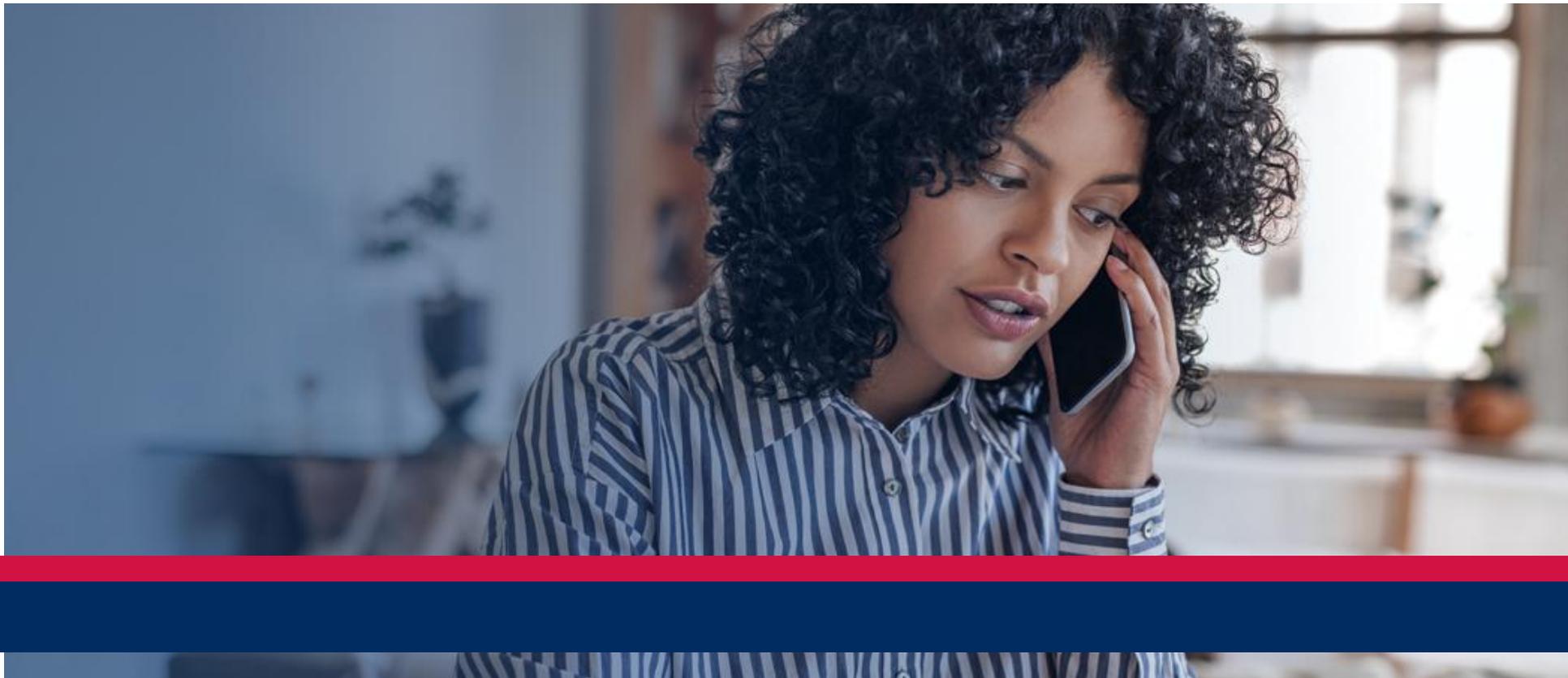


# SBA Funding Options for Non-Profits During COVID-19



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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](http://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](https://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 30<sup>st</sup> → 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](http://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](http://smallbizla.org/covid-19)

### Call:

1-866-588-SBDC



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