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# Hughes Hubbard & Reed

## Applying to the Paycheck Protection Program as a Nonprofit

### Client Advisories

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**April 28, 2020** - On April 3, 2020, the U.S. Small Business Administration (SBA) began accepting applications for the \$349 billion Payment Protection Program (PPP). The PPP was intended to provide relief during the Covid-19 pandemic to small businesses through forgivable loans. However, the funds allocated for the PPP were drained within two (2) weeks of launch. A second installment of funds to the PPP of \$310 billion has been passed. For nonprofits, this provides another opportunity to apply for relief through the PPP.

### What is the Payment Protection Program:

The PPP provides loans to small businesses and nonprofits that may be forgiven if certain requirements are met (as explained below)

### Nonprofits Can Apply:

According to the Interim Final Rules posted to the Federal Register on April 15, 2020, a nonprofit organization may be eligible to apply if the organization meets the following criteria:

- (i) You have 500 or fewer employees whose principal place of residence is in the United States
- (ii) You are either
  - a tax-exempt nonprofit organization described in section **501(c)(3)** of the Internal Revenue Code (IRC);
  - a tax-exempt veterans organization described in section **501(c)(19)** of the IRC; or
  - a Tribal business concern described in section 31(b)(2)(C) of the Small Business Act.
- (iii) You were in operation on **February 15, 2020** and either
  - had employees for whom you paid salaries and payroll taxes, or
  - paid independent contractors, as reported on a Form 1099-MISC.

## How to Apply:

The PPP loans are provided through participating SBA Lenders, such as most commercial banks and credit unions, to their customers. You can utilize the link below to search for and contact participating Lenders. If you have an existing relationship with a SBA Lender, contact your relationship manager at the SBA Lender to receive information regarding required documentation.

Find Eligible Program Lenders: <https://www.sba.gov/paycheckprotection/find>

The PPP borrower application form can be found here: <https://www.sba.gov/sites/default/files/2020-04/PPP-Borrower-Application-Form-Fillable.pdf>

### **Step-by-Step Guide:**

1. In the first box of the application form, check Nonprofit
2. Enter your Business Legal Name, DBA or Tradename if applicable, Business Primary Address, Business TIN (EIN, SSN), Business Phone, Primary Contact and Email Address
3. Calculate your "Average Monthly Payroll":
  - For purposes of calculating Average Monthly Payroll, Applicants can use the average monthly payroll for 2019 for employees whose principal place of residence is the U.S., excluding costs over \$100,000 on an annualized basis for each employee. (The application form includes a separate basis for calculation of Average Monthly payroll for seasonal and new businesses)

Examples:

#### **Nonprofit with 6 employees each making \$40,000 a year in 2019, no employees making above \$100,000**

Annual Payroll =  $40,000 \times 6 = 240,000$

Aggregate Payroll =  $240,000 / 12 = 20,000$

$(20,000) \times 2.5 = \$50,000$  **Loan Amount**

#### **Nonprofit with 7 employees making \$40,000 and 2 employees making \$110,000 a year in 2019**

Annual Payroll =  $(40,000 \times 7) + (110,000 \times 2) = 500,000$

Annual Payroll minus excess of an annual salary of \$100,000 =  $500,000 - 20,000 = 480,000$

Aggregate Payroll =  $480,000 / 12 = 40,000$  **Loan Amount**

4. The maximum loan is the lesser of \$10 million or the amount that you will calculate using a payroll-based formula specified in the Act, example above
5. Enter the Number of Jobs you used to calculate your Average Monthly Payroll
6. Fill in all applicable Applicant Ownership information and questions.

### **Forgiveness Requirements**

The loan will be fully forgiven if the funds are used for payroll costs, interest on mortgages, rent and utilities. To qualify for forgiveness at least 75% of the forgiven amount must have been used for payroll.

Forgiveness is based on:

- Employer maintaining or quickly rehiring employees, and
- Maintaining salary levels for those employees

Forgiveness will be reduced if:

- Full-time headcount declines, or
- Salaries and wages decrease

**Links for Consideration:**

- Interim Final Rules: [https://www.sba.gov/sites/default/files/2020-04/PPP%20Interim%20Final%20Rule\\_0.pdf](https://www.sba.gov/sites/default/files/2020-04/PPP%20Interim%20Final%20Rule_0.pdf)
- The PPP borrower application form can be found here: <https://www.sba.gov/sites/default/files/2020-04/PPP-Borrower-Application-Form-Fillable.pdf>
- Find Eligible Program Lenders: <https://www.sba.gov/paycheckprotection/find>
- PPP Overview page on SBA's Website: <https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/paycheck-protection-program-ppp>
- Local Assistance Finder: <https://www.sba.gov/local-assistance>
- PPP Frequently Asked Questions: [https://www.sba.gov/sites/default/files/2020-04/Final%20PPP%20FAQs%20for%20Lenders%20and%20Borrowers%204-8-20\\_0.pdf](https://www.sba.gov/sites/default/files/2020-04/Final%20PPP%20FAQs%20for%20Lenders%20and%20Borrowers%204-8-20_0.pdf)

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