

Resilient Leadership Update #12 - Special Edition

This special edition of the Resilient Leadership is focused on the numerous SBA updates to the Paycheck Protection Program (PPP) Loan which are important to you if your church has received or been approved for a PPP Loan. We will run our normal edition on Friday.

The Good News First

The SBA Approves Inclusion of the Minister's Housing Allowance for PPP Loan Calculations. Friday afternoon, the SBA provided some great news for churches as they clarified that [Minister's Housing Allowance](#) can be included when applying for a PPP Loan and future loan forgiveness applications.

Loan Forgiveness

If you missed our webinar on [Maximizing PPP Loan Forgiveness](#) with Stan Reiff, a Partner at CapinCrouse, the nation's largest accounting practice focused solely on serving churches and non-profit organizations, you will absolutely want to watch it or forward a link to those in your church who will be responsible for completing the loan forgiveness application. Stan answered dozens of frequently asked questions and provided a documentation framework for churches to increase the likelihood of having their loans forgiven. In an effort to keep churches informed on the implications of future SBA guideline announcements, Horizons and CapinCrouse have planned a series of additional webinars that you can sign up for in the webinars section below.

The Bad News: SBA Announces Plans to Verify Needs Before Forgiveness

In an interview on CNBC on April 28, 2020, U.S. Treasury Secretary Steven Mnuchin announced that the SBA will audit large PPP loans to verify economic needs before the loans are forgiven. Mnuchin is further [quoted](#), "The certification was very clear in saying that if people have other sources of liquidity, they could not take this loan." While the clarity of this

certification to loan recipients is certainly debatable, its implications to churches with unrestricted cash accounts could mean that all or part of their loans may not be forgiven.

On April 24, the SBA released an [FAQ](#) which notes “all borrowers must assess their economic need under the standard established by the CARES Act and the PPP regulations at the time of the loan application, which may imply those who took funds in the first PPP loans, may have a different standard for establishing economic need than those who were approved this week. In question 31, the SBA makes the following clarification in support of Mnuchin’s statement.

“Before submitting a PPP application, all borrowers should review carefully the required certification that '[c]urrent economic uncertainty makes this loan request necessary to support the ongoing operations of the Applicant.' Borrowers must make this certification in good faith, taking into account their current business activity and their ability to access other sources of liquidity sufficient to support their ongoing operations in a manner that is not significantly detrimental to the business.”

CapinCrouse discusses the uncertainty this announcement has brought to the forgiveness process in an [article](#) released this morning and in the [Maximizing PPP Loan Forgiveness](#) webinar. In the view of CapinCrouse, the new SBA guidances “do not yet address the lack of clarity in interpreting the certification.” Churches who believe they should not have taken the PPP Loans have until May 7, 2020, to return the funds and still be considered to have acted in good faith.

I recommend that churches with significant amounts of unrestricted cash on their balance sheets or in endowments discuss the implications of this new information with their CPAs prior to the May 7 deadline for returning funds. There are many complex issues in determining what is a restricted account (and not available for the church’s basic liquidity needs) and truly unrestricted accounts which the church may access at any point, so please seek licensed professional counsel.

Don’t forget to visit our [COVID-19 Resource Center](#) for relevant links to help guide you through this unique season of ministry.