

To: Church Leadership

From: Dwight Babcock, Diocesan Administrator

Administration / Finance Updates

Latest Update: **May 8, 2020**

As we all deal with issues of health and safety that very few of us considered even a month ago, we are also faced with a changing financial and administrative landscape for our congregations. All are aware of the stresses that this unprecedented situation has caused. Below are several items we hope will help provide available information around church administration that we have at this time. We will update this document as new information is released and/or additional clarity is provided regarding CARE provisions.

CPG Benefit - Grace Period:

CPG has temporarily implemented a 90-day hardship grace period (**through June 30, 2020**) for those who cannot afford to make timely payments for benefits or property and casualty coverage. The grace period allows you to defer payment to a later date without interest or penalties, but it does not waive the obligation to pay. That is, you will need to make arrangements to pay all past due amounts by the end of your grace period.

Clergy Pension Assessments

CPG has provided an opportunity for eligible congregations in regards to their clergy pension obligations. CPF may waive the obligation for clergy pension plan assessments for a period of up to two months if they meet strict criteria. To qualify, a diocesan bishop of the Episcopal Church must certify 1) that the senior most government official in his or her nation, state, or region has declared a major disaster (such as a state of emergency), 2) that as a direct result of the disaster, the ability of each **parish seeking relief to function has been severely impaired**, and 3) **that there are inadequate resources (including endowments) within the affected congregation** and diocese to pay assessments and continue to function. Please contact the Bishop if you believe you need to consider a waiver.

Healthcare Out-of-Pocket Expenses

Pursuant to The Families First Coronavirus Response Act, which became law on March 18, 2020, The Episcopal Church Medical Trust (the Medical Trust) will **waive all co-pays, deductibles, and coinsurance for its members for healthcare services relating to the evaluation, testing, treatment for COVID-19**. CPG is in the process of updating the Summary of Benefits and Coverage, which is available at www.cpg.org.

Any cleric, lay employee, or other member with questions about benefits and coverage under healthcare plans offered through the Medical Trust should visit his or her provider's website or call the toll-free number on the back of the health insurance card.

For retirees enrolled in a Medicare Supplement plan with United Healthcare, Medicare has announced that there will be no out-of-pocket costs for COVID-19 lab tests. For more information regarding Medicare benefits and additional information, please visit <https://www.medicare.gov/medicare-coronavirus>.

Financial Stewardship in Uncertain Times

The vital work that clergy, employees, and vestry members do has not gone away, and neither have the expenses. It can be difficult for churches to maintain support when people are not physically gathered in the church. We've put together a helpful document with a few suggestions and resources <https://www.diocgc.org/concerning-covid19>. In addition:

- The Diocese is providing the ability to give online for congregations that do not have ways to collect an offering or donation electronically at this time. There is now a "Donate" button added to the diocesan website (<https://www.diocgc.org/donations>) specifically for donations to churches during this crisis. Note that 100% of the gift will be sent to the church donor selects.
- We've added a resource article on how to get started on **Digital Giving** (such as online and mobile), on the our COVID resource page (<https://www.diocgc.org/concerning-covid19>).

Paycheck Protection Program – Loan Forgiveness

Churches may be able to apply for a PPP loan thru your financial institution. However, funds are limited and may not be available shortly. PPP loans require that the borrower will use the loan proceeds to retain workers and maintain payroll. For churches that received a PPP loan, the next question is usually around "forgiveness".

How do we go about having our PPP loan forgiven?

The CARES Act makes clear that the recipient of a PPP loan must apply to their lender for loan forgiveness. This application cannot be made any sooner than eight weeks after the loan originates. Future guidance from the US Small Business Administration (SBA) will describe the manner in which an application for forgiveness will be made.

- For loan forgiveness to occur, the CARES Act states that the borrower must have **incurred and paid** the qualifying expenses during the eight weeks following receipt of the loan proceeds. The time-clock starts the day you receive loan proceeds from your financial institution.
- Many banks did not allow the housing allowance to be included in calculating the amount of the PPP loan. The SBA has since issued guidance clarifying that a minister's housing allowance may be included as part of payroll costs.

- Remember, the employer portion of payroll taxes (SS, Med) should have been excluded from your payroll cost estimates. A good rule of thumb for loan forgiveness is using the same definition of payroll costs used to determine loan eligibility.
- Utility payments include payments for electricity, gas, water, transportation, telephone, or internet access for which service began before February 15, 2020.

What documentation will be requested by the bank for loan forgiveness?

While each bank may request different documentation, it is expected that they will request the following:

- Documentation verifying the number of employees on the payroll, hours worked by part-time employees, and rates of pay during both the eight-week period and the prior year measurement periods discussed in the section below regarding the headcount reduction factor.
- Documentation, such as invoices, canceled checks, payment receipts, and account statements or transcripts showing mortgage payments, rent payments, and utility payments.
- A certification by an officer, often your board chair, board treasurer, board secretary, senior pastor, or executive pastor, as to the truthfulness of the information submitted and certifying the loan proceeds were used to retain employees, make mortgage interest payments, make rent payments, make utility payments, or were used for some combination of these purposes.
- Any other documentation the SBA Administrator determines is necessary.

What could impact my PPP loan forgiveness?

- If your payroll costs are not at least 75% of loan proceeds. These costs include salary and wages, payments for group health insurance, including insurance premiums, employer retirement contributions, and taxes assessed on payroll by state and local authorities.
- If your employee headcount is reduced from initial application and/or if salary and wage reductions exceed 25%.
- If the PPP loan borrower obtained an Economic Injury Disaster Loan (EIDL) advance, then that amount must be subtracted from the loan forgiveness amount.

Do we have to open a separate bank account?

There is nothing in the CARES Act or subsequent SBA guidance that requires this. However, some churches may determine that depositing the PPP loan proceeds in a separate bank account and releasing them as qualifying expenditures are made may assist them in tracking them. It is recommended that you create a sub-account or fund to segregate your “normal” payroll” from the 8-week “PPP payroll” expenditures. As we don’t have forgiveness specifics at this time, ensuring a best effort to track / release these special payroll expenses is recommended.

Additional Information

Economic Injury Disaster Loans & Emergency Economic Injury Grants

These loans include an emergency advance of up to \$10,000 to small businesses and private non-profits harmed by COVID-19. Recent guidance notated is that the grant portion may be \$1,000 per employee up to \$10,000 and any remainder will be considered a long-term loan with 2.75% interest. Application is made thru the SBA; remember any "grant" advance used for payroll will cancel out equivalent PPP loan payroll forgiveness. While funds were depleted mid-April, additional / limited appropriations were approved (SBA is currently only accepting applications from agricultural businesses). Keep an eye on the SBA website as ground rules change; they may reopen to others with little notice.

Payroll taxes

The Act provides a refundable payroll tax credit for 50 percent of wages paid by employers to employees during the COVID-19 crisis. The credit is available to employers whose (1) operations were fully or partially suspended, due to a COVID-19-related shut-down order, or (2) gross receipts declined by more than 50 percent when compared to the same quarter in the prior year. You cannot utilize this option if you have received a PPP loan.

Charitable contributions

The Act encourages Americans to contribute to churches and charitable organizations in 2020 by permitting them to deduct up to \$300 of cash contributions, whether they itemize their deductions or not (above the line).

A Few Other Reminders:

1. **Review your Budget:** Budgets are road maps, not roads. Sometimes detours are necessary. Review your entire budget. See what income needs to be reassessed and identify what cuts may be necessary now or in the near future. Try to run various scenarios or plans to forecast their financial impact. With churches closed, what is the impact to loss of the Sunday plate?
2. **Employees:** Be sensitive to the importance of clergy and staff. They are working tirelessly to foster the relationships that support the vitality of your parishes. Do not make irrational cuts to employment status, especially if you have a PPP loan.
3. **Keep an eye on your Building and Grounds:** Please consider some of the following:
 - Reduce Energy Use. While current guidance provides visibility out two to three weeks, assume it will be longer. Turn off or reduce temperature settings for hot water heaters and turn A/C up to a more energy-efficient savings.
 - Keep building unoccupied by working remotely but make sure someone periodically checks on the parish.
 - Defer any parish projects you have scheduled unless absolutely critical.