

May 3, 2020

Dear North Park Covenant Church,

At the strong encouragement of denominational and conference leaders, our church leadership team has been walking through submitting an application to the Payroll Protection Program. As you might have heard, PPP was set up by the government in order to help stabilize business payroll and keep people employed during the financial upheaval of this coronavirus response with mandatory business closures and public health concerns. They grant loans to organizations, including churches, who are required to use those funds to keep employees on the payroll. If an organization follows the guidelines of appropriate use and maintains the same number of employees through this season, the loan becomes forgivable.

After all kinds of ups and downs with our application, including the fact that the PPP ran out of its first round of funding before our application had been accepted by Chase, we learned on Friday that our application had been accepted. The amount is equal to two and a half months of our payroll, or \$103,885.

Our Treasurer, the Executive Council and Trustees have been walking this application forward, and now that we have been granted approval by our bank and the Small Business Administration, the decision is coming to you, the members of our congregation, for final approval on whether we should utilize these funds.

While our constitution and bylaws don't speak directly to this situation and the current state of sheltering in place means we must be creative in our reading, based on Article X of the Constitution we have decided that a digital vote is an appropriate innovation to meet the demands of both social distancing and timely decision making. This vote to utilize the PPP funds we have been granted will need to have 90 responses (20% of our membership) and two-thirds of those responses will need to be yes votes.

The exact language of the motion will be as follows:

Do you vote to accept the Payroll Protection Program loan in the amount of \$103,885, with the stated restrictions for use, and the forgiveness terms and repayment terms as stated in the loan agreement.

Attached to this letter is an FAQ prepared by Scott Applequist, our church treasurer, to help you understand some of the details involved in making this decision.

Further, we invite you to join us in a town hall-style Zoom meeting on Tuesday night, May 5, from 7 p.m. to 8 p.m. We will use that hour to provide answers to questions that you might

May 3, 2020

have about the Payroll Protection Program. You can join on your computer as a video conference, or you can choose to call in on your telephone.

The information for joining the Zoom Town Hall Meeting is as follows:

Join Zoom Meeting

<https://us02web.zoom.us/j/87232484851?pwd=bXJuVEJQY0pvUnJ0TjBZZGJxWFNUQT09>

Meeting ID: 872 3248 4851

Password: 011159

One tap mobile

+13126266799,,87232484851#,,1#,011159# US (Chicago)

+19292056099,,87232484851#,,1#,011159# US (New York)

Dial by your location

+1 312 626 6799 US (Chicago)

+1 929 205 6099 US (New York)

+1 301 715 8592 US (Germantown)

+1 669 900 6833 US (San Jose)

+1 253 215 8782 US (Tacoma)

+1 346 248 7799 US (Houston)

Meeting ID: 872 3248 4851

Password: 011159

Find your local number: <https://us02web.zoom.us/j/krLOejx8C>

The voting will be officially opened Wednesday, May 6, at 9am and voting will be limited to members of the congregation. Those individuals will receive a separate email on Wednesday morning, May 6, with a link to the voting form. Each member in the household can have a separate vote. That voting link will be live through Sunday May 10 at 11:59 p.m. Further, if you are someone who would rather call in a vote, you may do so under the same timeline. To vote in this way, please call the church office at: 773.463.0055. In your message include the purpose of the call, your full name, and your vote of yes or no.

May God bless our community as we respond to the leading of the Holy Spirit and discern together our next right steps for God's glory and neighbors' good.

Pastor Libby

Pastor Jeff

Susan Dawson, Church Chair

Scott Applequist, Treasurer

North Park Covenant Church
Friday, May 1st 2020
Summary of the Paycheck Protection Program
Prepared by Scott Applequist, Treasurer

FREQUENTLY ASKED QUESTIONS and ANSWERS

Q: What is the Paycheck Protection Program (PPP)?

A: It is a Small Business Administration (SBA) loan that helps businesses keep their workforce employed during the Coronavirus (COVID-19) crisis. SBA will forgive loans if all employees are kept on the payroll for eight weeks and the money is used for payroll, rent, mortgage interest, or utilities.

Q: Does North Park Covenant qualify for a program like this?

A: In the application, we were asked to verify that current economic uncertainty makes this loan request necessary to support our ongoing operations. We believe that we qualify due to the economic uncertainty that currently exists and likely will impact our income. Also, the SBA provides additional guidance specifically for faith-based organizations: <https://www.sba.gov/sites/default/files/2020-04/SBA%20Faith-Based%20FAQ%20Final.pdf>

Q: What are the terms of the loan? Do we have to repay the loan?

A: The loan has a maturity of 2 years and an interest rate of 1%.

We do believe that we will qualify for loan forgiveness. There is some guidance from Chase regarding the forgiveness here <https://recovery.chase.com/cares1/sba-loan-forgiveness> as well as the SBA at <https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/paycheck-protection-program#section-header-7>.

Q: What groups at church talked about this loan?

A: The Trustees reviewed the possibility of this loan at their meeting on Tuesday, April 14th. There was a motion to move forward if loan is approved by SBA, and find some way to gain concurrence of congregation once approved. The Executive Council also reviewed the possibility of the moving forward with the loan process on Tuesday, April 21st. There was much conversation and the topics included: how to include the entire congregation in the decision, do we need this loan, can we give it back if we don't use it, how do we keep careful details of the transactions in our systems. After the conversation it was agreed that we would wait to see if we were approved and then engage the congregation and work on the next steps.

Q: What has been the timeline and process for North Park Covenant?

A: On March 30, we received guidance from the Central Conference, and other sources, about the potential for churches to consider applying for this loan from the small business administration. There was not a specific recommendation from the conference or the denomination, but a few church leaders (Jeff, Libby, Susan as Chair, Scott as Treasurer, Anders and Dave as Trustees), began thinking about the possibility of applying for the loan due to the uncertainty of life and income to church these days. While don't know what the next month or two will bring, we thought it would be good to move forward in order to "be in line" for the money.

Per Chase, there were four high level steps in the review and approval process. Here are those steps with the dates they were completed:

1. Application Received by Chase – completed Wednesday, April 15th
2. Payroll Review by Chase – completed Monday, April 20th
3. Awaiting SBA Approval – the SBA approved the loan on Wednesday, April 29th
4. Loan is funded – on a pending basis, the loan is funded on Friday, May 1st

Q: Does this include consideration of all our church employees, full time and part time?

A: Yes, this is all North Park Covenant employees, including preschool employees.

Q: What was the amount we applied for and were we approved for that amount? Do we intend to use the full amount?

A: Based on the guidance provided by the SBA, we were to use 2 ½ months of our average payroll and benefits, including retirement contributions and group health insurance costs. Our average monthly amounts for payroll related costs are \$34,679 and group health care costs of \$6,875, which meant we applied for a total \$103,885. We were notified that our approved loan amount is for \$103,885. The request in the application was based on 2 ½ months of payroll and benefits, and we are able to use the funds for 8 weeks of expenses, so there is a chance we will not use the full amount provided.

Q: Do we think we need this loan to meet our payroll needs?

A: With the uncertainty of current financial situations we felt it was good to proceed with the application. Our envelope giving through March 2020 was fairly stable when compared to January and February of 2020, as well as when compared to the first three months of 2019. Other sources of income (loose offering, building rental, interest on savings accounts, preschool tuition) are noticeably lower in March and April, and we expect will be lower for several of the coming months. See the end of this document for a more detailed financial projection.

Q: Can we just hold the loan money for a few months to see if we need it?

A: No, we are expected to start to use the money quickly after receiving the funds for the subsequent 8 weeks.

Q: What are a few possible outcomes?

A: Some possibilities include:

1. Use the money with the hope we qualify for loan forgiveness: Use the loan for payroll related and health insurance costs for 8 weeks starting in mid-May and expect to meet the terms for the loan to be forgiven and not be required to repay the loan.
2. Don't use the money. Return the loan money to Chase and the SBA now and not use it for payroll.
3. Use the money and treat it as a loan: Use the loan for payroll related and health insurance costs in the short term, and as we move forward during the year, if we find that the uncertainty of income we expected does not come to fruition then we repay the loan (in full or in part) even if we qualify for the loan forgiveness.

Q: Are there other restrictions for using these funds?

A: Per the information we received with our loan approval, the SBA restricts the use of these loan funds to specified purposes, and at least 75% must be used for payroll costs (as defined by the SBA). Our current intention is to only use the funds for payroll related expenses. Per the SBA, we may not use these loan proceeds to pay mortgage principal or pre-payments, under SBA rules. Additionally, the SBA has issued some guidance for borrowers on if, when, and how they can obtain forgiveness of all or a portion of the loan. We will continue to review program details at SBA.gov and Treasury.gov.

Q: If we aren't able to retain all of our employees even with this PPP money, what happens to the status of the loan? Do we have to then pay the whole amount back?

If our full time equivalency goes down because we can't keep everyone employed even with PPP funds, we don't immediately become liable to pay back all of the loan. There is a calculation that determines how much of the loan is required to be paid back, and it scales with how many employees are let go (Average monthly FTE 2020/ Average monthly FTE 2019). More information can be found at the Vanderbloemen CARE act information slides.

<https://docs.google.com/presentation/d/1iq6CTIqS5VZU6jRRjVwtnhVaw2tLS5i-5uzQwEntTj4/edit>.

Q: What are some of the expected next steps? What should I be doing?

A: Between Sunday, May 3 and the Zoom Town Hall Meeting on Tuesday, May 5 take the time to learn, discuss, and pray for the decision ahead of us. Please provide your comments and questions to Scott (treasurer@npcovenant.org), Jeff and Libby (copastors@npcovenant.org) or Susan (chair@npcovenant.org). The vote will be open beginning Wednesday, May 6th at 9am and lasting until Sunday, May 10th at 11:59pm. Information about how to access the digital vote will be provided to all church members via the email we have on file for them, or by a phone call if there is no email on file.

Q: What is our financial projection for the year?

The following are Scott's attempt to estimate the church's income and expenses for all of 2020. There are many scenarios that can be tested and when this longer time frame is considered, more uncertainty on income enters the conversation. Scott is willing to share more details with you as you are interested.

FIRST TOTAL FOR NON-PRESCHOOL PIECES

Income for 2020.

Actual (estimated) through April (not yet finalized)

non pre-school = 217,000

Expected income for May-December:

non-preschool = 456,000 (only from envelope offering, FOC, Katter endowment, and 5324 2-flat rental)

Total estimated non-preschool income for all of 2020 = 673,000 (budgeted was 737,000)

(Shortfall would be due drop in envelope offering, less FOC than budget, no misc contributions from preschool to NPCC, no building rental, no loose offering.)

Expenses for 2020,

Actual through April

non pre-school = 226,000

Expected expense for May-December (includes some reductions, but not many cuts at this time. Hard to estimate what our return to regular activities timeline is, such as youth ministries)

non-preschool = 487,000

Total non-preschool expenses for 2020 = 713,000 (budgeted was 736,222)

ESTIMATED NET POSITION AT YE 2020

non-preschool = -40,000 = 673,000-713,000

If I was some more aggressive and cut more expenses (capital improvements, VBS, staff professional development, among others) and included the FOC reserves to meet the FOC shortfall, then this net position would be about -10k. This does not consider using any reserve funds.

SECOND TOTAL INCLUDING PRESCHOOL PIECES

(I broke this out separately because the preschool has a big variable for the rest of 2020. These numbers below are TOTAL for North Park Cov, not preschool only.)

Income for 2020.

Actual (estimated) through April

Total income through April = 261,000 (preschool + rest of church)

Expected income for May-December:

Total estimated for May-December = 457,000 (preschool + rest of church)

Total income for 2020 (w/ preschool) = 718,000 (preschool + rest of church)

Expenses for 2020,

Actual through April

Total expenses through April = 268,000 (preschool + rest of church)

Expected expense for May-December

Total estimated for May-December = 562,000 (preschool + rest of church)

Total expenses for 2020 (w/ preschool) = 830,000

ESTIMATED NET POSITION AT YE 2020

total with preschool = -112,000 = 718,000 - 830,000

As stated above, this does not consider the use of any reserve funds.