Thrive Maine: Pandemic Recovery Business Forgivable Loan Program

Informational Webinar

FRIDAY, SEPTEMBER 16, 2022

PRESENTED BY:
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Q&A Transcript

Unique Entity Identifier number

Q: We were told we need a UEI number to apply for this. We have a DUNS number, but not a UEI. We applied for a UEI number through SAM.gov over three weeks ago, but it still shows "pending." We are worried we won't have the UEI in time for this application process. Any suggestions?

A: The UEI has replaced the DUNS number and is required in order to apply for this program. You may apply without your UEI and must select "no" in the application when asked whether you have it. However, we require proof that you have already applied for your UEI number. If your application is approved, then your approved application will be on "hold" status until you provide your UEI, and the approved loan amount will be set aside for your business. No funds will be sent until the UEI is provided. The UEI must be provided by December 3, 2022. If you do not provide your UEI number by this time, the funds set aside for your business will be allocated back into the Thrive Maine funds for the second round of applications.
Tip for the UEI application: Use the address that's on your tax return, as Jenn says, EXACTLY as it is on the tax return. Also, be sure to select "Get" a UEI instead of "Register."

General Questions about Thrive Maine

Q: Once you receive our applications, do you make the determination of what is allowed or approved for funding, or should we put the amount we are requesting?

A: When filling out the application, you will request a certain amount.

Q: Can you apply in the first round to receive a forgivable loan and then apply again in the second round in 2023 for the same category or a different category?

A: Yes! You may apply in the second round for an additional forgivable loan. If you apply in the first round for EBITDA, you may apply again for loss of EBITDA based on the full-year results of 2022, or for a different category.

Q: If the business is sold, do we have to pay the balance of the loan to be forgiven?

A: The forgivable loan is transferrable and can be assumed by the new business owner so long as the business model does not change and the majority of the employees and business remains in Maine.

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Q: Are sole proprietors eligible for these loans?

A: Yes! Depending on your business type, you will need to submit either personal (with appropriate schedules) or business taxes.

Q: For organizations on a fiscal year, do audited financials work or do you need tax returns?

A: Both documents are needed.

Q: Is a review level financial statement prepared by a CPA sufficient?

A: In addition to this statement, we will need all financial statements and taxes.

Q: What if we filed an extension for our 2021 taxes and don't have confirmation of filing by October 4?

A: Please send any and all tax and financial documentation for the applicable year that you have to prove your losses.

Q: If an LLC entity with multiple owners has some tax debt, federal or state, from before 2019 and is making payments on a plan, does that satisfy the taxes requirement?

A: If you are current on your payment plan, that satisfies the requirement.

Q: What if we have paid all our taxes, but there are state penalties that are currently being appealed? Will we still be considered up to date, or do we need to pay these penalties?

A: The penalties need to be paid or satisfied and not in dispute.

Q: Schedule S LLC does not require a balance sheet in Maine, so accountants do NOT prepare them. Can we use something else?

A: It does not have to be an accountant-prepared document. An internal document is acceptable.

Q: You've referred to a tax return AND a balance sheet. If we're a nonprofit, our tax return is the IRS Form 990, which contains both an income statement and balance sheet. Can we use that one tax return for all parts of the application? Or do we need a separate balance sheet?

A: The accountant-prepared Form 990 suffices.

Q: When supplying financials (income statement, balance sheet, cash flow), are you talking about BOOK statements? For a corporation, income (or loss) per federal statement 1120 is different than book income (or loss), which is reconciled in Schedule M-1 of the federal return.

A: Please provide book statements.

Q: Our payroll is passed through a management company which handles our state and federal payroll taxes. How do we handle this documentation?

A: You'll need to provide financial statements that include payroll costs, as well as taxes, which also include payroll costs and taxes. This information is required in order to apply.

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Q: For year-to-date (YTD) 2022, can it be through August? Our September statements won't be finalized by October 4.

A: Yes!

Q: If we purchased an existing company in March 2019, does that mean we are ineligible or can we use the seller's numbers for 2018?

A: In order to apply for loss of EBITDA, you would need to provide financials and taxes from the previous owner showing that the business model did not change after the purchase. If you changed the business model after the purchase, it would be considered a different business and you would not be able to apply for loss of EBITDA due to not having a full year for a baseline comparison.

Q: What metrics are being used for employees in Maine? Is this work performed in the state or do the employees need to be residents?

A: Fifty percent or more of the employees need to be residents of Maine.

Q: Do all three COVID-related categories require that 50 percent of employees be in Maine in order to apply?

A: Yes, your business must have 50 percent or more of your employees residing in Maine. This is a federal requirement.

Q: Is lost sales due to inability to find new hires also lost income?

A: If your EBITDA shows a loss vs. 2019, that would apply. However, we do not accept hypothetical situations, so if this refers to a counterfactual of what could have been possible with more employees, this does not qualify.

Q: If we had to lay off a lot of employees, bringing us below the amount of 50 percent being in Maine, are we eligible to apply?

A: No, the qualification is that 50 percent or more of employees must currently reside in Maine. If this is not met, the business is not eligible to apply.

Q: For this example, would I be disqualified?

XYZ, LLC (ME) – 30 Employees
ABC, LLC (MA) – 50 Employees
ZYX, LLC (NH) – 20 Employees

All entities are 100 percent owned by one beneficial owner and are legally distinct entities. One hundred percent of the Maine LLC employees are in Maine; however, 30 percent of the employees across all LLC entities are in Maine.

A: The company will apply as just the Maine entity, provided that the Maine business has 50 percent or more of its employees residing in Maine. You will need to provide separate financials for the independent Maine business and speak to/apply for just the financial impact felt in Maine.

Q: We are incorporated in MD; however, 80 percent of our employees are in Maine, along with our office in Portland. Are we eligible to apply?

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A: You are eligible to apply. The qualification is that 50 percent or more of your employees are Maine residents.

Q: Will we have access to the application prior to October 4? Or is it completed online?

A: The application is completed online. Our second webinar on September 28 will go over how to apply in the portal and will provide details on the application.

Q: Will documents be submitted via PDF on the portal? If there is an oversubscription in Round 1, will amounts be prorated among applicants?

A: Documents can be submitted in PDF, .doc, .xls, jpg, or plenty of other formats. Forgivable loan amounts will not be prorated. Loans are awarded on a first-come, first-served basis.

Q: What accounting resources are available to businesses that do not have accountants or bookkeepers?

A: SCORE or Small Business Development Center (SBDC) counselors provide free resources and may be able to assist you.

Q: How do we apply for a certificate of good standing with the State of Maine?

A: Visit the Corporations Division: Forms and Fees (informe.org).

Q: We incorporated on January 7, 2019. How will that impact our eligibility?

A: You are able to apply for either the Expenses Incurred or Increased Capital Project Cost categories; but not the Loss of EBITDA category because you will not have a complete base year.

Q: What is the time frame to determine loss of EBITDA, expenses incurred, or increased capital project cost?

A: For EBITDA, 2019 would be your baseline year, and subsequently 2020 and 2021 would be used to determine losses as compared to the baseline 2019 year. However, if 2019 was an extraordinary[1] year, you can submit 2018 as your baseline year. For expenses incurred, any spent expenses from the start of the pandemic to now (or committed to be spent with a contract by December 2024) count. Capital project costs need to be spent, or committed by contract to be spent, between March 2020 and December 2024.

Questions about Loss of Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)

Q: How does EBITDA relate to previous Paycheck Protection Program (PPP) forgivable loans and Economic Injury Disaster Loans (EIDL)?

A: PPP forgivable loans need to be deducted in the calculation for eligible loan amounts. EIDL loans that need to be paid back do not need to be subtracted from the eligible loan amount, but you will need to list that you received it for the sake of transparency.

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[1] Extraordinary items are **gains or losses in a company's financial statements that are unusual and unlikely to happen again**.

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Q: If you received PPP loans in both 2020 and 2021, do you take off only what was received in each year to calculate EBITDA? If you are only applying for one year, do you only deduct the amount received that year or the total PPP received?

A: Correct, each amount will impact the year it was received.

Q: We are a relatively new business that started in 2021. We only have 2021 taxes. Is this enough?

A: Yes. Your business would only qualify for either "expenses incurred" or "increased capital project cost" loss categories. These two loss types do not require baseline-year income figures and are relevant to new businesses that began during the pandemic.

Q: Can we use 2018 as the comparison (base year) if making the request based on EBITDA?

A: Yes. However, you will need to explain the difference between 2018 and 2019 and what made 2019 financially extraordinary. You will need to prove that the event won't happen again and that 2018 was "normal" as opposed to 2019. You will also need to include all 2018 information – taxes and financial statements.

Q: What if a business is incorporated by December 31, 2018, but didn't open and start earning revenue until October 1, 2019?

A: This business is not able to apply based on loss of EBITDA since a full year pre-pandemic is required as a baseline measurement. You may apply based on the "expenses incurred" or "increased capital project cost" categories if applicable to your business.

Q: Should we calculate EBITDA by fiscal year or calendar year?

A: Fiscal or calendar year is acceptable, whichever your company uses.

Q: If we want to request for just 2020 EBITDA vs. 2019, would you still want us to send 2021 tax returns?

A: Yes, 2019, 2020, and 2021 tax returns must be submitted.

Q: Do I have to include EBITDA in all three years? EBITDA went up for us in 2020 but down in 2021. Do I include 2020?

A: Yes, you must include all years; however, you can apply for only the loss of 2021 vs. 2019 baseline.

Q: As an organization, when COVID hit, we had to take significant action to ensure that the organization would survive. As a result, we lowered salaries by $110,000 per year, so over two years, we lowered salaries by $220,000. This would have been the negative impact on EBITDA. Does this qualify?

A: No, unfortunately, this does not qualify.

Q: How is previous COVID relief subtracted from the EBITDA calculation?

A: The easier method is to include federal and/or state pandemic relief in your profit and loss statement as other revenue. This would then incorporate these funds into the calculation and you don't have to worry about a secondary step. We will go over this in detail in our second webinar (September 28).

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Q: I'm a little confused about the EBITDA formula you are using. In one slide, it states that previous pandemic funding is subtracted, but in the next slide, it states that the PPP must be included in your yearly income. Which is it, please?

A: The example had the PPP already included in EBITDA. If you have included PPP or other grants as other revenue, great! If you have not included a grant or PPP in your profit and loss calculations already, you need to reduce the loan request by the received PPP (or other grant) amount. We will go over this in detail in our second webinar (September 28).

Q: In the case of a nonprofit with minimal overhead expenses, can top-line revenue also be offered for consideration when determining impact (in addition to EBITDA)? Some nonprofits are struggling to regain pre-COVID traction into the community that may not be completely captured in EBITDA alone when most expenses are directly associated with operations.

A: Top-line revenue cannot be offered, only EBITDA.

Q: Because we have a great community, we had a lot of people step up with donations and our fundraising was stronger than we've ever seen. We don't think that will continue, especially with inflation and the markets going down. How will that be figured into the calculations?

A: This is hypothetical at this point, so it is not eligible.

Q: Is loss of volume with wholesale accounts valid year-over-year, as retailers were closed for many months during the pandemic? This would not be evident in the financial EBITDA.

A: We consider that EBITDA. If you lost accounts and were not able to adjust your expenses, your EBITDA would decrease. If you were able to adjust expenses, you might have been able to maintain the same profit, so there would not be a loss and therefore you would not apply for the "loss of EBITDA" category.

Q: Will the second round of loans in 2023 go with a base year as 2020 instead of 2019?

A: No, it is a comparison of pre-pandemic numbers, so the baseline year will continue to be 2019.

Questions about Expenses Incurred

Q: For COVID-related expenses, does testing count? We are required per union stipulation to test all employees one to three times a week depending on the level of community transmission.

A: Yes, this is an eligible expense for the "expenses incurred" category. All proof of the expense – invoices, receipts, etc. – will need to be submitted with your application.

Q: For expenses incurred, can we include 2022 expenses in addition to the expenses from 2020 and 2021?

A: Yes! Any expenses incurred or committed to up to the time of submission of your application may be included, so long as proof is provided.

Q: If a small business is being forced out of their location due to extreme rent increases of more than 50 percent and a purchase is made of the building, can that cost be recouped via the "capital project cost" category?

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A: No, unless you had a primary and secondary quote where the cost increased. You could then apply for the increase between the two quotes/contracts.

Q: If a business was forced to move out of a physical space (like a hotel) because it was designated as emergency housing shelter, would the costs associated with the move be considered a qualifying expense?

A: Yes, this could qualify as a pandemic expense, as long as the reason the business was forced to move was pandemic safety. You will need to provide proof of the move and new expenses related to it.

Q: If we are applying for expenses incurred, is an invoice sufficient or is a copy of a check needed?

A: Please submit both with your application.

Q: Does a signed contract with a contractor or supplier work for expenses to be spent?

A: Yes, as long as the expense will be spent by December 2024.

Q: We have a signed contract for a construction project currently underway. Do we also need to submit invoices and/or receipts to date or is the executed contract adequate?

A: If the contract includes the price of the project, that works, but any information you can provide will support your case – it is best to provide more evidence.

Questions about Increased Capital Project Cost

Q: If we received a detailed engineering estimate (not contracts) for the project from 2020 and the actual cost in 2022, does that meet the quality of documentation that you need for the "increased capital project cost" category?

A: Yes, if you received a quote from contractors that would complete the project, then it would suffice. If it was an initial estimate from a different third party who is not completing the project, then it would not be sufficient evidence.

Q: Can an initial capital quote be from during COVID, such as January 2021, if I can show increase due to COVID between then and now?

A: Yes.

Q: What if you are a construction company and the material cost increases from the quote's original supplies when the project is started?

A: This seems like it would be a cost of goods or material that would hit your income statement, so it would be for the "loss of EBITDA" category. Contact us for further inquiry at thrive@famemaine.com.

Q: We had a capital project with written proof in 2018 and began the project in September 2021 with completion in 2022. Project cost increased because of COVID and the cost of the project was paid out monthly beginning in September 2021, with 100 percent paid out in September 2022. How would this be calculated, as the total cost was not paid until the project was completed and, without looking at the actual number, the

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comparison between the early quote and what was paid out in 2021 would be less than the earlier quote; however, once paid in full, it is higher than the 2018 quote. Thank you for your help!

A: You will compare what you paid for the project to the original 2018 quote. It will also be important to include all documentation of quotes, contracts, and invoices with your application, especially to prove that the costs increased for the same-scope project.

Q: How do you send invoices for work that has not been completed or paid for yet but has been agreed to and you have a signed contract for?

A: The signed contract you send with your application must have an amount on it to prove the cost.

Q: These past few years made it quite apparent that we need air handling, which is nonexistent at the moment, including AC, circulation and filtration, and new heating. Does this qualify?

A: Yes, it does qualify as long as it is required due to COVID. In this case, it would fall under the "expenses incurred" category. You may apply for this cost under the "increased capital project cost" category if you received a quote to have this work done, have seen an increase in cost, and have a signed contract to have the work completed by December 2024 (if it is not yet completed).

Questions regarding other federal and state pandemic relief funding

Q: For previous pandemic funding, are you only considering the PPP loan? There were other grants, such as the Maine Economic Recovery Grant.

A: There are many grants and pandemic funding from both the state and federal government. All COVID-related state or federal funding previously received will need to be disclosed in your application.

Q: If a small business has received EIDL funding in 2020 from the SBA for COVID relief instead of a PPP loan, is the repayment of that loan (long-term liability) a qualifying purpose for the funding you are presenting about?

A: EIDL loans that need to be repaid do not need to be taken out of the calculation for eligible amount. However, these loans should be noted in your application for transparency.

Q: Our largest impact has been to membership revenue. The PPP loans also helped with that. Since membership happens every year, could we apply again for this?

A: Any loss the PPP loan did not cover would qualify.

Q: Would PPP be considered as subtractable during the year of the loan or the year in which it was forgiven? For example, PPP was disbursed in 2021 but not forgiven until 2022.

A: The loans are subtracted in the calculation according to the year the funds were disbursed. In this example, it is when the funds were received in 2021.

Q: How are the ERTC funds to be treated? Much like PPP?

A: Correct, ERTC (Employee Retention Credit) was forgiven so it will reduce your eligible loan amount.

Q: Is a Maine Technology Institute (MTI) PRIME award considered pandemic relief and should it be subtracted?

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A: Yes, the PRIME Fund was also federally funded by the American Rescue Plan Act (ARPA) and is considered federal relief. You will subtract it in the calculation for the eligible amount.

Q: Are ARPA funds that were received for childcare centers to be used to pay monthly bonus amounts to staff considered "pandemic relief" that needs to be listed and included, even though the funds were passed to staff?

A: Yes. You will list it as federal pandemic funding, and it will be subtracted in the calculation for the eligible amount for a Thrive Maine forgivable loan.

Q: Will the Restaurant Revitalization Funds need to be subtracted from any potential reward?

A: If you received pandemic relief funds that do not need to be paid back, this will need to be subtracted from the eligible loan amount.

Q: I did not qualify for the first round of PPP loans but did get the second one. Am I eligible to apply for this?

A: Yes! Your PPP loan will reduce your eligible loan amount.

Q: We received a small grant from a foundation to cover PPE. Would we include that in pandemic relief?

A: If it is from a private foundation, it does not reduce eligibility. This program is federally funded, so it is governmental money (federal and state) received that will impact your eligibility amount.

Q: How do you verify the previous pandemic funding? Do you review the tax returns for 2020 and 2021?

A: Yes, we'll review tax returns as well as lists of other grants and pandemic relief that we will cross reference.

If English is not your preferred language and you are in need of translation services, please send us an email at thrive@FAMEmaine.com for assistance.

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