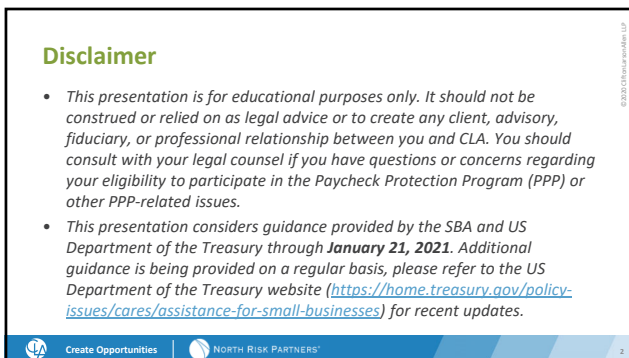
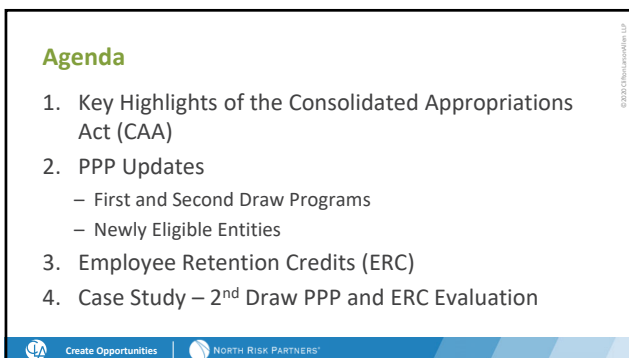




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CAA: Key Highlights and Timeline

- Signed into law December 27, 2020
- Paycheck Protection Program – \$284B in new funding
- Expansion of the Employee Retention Credits
- Shuttered Venue Operator Grants
- Clarified that expenses covered by PPP are deductible for federal tax purposes
 - State Tax: IA, NE, ND follow Federal for Forgiveness and expense deduction
 - ◊ MN – At this point forgiveness is taxable, expenses deductible
 - ◊ SD – No State Tax

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PPP Updates

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PPP Updates

Program	PPP1	PPP2
Basics	New Funding and Updates for First-Time PPP Borrowers	Funding for Second-Draw PPP Loans
Eligibility	General: 500 Employees Housing Coop / 501(c)(6) / Destination Marketing: 300 Employees	25% Revenue Reduction and Limit of 300 Employees Must have spent all of PPP1 by PPP2 funding
Entity Types	Similar to Original PPP + Housing Coop + 501(c)(6) + Destination Marketing Org + News Org	
Forgiveness	Similar to Original PPP + Additional Eligible Costs	

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2nd Draw PPP Eligibility

- Max 300 employees**
Calculate based on prior 12 months headcount. If affiliated entities (eg: foundation) must count employees of all affiliated entities.
- Spent all PPP1 funding**
Guidance has NOT indicated that forgiveness is required, but that all PPP1 funds must have been spent on eligible costs.
- 25% reduction in gross receipts**
At least one calendar quarter of 2020 vs. the same quarter in 2019 must show a 25% reduction in gross receipts.

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Gross Receipts – For Profit Businesses

INCLUDE

- Gross receipts inclusive of revenue based on entity's accounting method (received or accrued)
- Sales products/services, interest, dividends, rents, royalties, fees or commissions, reduced by returns and allowances

EXCLUDE

- Sales tax collected
- Amounts collected for another by a travel agent, real estate agent, advertising agent, freight forwarder or customs broker
- PPP1 revenues/forgiveness

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Gross Receipts – Nonprofit Definition (IRC 6033)

INCLUDE

- In-kind contributions of assets
- Gross receipts from sale of assets or investments without reduction for basis
- Non-PPP CARES Act Funding
- Pass-through revenues
- Multi-year grants/pledges*

EXCLUDE

- In-kind contribution of services, use of space, etc.
- Realized or unrealized gain/loss on investments
- PPP1 revenues/forgiveness

Accounting basis should be that used on the form 990
If organizations don't account on that basis quarterly, adjust financials to the basis for the analysis

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PPP Loan Sizing

First-Time Borrowers (PPP1)	Second Draw (PPP2)
<ul style="list-style-type: none"> • Lesser of (i) 2.5 X avg. monthly payroll and (ii) \$10 million • Payroll includes: <ul style="list-style-type: none"> • Gross wages, max \$100k/emp. • Employer paid: <ul style="list-style-type: none"> • Health benefits (medical, dental, vision) • Retirement contribution • Life and disability insurance • State unemployment tax • See SBA's loan sizing guide • Can use 2019 or 2020 payroll, whichever is larger 	<ul style="list-style-type: none"> • Generally - Lesser of (i) 2.5 X avg. monthly payroll and (ii) \$2 million. • NAICS 72 Entities - Lesser of (i) 3.5 X avg. monthly payroll and (ii) \$2 million • Avg monthly payroll determined using 2019, 2020, or Twelve Trailing Months (TMM)

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Employee Retention Credits

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Employee Retention Credit - 2020

- 50% reduction in gross receipts for a calendar quarter OR full or partial government shut-down
- Up to 50% of \$10,000 of wages and qualified benefits (\$5,000 credit per employee max) for all of 2020
- >100 employees, the employees had to be paid but not working, <100 employees could be working during the eligible period
- Credit is on payroll taxes and filed for on form 941 at the end of a quarter, or filing a 941x to amend for the relevant quarter and claim the credit
- CARES Act didn't allow for ERC and PPP; CAA amended that and allowed organizations to take both as long as "double dipping" is avoided.

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Employee Retention Credit - 2021

CAA greatly expanded by this program by:

- Increasing the employee limit from 100 to 500 max for employees to be eligible if still working
- Allowing companies to access PPP and ERC (also retroactive)
- Only 20% gross receipt reduction in a quarter required (or partial or full government shutdown)
- Up to 70% of \$10,000 of wages per quarter; up to \$7,000 credit per employee for each Q1 and Q2 of calendar 2021

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Case Study B – Business evaluating 2nd Draw Loan

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Case Study- Background

\$8M budget business	Secured a \$461k PPP loan in April, 2020	Spent loan on eligible costs in 24 week period; hasn't applied for forgiveness
Reduction in earned revenue in Q2, Q3, and Q4	Reduced headcount from 30 to 20 over 2020; may reduce more if don't secure PPP2	7 staff took eligible FFCRA leave in 2020

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Case Study – Steps to Analyze Opportunities

STEP 1: Pull together quarterly financials for calendar 2019 and 2020

- Adjust revenues to “gross receipts”
- Identify a quarter with a 50% reduction and subsequent quarters until reach 20% or less

	Q1	Q2	Q3	Q4
2019 (Adjusted)	\$ 1,000,000	\$ 2,000,000	\$ 2,500,000	\$ 2,500,000
2020 (Adjusted)	\$ 1,000,000	\$ 1,500,000	\$ 1,200,000	\$ 1,500,000
Change		0%	-25%	-40%

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Case Study – Steps to Analyze Opportunities

STEP 2: Did you have over 50% reduction in a quarter of 2020 vs. 2019?

- If yes, calculate 2020 ERC claim amount (up to \$5k/employee)
 - ◊ 20 Employees = \$100,000 (assumes adequate eligible wages/employee)
- If no, might you qualify for “partial shut-down”

Category	2020	2021
2020 ERC	\$100,000	
PPP1	\$461,458	
2021 ERC – Q1		
2021 ERC – Q2		
PPP2		
Potential Total	\$561,458	

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Case Study – Steps to Analyze Opportunities

STEP 3: Do you have enough eligible costs to reach full forgiveness of PPP1 when accounting for:

- Backing out the potential ERC
- Adjusting for the FTE reduction quotient
- Adjusting out any costs covered by restricted grants (nonprofits only)
- Backing out the FFCRA credits claimed

Category	2020	2021
2020 ERC	\$100,000	
PPP1	\$461,458	
2021 ERC – Q1		
2021 ERC – Q2		
PPP2		
Potential Total	\$561,458	

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Case Study – Steps to Analyze Opportunities

STEP 4: Calculate 2019 and 2020 payroll and benefits to size your PPP2 loan

Category	2019	2020
Salaries	\$ 2,000,000	\$ 1,900,000
Less >\$100k	(275,000)	(250,000)
Medical	300,000	300,000
Retirement	150,000	175,000
Life/Disability	20,000	15,000
SUTA	20,000	19,000
Total Annual	2,345,000	2,159,000
Loan Size (2.5 mo.)	\$ 461,458	\$ 449,792

Category	2020	2021
2020 ERC	\$100,000	
PPP1	\$461,458	
PPP2		\$461,458
2021 ERC – Q1		
2021 ERC – Q2		
Potential Total	\$561,458	\$461,458

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Case Study – Steps to Analyze Opportunities

STEP 5: Compare Q1 and Q2 2021 projected gross receipts to Q1 and Q2 2019

- Do you expect a 20% decline
- If YES or partial shut-down; consider 2021 ERC (up to \$7k/staff per quarter assuming adequate eligible wages)

	Q1	Q2
2019 Actual	\$ 1,000,000	\$ 2,000,000
2021 Projected	\$ 900,000	\$ 1,300,000
Change	-10%	-40%

Category	2020	2021
2020 ERC	\$100,000	
PPP1	\$461,458	
PPP2		\$461,458
2021 ERC – Q1		
2021 ERC – Q2		\$140,000
Potential Total	\$561,458	\$601,458

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Case Study – Steps to Analyze Opportunities

STEP 6: Evaluate Economic Uncertainty of the organization and comfort level with signing the PPP2 certification. Consider:

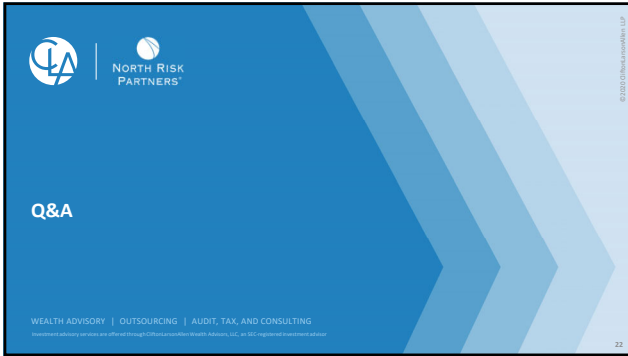
- What are you budgeting/projecting for calendar 2021?
- What would PPP2 allow you to do differently, specifically as it relates to staffing and payroll?
- What impact could another potential round of shut-downs or spikes in virus cases have on your operations or demand for product/services?
- What access to other sources of liquidity do you have?

Potential Economic Relief Summary

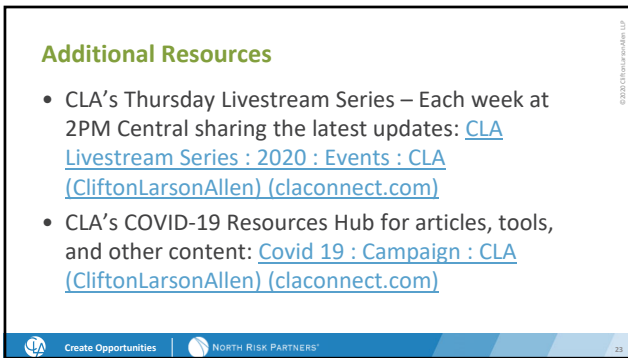
Category	2020	2021
2020 ERC	\$100,000	
PPP1	\$461,458	
PPP2		\$461,458
2021 ERC – Q1		
2021 ERC – Q2		\$140,000
Potential Total	\$561,458	\$601,458

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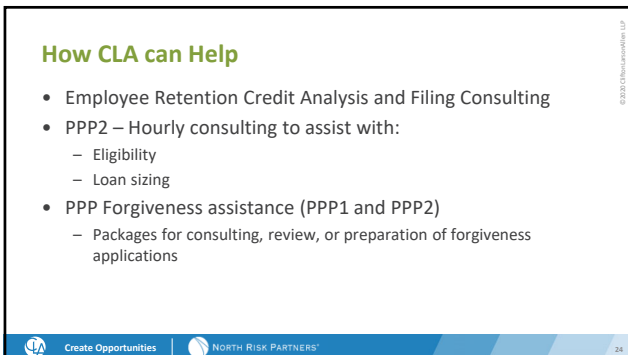
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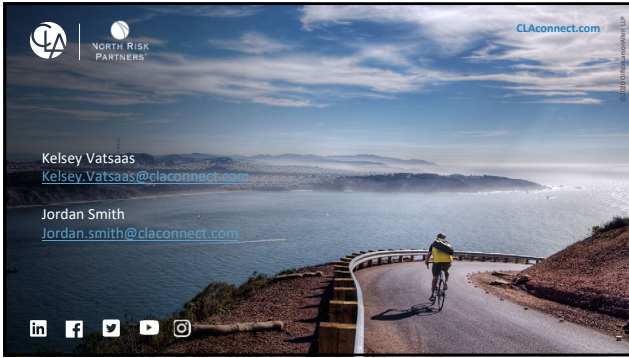
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