

Organization, Inc.. Spend Policy: Economic Injury Disaster Loans (“EIDL”)

Organization, Inc. (“Organization”) has received an Economic Injury Disaster Loan (“EIDL”) from the U.S. Small Business Administration (“SBA”) due to the impact of the COVID-19 pandemic. Guidance from federal, state, local, and non-governmental health organizations have restricted normal Organization business operations—and even lines of business in which Organization continues to operate normally have been negatively impacted as our community partners deal with the pandemic (example: Organization is able to facilitate institutional art purchases and mural creation, but most institutions are managing thinly stretched budgets because of COVID-19).

The SBA’s Loan Authorization and Agreement form, signed by Organization in June 2020, lists the following relevant requirements (abridged, see agreement for full text):

USE OF LOAN PROCEEDS

- *Borrower will use all the proceeds of this Loan solely as working capital to alleviate economic injury caused by the disaster occurring in the month of January 31, 2020 and continuing*

REQUIREMENTS FOR USE OF LOAN PROCEEDS AND RECEIPTS

- *Borrower will obtain and itemize receipts (paid receipts, paid invoices, or cancelled checks) and contracts for all Loan funds spent, and retain these receipts for 3 years*
- *Borrower will not use, directly or indirectly, any portion of the proceeds of this Loan to relocate without the prior written permission of SBA.*
- *Borrower will, to the extent feasible, purchase only American-made equipment and products*

COMPENSATION FROM OTHER SOURCES

- *Eligibility for this disaster Loan is limited to disaster losses that are not compensated by other sources. Other sources include but are not limited to: (1) insurance proceeds, (2) grants or other reimbursements (including loans) from government agencies and private organizations*

In compliance with the SBA loan agreement, Organization adopts this EIDL spending policy:

- 1) EIDL funds will be tracked separately from the operating cash reserves, as well as any other funds. Optimally, EIDL funds should be segregated into a separate bank account.
- 2) EIDL funds will be used as working capital, to cover standard day-to-day expenses. While the SBA loan agreement authorizes use for the disaster beginning in January 2020, Organization will apply EIDL funds to expenses beginning March 2020—the first month where COVID-19

procedures began being issued in Kentucky.

- a. Though not an exhaustive list, EIDL funds are expected to help pay for: payroll and related benefits, rent, utilities, supplies and services, artist fees, equipment upkeep and licensing, insurance, travel, short term contracts, and so forth.
 - b. A non-exhaustive list of items EIDL funds may not be utilized for: grantmaking, large-scale building renovation (but not restricting standard maintenance), and relocation.
 - c. The Board (or the Finance and/or Executive committees, acting on behalf of the Board) may review and approve specific items on a case-by-case basis.
 - d. EIDL funds will not be used to cover expenses paid by another relief fund. In particular, the SBA's Paycheck Protection Program ("PPP") is anticipated to cover payroll costs from 1 May 2020 through 30 September 2020, while the EIDL covers non-payroll expenses (benefits, utilities, etc.) during that period, and then Including payroll thereafter. The specific allocation of expenses will be prepared before EIDL funds are withdrawn.
- 3) While the EIDL bank account may allow for direct payment of relevant expenses, standard procedure will have Organization pay for expenses as normal from its operating reserves. On a routine basis, Organization will prepare a schedule of expenses, and make lump sum withdrawals from the EIDL funds, effectively reimbursing the Organization operating fund and causing the expenses to ultimately draw against the EIDL. The Finance committee will review this schedule as a part of their regular financial statement oversight.
 - 4) If the Board (or the Finance and/or Executive committees) deems fit, EIDL funds may be returned, in part or in whole, to the SBA in order to reduce the outstanding loan balance.
 - 5) Ultimately, whether through utilization paying expenses (via periodic reimbursement into the operating reserves) or through direct SBA repayment, the EIDL funds balance will reach zero. At this time, the EIDL funds will be considered exhausted, and this spend policy may be archived. (The SBA's requirements for receipt tracking are already facilitated by Organization's standard accounting procedures).

Resources utilized in preparation of this EIDL spending policy:

- SBA Loan Authorization and Agreement
- <https://bench.co/blog/operations/how-to-spend-eidl-loan/>
- <https://www.nav.com/blog/5-ways-you-can-and-cant-use-your-eidl-loan-654030/> which specifically indicates EIDL can be used towards short term debt payment like credit card balance
- <https://www.sba.gov/sites/default/files/2020-09/COVID%20EIDL%20FAQ%20FINAL%20APPROVED-508.pdf>