

THE ROMAN CATHOLIC

ARCHDIOCESE OF ATLANTA



August 4, 2022

Dear St. Pius community,

I am responding to questions regarding the Payroll Protection Program forgivable loans received by many parishes and schools in the Archdiocese of Atlanta with particular focus on St. Pius X Catholic High School. I include a narrative and then a detailed timeline.

On March 11, 2020, the WHO declared COVID-19 a pandemic, and shortly thereafter, our parishes and schools suspended in-person activities. In the weeks that followed, parish offertories decreased in the range of 30 to 60 percent. Many businesses saw their revenues decrease and most contemplated both spending cuts and staff reductions. Faced with the possibility of massive layoffs throughout the country, the federal government passed the CARES Act, which included provisions for the Paycheck Protection Program. According to the Treasury Department, the Paycheck Protection Program provided small businesses with the resources they needed to maintain their payroll, hire back employees who may have been laid off and cover applicable overhead.

Schools, meanwhile, had to make a major shift to online learning. This meant additional expense for audio and video equipment, upgraded network capability, training for staff and, in some cases, contractors to help install new items.

Schools, like most businesses, have to plan their budgets far in advance and have to do so based on predicted economic factors. Some years, a school year will end with a comfortable surplus thanks to an unexpected donation, successful fundraising, an increase in enrollment or better-than-expected performance for endowments. Other years, schools have to plan for less revenue.

As the school year ended in May of 2020, and the lockdowns continued, St. Pius had to forecast tuition revenue for the upcoming year. Given the economic damage caused by the pandemic as well as uncertainty about how long it would last, tuition revenue projections for the upcoming year varied widely. Included in those forecasts was the possibility that many parents could lose their jobs or suffer a decline in income and have to either withdraw their children or request significant financial aid. Tuition in a normal year is approximately \$15 million, so a reduction of 30 percent or \$4.5 million was very possible. Donations were also likely to drop just as parish offertory dropped and planned gains in investments might not materialize. In addition, the school was unsure of what would happen with Annual Fund and other

THE ROMAN CATHOLIC

ARCHDIOCESE OF ATLANTA



fund raising, which covers the gap between tuition and the actual cost to educate. St. Pius suspended its capital campaign meant for much needed facilities improvements.

The Council of Priests, the Archdiocesan Finance Council, the Secretariat and other consultative bodies discussed options for all of the schools and parishes. The strong consensus was that each parish and school that qualified for a PPP loan should avail itself of the opportunity. Applying for a forgivable loan to retain our valued employees was good stewardship.

With this background, St. Pius applied for, and received a PPP loan of \$2,155,600 in May 2020. PPP funds were used for teacher and staff payroll starting that same month.

The fiscal year for our parishes and schools ends on June 30. The audited financial statements for the year ending June 30, 2020 for St. Pius show the loan proceeds as an asset and the offsetting loan liability.

When the school season rolled around again, Catholic Schools led the way in re-opening to in-person instruction. School leadership and all of the teachers agreed that this was best for the students. It also meant even more expenditures including improvements to the HVAC system, the addition of air purifiers, the purchase of several years worth of daily arm bands for students, adding staff to accommodate teachers who were teaching from home or who ended up on quarantine or sick and adding additional cleaning supplies and staff. Having PPP money to cover salaries allowed the school to cover these expenses as well as have a reserve to cover additional potential losses of revenue. No school in the archdiocese of Atlanta reduced tuition across the board during this time. While many saw a rise in enrollment thanks to in-person learning, there was concern that this rise might be temporary.

While the students returned, sports and arts activities as well as in-person fundraising did not. This meant a loss of some incremental revenue from games, performances and donations.

In December 2020, the federal government updated its policies to address potential abuses of PPP monies. Under the new regulation, entities with loans of \$2 million or more were required to complete a Loan Necessity Questionnaire.

In May 2021, the President of St. Pius (John Favier) completed the Loan Necessity Questionnaire and then the Loan Forgiveness Application. The

THE ROMAN CATHOLIC

ARCHDIOCESE OF ATLANTA



documentation shows that the 100 percent of the PPP funds were used for teacher and staff payroll during the timeframe required by law.

In June 2021, the Small Business Administration approved the PPP Loan Forgiveness Application for the full \$2,155,600. The audited financial statements for the year ending June 30, 2021, for the school show income related to the loan forgiveness and the elimination of the loan liability.

The table below shows the Change in Net Assets Without Donor Restrictions (similar to operating profit in a for-profit company) in the audited financial statements of St. Pius:

	Change in Net Assets Without Donor Restrictions:
FY 2018	\$2,157,960
FY 2019	\$1,663,957
FY 2020	\$1,585,278
FY 2021	\$3,376,485
FY 2022 estimate	\$1,000,000

To increase transparency and reduce the chance of misunderstandings, I instructed St. Pius to post on its website the audited financial statements including footnotes for the most recent three years.

And finally, I am committed to the highest standards of fiscal integrity and accountability. It is my responsibility to ensure that accounting policies and procedures are adhered to and that internal controls are in place and operating so as to safeguard assets and to ensure that all financial activity is accounted for properly. Financial oversight is provided by both internal and external audits and by the Finance Council which reports directly to the archbishop. The audited financial statements for the Archdiocese and its separately incorporated support organizations are posted on the Archdiocese's web site: <https://archatl.com/offices/finance/annual-reports/annual-reports-archdiocese/>

I remain grateful for the opportunity to serve Archbishop Hartmayer, this vibrant Archdiocese and our flagship high school, St. Pius X.

Sincerely,

A handwritten signature in blue ink that reads "Brad Wilson".

Brad Wilson
Chief Financial Officer

THE ROMAN CATHOLIC

ARCHDIOCESE OF ATLANTA



Time Line:

March 2020

- WHO declares COVID-19 a Pandemic
- Bishops suspend all public Masses
- Schools close to in-person learning
- CARES Act creates the Paycheck Protection Program (PPP) with an initial appropriation of \$349B – Draw #1
- Initial PPP Funding exhausted by early April

April 2020

- Congress appropriates an additional \$310B for the PPP – Draw #2

May 2020

- SPX applies for a PPP loan of \$2,155,600 based on monthly payroll with benefits of \$862k time 2.5 months
- SPX certifies and acknowledges many points, including:
 - All proceeds of the Loan will be used only for business-related purposes as specified in the Application and consistent with the Paycheck Protection Program Rule.
 - The current economic uncertainty makes the request for the Loan necessary to support the ongoing operations of Borrower.
 - All proceeds of the Loan will be used to retain workers and maintain payroll or make mortgage interest payments, lease payments, and utility payments, as specified under the Paycheck Protection Program Rule and Borrower acknowledges that if the funds are knowingly used for unauthorized purposes, the federal government may hold Borrower and/or Borrower's authorized representative legally liable, such as for charges of fraud.
 - Borrower acknowledges that (a) loan forgiveness will be provided by the SBA for the sum of documented payroll costs, covered mortgage interest payments, covered rent payments, and covered utilities, and not more than 25% of the Forgivable Amount may be for non-payroll costs and (b) the forgiveness amount is subject to reduction based on employee headcount and compensation reductions during the 8-week loan period as compared to the prior periods in accordance with the CARES Act.
- SPX receives PPP loan proceeds of \$2,155,600 with a 1% interest rate

THE ROMAN CATHOLIC

ARCHDIOCESE OF ATLANTA



June 2020

- 2020 Audited Financial Statements of SPX include a loan liability of \$2,155,600. Note 8 includes disclosure of the PPP loan.
- SPX begins spending PPP funds on payroll and benefits costs consistent with the requirements of the PPP program

May 2021

The President of St. Pius submits “Loan Necessity Questionnaire” certifying that the economic uncertainty caused by COVID made the loan request necessary

- SPX included these comments in the document:
 - As of March 13, 2020, our school had to close the school building and in-person instruction from March 13, 2020, through the end of the 2019-2020 school year (May 25, 2020). This included ceasing all extracurricular activities, including all sports. We continued to pay all of our employees. Beginning in June 2020, we were able to start up some programs with safety alterations, including masks, temp taking, additional cleaning, keeping students in groups of 20 or less, etc. We were not able to rent our facilities over the summer to outside groups. We've continued to have to alter how we handle all school gatherings, sports, and fine arts performances due to the limited number of people allowed to gather. In order for school to return in 2021-2022, we implemented many safety measures, including classroom alterations such as plexiglass shields and switching out tables for desk in order to social distance. The cost of alterations is \$383,536
 - At the time we applied for the loan in April 2020, we were very uncertain what the future held in terms of enrollment for the 2020-2021 school year. We were not sure the extent to which our families were financially impacted by COVID, and we were not sure if they would be able to afford tuition going forward. Also, with the closing of the school and the uncertainty as to when we could reopen, we were not sure what to expect from our other sources of revenue (gate from events, facilities rentals, bookstore, cafeteria.) We had started a Capital Campaign in July 2019, and we put it on hold in April 2020. Donations received for this are restricted by donor and cannot be used for payroll or other operating expenses. Due to the unknowns and uncertainty at the time,

THE ROMAN CATHOLIC

ARCHDIOCESE OF ATLANTA



we took this loan in good faith to support our ongoing operations.

- *SPX received \$260,817 from CARES Act programs other than PPP.* From DeKalb County, we have been approved for \$212,512.97 for the Formula grant and \$13,043.44 from the SEA Reserve. From Gwinnett County, we have been approved for \$29,016 from the Formula grant. From Atlanta Public Schools, we have been approved for \$5,936 from the Formula grant and \$309 from the SEA Reserve. We have not received any of the CARES Act money that we've been approved for, and we cannot use this money to reimburse us for expenses already incurred.
- At the time we applied for this loan, there was a tremendous amount of economic uncertainty regarding tuition payments, which is our primary source of income. Approximately 20% of our tuition is collected in June prior to the school year, and this is necessary for cash flows during the summer as we pay our faculty/staff year-round. We were unsure of Annual Fund and other fund raising, which covers the gap between our tuition and the actual cost to educate. We were in the beginning phases of a capital campaign for much needed facilities improvements (our facilities date back to 1958), and we had to put the capital campaign on hold due to financial uncertainty of our donors. All of the uncertainty about future cash flows led us to apply in good faith for this loan.

The President of St. Pius submits “PPP Loan Forgiveness Application”
certifying that the funds were used for payroll.

- The dollar amount for which forgiveness is requested (which does not exceed the principal amount of the PPP loan):
 - was used to pay business costs that are eligible for forgiveness (payroll costs to retain employees; business mortgage interest payments; business rent or lease payments; business utility payments; covered operations expenditures; covered property damage costs; covered supplier costs; or covered worker protection expenditures)
 - includes payroll costs equal to at least 60% of the forgiveness amount;

THE ROMAN CATHOLIC

ARCHDIOCESE OF ATLANTA



- I understand that if the funds were knowingly used for unauthorized purposes, the federal government may pursue recovery of loan amounts and/or civil or criminal fraud charges.
- The Borrower did not reduce salaries or hourly wages of any employee by more than 25 percent for any employee during the Covered Period compared to the most recent quarter before the Covered Period. For purposes of this certification, the term “employee” includes only those employees that did not receive, during any single period during 2019, wages or salary at an annualized rate of pay in an amount more than \$100,000.
- The information provided in this application and the information provided in all supporting documents and forms is true and correct in all material respects. I understand that knowingly making a false statement to obtain forgiveness of an SBA-guaranteed loan is punishable under the law, including 18 U.S.C. 1001 and 3571 by imprisonment of not more than five years and/or a fine of up to \$250,000; under 15 U.S.C. 645 by imprisonment of not more than two years and/or a fine of not more than \$5,000; and, if submitted to a Federally insured institution, under 18 U.S.C. 1014 by imprisonment of not more than thirty years and/or a fine of not more than \$1,000,000.

June 2021

- SBA approves request to forgive the loan based upon the certifications made above
- 2021 Audited Financial Statements of SPX reflect the loan forgiveness with income of \$2,155,600 and the elimination of the loan a loan liability of \$2,155,600. Note 8 includes disclosure of the PPP loan transactions.