

Financial Options for Nonprofits: COVID 19 Relief

Summary of Programs and Eligibility & Steps to Sustainability

Seaworth Nonprofit Solutions

4/4/2020

Before We Begin

- ▶ The information in this presentation is provided to help nonprofit organization leaders understand emergency options and best steps to sustainability so they may retain staff and keep working toward their mission as we all navigate COVID19.
- ▶ This presentation will cover emergency funding options, steps to sustainability, and fundraising.
- ▶ **Our expertise is in strategy, management, governance, fundraising, and financial analysis and forecasting, but we are not an accounting or law firm.**
- ▶ Please check with your accountant or attorney for questions concerning financial or legal compliance.

If Your Mission Was
Important A Month
Ago, It Still Is

Programs Providing Relief to Nonprofit Sector in the \$2 Trillion CARES Act

	Paycheck Protection Program Loan (PPPL)	Emergency Injury Disaster Loan (EIDL)
Qualifying nonprofits	<ul style="list-style-type: none"> • 501(c)(3); 501(c)(19) • 500 or fewer employees 	<ul style="list-style-type: none"> • 501(c); 501(d); 501(e) • 500 or fewer employees
Limit Per Organization	<ul style="list-style-type: none"> • Lesser of \$10 million or 2.5 times the average monthly payroll for prior months 	<ul style="list-style-type: none"> • \$10,000 advance grant • \$2 million loan
Permissible Expenses	<ul style="list-style-type: none"> • Payroll costs, including: <ul style="list-style-type: none"> - Salary to maintain payroll wages, avoid layoffs, can be used to rehire - Health, retirement benefits - State & local employment taxes • Interest on mortgages, debt incurred before 2/15/20 • Rent and utilities 	<ul style="list-style-type: none"> • Sick leave • Maintain payroll/avoid layoffs • Rent or mortgage • Obligations cannot meet due to revenue loss • Increased costs due to supply chain disruption
Forgiveness Available	<ul style="list-style-type: none"> • Yes, fully forgiven for permissible expenses • 75% of loan must be used for payroll 	<ul style="list-style-type: none"> • Advance grant: Yes, fully forgiven • Loan: No, must be repaid
Notes: No application fees for either program	<ul style="list-style-type: none"> • If not forgiven, 24-month repayment with up to 12-month deferment; 1% interest • Non-recourse: no requirement for collateral or personal guarantees 	<ul style="list-style-type: none"> • Must apply for loan to receive grant • Grant delivered within 3 days, not dependent on loan approval • Up to 30-year repayment; 2.75% interest

Emergency Injury Disaster Loan (EIDL)

- ▶ Apply online through Small Business Administration
- ▶ Remember it's **FIRST COME FIRST SERVED** and \$10,000 advance grant can be paid in 3 days upon application—don't forget to **CHECK THE BOX FOR THE ADVANCE GRANT** toward end of application

<https://covid19relief.sba.gov/#/>

The screenshot shows the SBA's online application interface. At the top left is the SBA logo with the text 'U.S. Small Business Administration'. At the top right, it displays 'OMB Control #3245-0406' and 'Expiration Date: 09/30/2020'. The main heading is 'Disaster Loan Assistance' with the subtitle 'Federal Disaster Loans for Businesses, Private Non-profits, Homeowners and Renters'. Below this is the specific application title 'COVID-19 ECONOMIC INJURY DISASTER LOAN APPLICATION'. A progress bar at the bottom consists of five steps: 'DISCLOSURES' (document icon), 'BUSINESS INFORMATION' (house icon), 'BUSINESS OWNERS INFORMATION' (person icon), 'ADDITIONAL INFORMATION' (document icon), and 'SUMMARY' (checkmark icon).

- ▶ Estimated 2 hours, 10 minutes to complete application
- ▶ Required information includes
 - Up to \$25k no collateral or personal guarantee, up to \$200,000 no personal guarantee
 - Type of organization, date organization began, # of employees
 - Basic financials, e.g., annual revenue, expenses
 - Owner SSN, DOB (Executive Director or person signing application)
 - Banking information (for direct deposit of grant)
 - Requested loan amount **not** on application

Paycheck Protection Program Loan (PPPL)

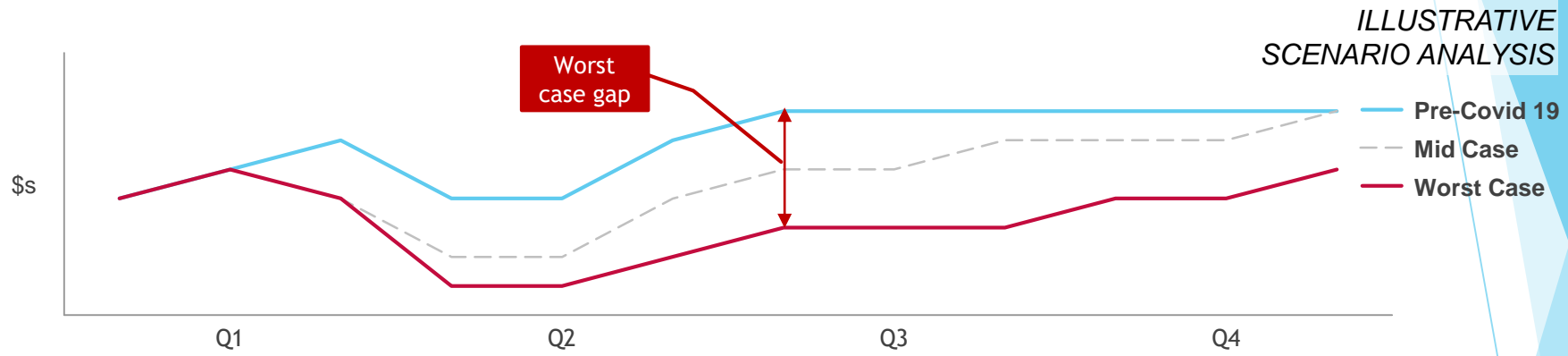
Reference links

- **Interim Rules regarding eligibility and required documentation:** <https://content.sba.gov/sites/default/files/2020-04/PPP--IFRN%20FINAL.pdf>
- **Application:** <https://www.sba.gov/document/sba-form--paycheck-protection-program-borrower-application-form>
- **Find a Lender:** <https://www.sba.gov/paycheckprotection/find>

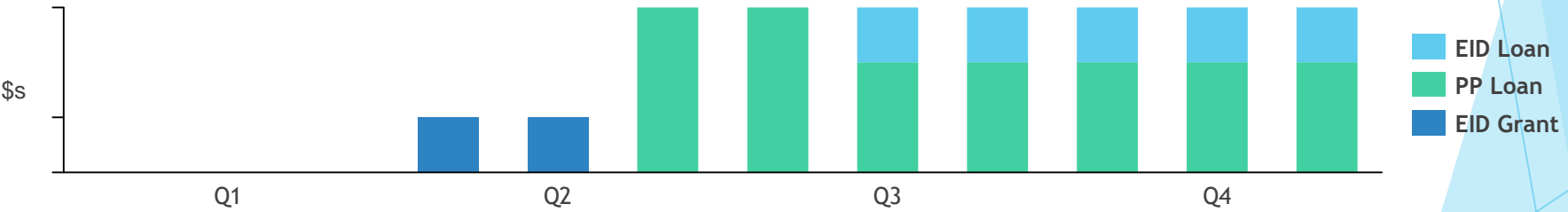
- ▶ Information needed to apply more extensive than EIDL, for example:
 - Articles of incorporation, by laws
 - Payroll summary report with corresponding bank statements
 - Documentation of payment of health insurance premiums, retirement funding
 - Trailing-twelve-month P&L
- ▶ Loan amount will be lesser of 2.5 x monthly payroll or \$10 million
- ▶ Payroll over \$100,000 per employee must be deducted in your payroll calculation
- ▶ Qualified spend during 8-week period after loan origination is forgivable
- ▶ Forgiveness reduced proportionately by payroll reduction vs. previous year

Example Utilization of EIDL/PPPL: Repair Gap from Worst Case Revenue Shortfall

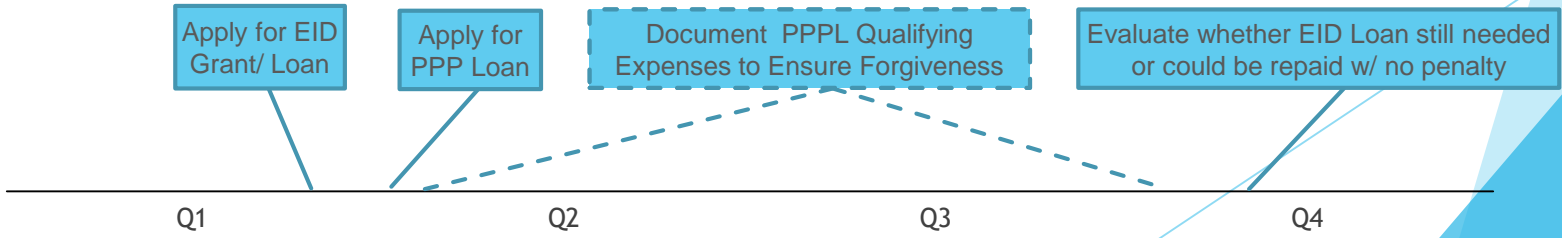
Nonprofit ABC
2020 Revenue
Scenarios



Potential Relief
From CARES Act
Programs



Nonprofit ABC
Recommended
Executive Actions



Financial Options

Apply for Emergency Assistance

Engage in Scenario Planning

Assess your Reserves

Consider using short-term lines of credit

Launch special fundraising initiative

Consider dipping into endowment

Fundraising Tips

- ▶ **Overcommunicate** with your donors. Pick up the phone and call to check on them. Ask if you can help serve them. Thank them for their support.
- ▶ **Inform your constituents** about how your organization is doing and how you are adjusting to serve them. Assure them your organization is assessing and adapting to the situation.
- ▶ **Talk to your most loyal donors.** Yes, include major donors, but also those who have given 5 years+ consecutively. Those loyal donors are who we can go to in times of challenge.
- ▶ **Frame the needs** of your new case for support in terms of the needs of those you serve. People are persuaded by knowing organizations are meeting clients' needs, not by organizations that have needs.
- ▶ **Use social media** to stay connected with all your constituents. Encourage online engagement or activities. Be sure to share good news and stories with your audience.
- ▶ **Be sensitive** to current conditions, but do not stop fundraising and do not assume that donors will not want to support your good work.

Reach Out to Us with Questions on These Materials or Our Services

Seaworth Nonprofit Solutions

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