COVID-19 Response Resources for Nonprofits

**Comprehensive Resource Listings**

Community Foundation of Jackson Hole

Silicon Couloir
https://www.siliconcouloir.com/covid-19

Nonprofit Finance Fund
https://nff.org/covid-19-tools-and-resources-nonprofits

National Council of Nonprofits

**Specific Resources** *(copies included in workshop handouts)*

FFCRA Expanded Sick & Family Leave Requirements Summary

CARES Act Analysis

Overview of Loan Options for Nonprofits

Overview of Payroll Protection Program (PPP) Loans

Overview of Emergency Injury Disaster Loans & Grants

The Bridgespan Group – Managing Through Tough Times
https://www.bridgespan.org/insights/library/strategy-development/eight-steps-for-managing-through-tough-times

Note: There are numerous resource sites, analyses, and summaries available on COVID-19 response and the related federal acts. The ones listed above represent a sample of those that I have found to be the most comprehensive and user-friendly.
Community Emergency Response Fund
Eligibility, Application Process & Funding Criteria

Eligibility
Nonprofits and governmental entities in one of the following categories are eligible for Community Emergency Response Fund funding to support work in one or more of the listed priority areas.

- Front-line health care organizations responding to COVID-19
  
  Priorities: staff support, medical supplies, and community outreach efforts

- Nonprofits serving those most severely impacted by the crisis (under/unemployed and/or undocumented workers) and vulnerable populations (seniors, marginalized communities, and individuals with underlying health conditions)
  
  Priorities: food security, shelter, child care, health care, and mental & behavioral health

- Other nonprofits whose fundamental ability to operate is critically impaired by the crisis
  
  Priority: assisting nonprofits at risk of imminent closure

Through April, the first phase of grants will focus on urgent health, basic human services, and economic needs of those disproportionately impacted by COVID-19. Support for front-line health care providers and bi-lingual community-wide outreach will also be prioritized.

Support to other nonprofits will initially focus on providing technical resources and guidance. Due to limited resources and significant anticipated community need, these grants should be considered a last resort to avoid closure.

Application Process
Grant requests will be accepted on a rolling basis using the streamlined Response Fund Request Form (hotlink). Completed forms should be emailed to the Foundation’s Director of Programs & Outreach (sread@cfjacksonhole.org). After initial review, the Foundation may request additional information or documentation.

The Foundation’s goal is to deploy multiple rounds of support as we gain greater clarity about the course of this crisis, in the near-term and through the recovery phases.

Primary Funding Criteria
In evaluating community need and impact relative to Response Fund grant requests, the Foundation will consider and prioritize the following key funding criteria.

- **Use of Funds:** Urgent health, basic human services, and immediate economic needs

- **Target Population:** Communities and individuals that are disproportionately impacted by the crisis, especially those already facing health and economic disparities

- **Scope of Service:** Number of clients served and/or program participants

- **Community Trust:** Deep relationships and experience in serving our community

- **Capacity:** Ability to quickly and effectively deploy resources to meet community need

Nonprofits requesting support to avoid imminent closure will also need to document the following:

- **Budget Changes:** Steps taken to reduce operating expenses

- **Access to Other Funding:** Steps taken to utilize other funding sources including, but not limited to, operating reserves, unrestricted quasi-endowments, lines of credits, and loans
EMPLOYEE RIGHTS
PAID SICK LEAVE AND EXPANDED FAMILY AND MEDICAL LEAVE UNDER THE FAMILIES FIRST CORONAVIRUS RESPONSE ACT

The Families First Coronavirus Response Act (FFCRA or Act) requires certain employers to provide their employees with paid sick leave and expanded family and medical leave for specified reasons related to COVID-19. These provisions will apply from April 1, 2020 through December 31, 2020.

▶ PAID LEAVE ENTITLEMENTS
Generally, employers covered under the Act must provide employees:

Up to two weeks (80 hours, or a part-time employee’s two-week equivalent) of paid sick leave based on the higher of their regular rate of pay, or the applicable state or Federal minimum wage, paid at:

• 100% for qualifying reasons #1-3 below, up to $511 daily and $5,110 total;
• ⅔ for qualifying reasons #4 and 6 below, up to $200 daily and $2,000 total; and
• Up to 12 weeks of paid sick leave and expanded family and medical leave paid at ⅔ for qualifying reason #5 below for up to $200 daily and $12,000 total.

A part-time employee is eligible for leave for the number of hours that the employee is normally scheduled to work over that period.

▶ ELIGIBLE EMPLOYEES
In general, employees of private sector employers with fewer than 500 employees, and certain public sector employers, are eligible for up to two weeks of fully or partially paid sick leave for COVID-19 related reasons (see below). Employees who have been employed for at least 30 days prior to their leave request may be eligible for up to an additional 10 weeks of partially paid expanded family and medical leave for reason #5 below.

▶ QUALIFYING REASONS FOR LEAVE RELATED TO COVID-19
An employee is entitled to take leave related to COVID-19 if the employee is unable to work, including unable to telework, because the employee:

1. is subject to a Federal, State, or local quarantine or isolation order related to COVID-19;
2. has been advised by a health care provider to self-quarantine related to COVID-19;
3. is experiencing COVID-19 symptoms and is seeking a medical diagnosis;
4. is caring for an individual subject to an order described in (1) or self-quarantine as described in (2);
5. is caring for his or her child whose school or place of care is closed (or child care provider is unavailable) due to COVID-19 related reasons; or
6. is experiencing any other substantially-similar condition specified by the U.S. Department of Health and Human Services.

▶ ENFORCEMENT
The U.S. Department of Labor’s Wage and Hour Division (WHD) has the authority to investigate and enforce compliance with the FFCRA. Employers may not discharge, discipline, or otherwise discriminate against any employee who lawfully takes paid sick leave or expanded family and medical leave under the FFCRA, files a complaint, or institutes a proceeding under or related to this Act. Employers in violation of the provisions of the FFCRA will be subject to penalties and enforcement by WHD.

For additional information or to file a complaint:
1-866-487-9243
TTY: 1-877-889-5627
dol.gov/agencies/whd
ENACTED

Coronavirus Aid, Relief, and Economic Security Act
CARES Act (Pub. L. 116-136)

On March 27, the House unanimously passed and President signed into law the Coronavirus Aid, Relief, and Economic Security (CARES) Act, a $2 trillion economic stimulus law intended to provide immediate relief for individuals, nonprofits, businesses, and state and local governments. The CARES Act is the third law enacted in response to the COVID-19 pandemic.

What's in the Law for Nonprofits

The CARES Act provides significant funding for governments, businesses, hospitals, schools, and social support programs, among many other things. Below are key provisions of sector-wide interest to charitable nonprofit organizations.

Paycheck Protection Program Loans (emergency SBA 7(a) loans): Creates an emergency loan program providing loans of up to $10 million for eligible nonprofits and small businesses, permitting them to cover costs of payroll, operations, and debt service, and provides that the loans will be forgiven in whole or in part under certain circumstances. Section 1102.

• General Eligibility: Available to entities that existed on February 15, 2020 and had paid employees or paid independent contractors.
• Nonprofit Eligibility: Available for charitable nonprofits with 500 or fewer employees (counting each individual – full time or part time and not FTEs). The law does not disqualify nonprofits that are eligible for payments under Title XIX of the Social Security Act (Medicaid), but does require that employees of affiliated nonprofits may be counted toward the 500 employee cap, depending on the degree of control of the parent organization.
• No Personal Guarantee: No personal guarantee or collateral will be required in securing a loan.
• Loan Amount: The lesser of $10 million or 2.5 times the average total monthly payroll (including benefits) costs from the one-year period prior to the date of application.
• Loan Use: Loan funds can be used to make payroll and associated costs, including health and retirement benefits, facilities costs, and debt service.
• Loan Forgiveness: Employers that maintain employment for the eight weeks after the origination of the loan, or rehire employees by June 30, would be eligible to have their loans forgiven, essentially turning the loan into a grant. Section 1106.

Economic Injury Disaster Loans (EIDL): Creates emergency grants for eligible nonprofits and other applicants with 500 or fewer employees enabling them to receive checks for $10,000 within three days. Section 1110.

Self-Funded Nonprofits and Unemployment: Only reimburses self-funded nonprofits for half of the costs of benefits provided to their laid-off employees. This is explained in a recent blog article. Section 2103.

Charitable Giving Incentive: Creates a new above-the-line deduction (universal or non-itemizer deduction that applies to all taxpayers) for total charitable contributions of up to $300. The incentive applies to cash contributions made in 2020 and can be claimed on tax forms next year. Section 2204. The law also lifts the existing cap on annual contributions for those who itemize, raising it from 60 percent of adjusted gross income to 100 percent. For corporations, the law raises the annual limit from 10 percent to 25 percent. Food donations from corporations would be available to 25 percent, up from the current 15 percent cap. Section 2205.
**Employee Retention Payroll Tax Credit:** Creates a refundable payroll tax credit of up to $5,000 for each employee on the payroll when certain conditions are met. The entity had to be an ongoing concern at the beginning of 2020, experienced a whole or partial shutdown, and had seen a drop in revenue of at least 50 percent in the first quarter compared to the first quarter of 2019. The availability of the credit would continue each quarter until the organization’s revenue exceeds 80 percent of the same quarter in 2019. For tax-exempt organizations, the entity’s whole operations must be taken into account when determining eligibility. Notably, employers receiving Paycheck Protection Program loans would not be eligible for these credits. IRS Form 7200, Advance Payment for Employer Credits Due to COVID-19. Section 2301.

**Delayed Payment of Payroll Taxes:** Allows employers to delay payment of the employer portion payroll taxes in 2020; payable in equal halves at the end of 2021 and 2022. Section 2301.

**Economic Stabilization Fund:** Creates a loan and loan guarantee program for industries like airlines to keep them solvent through the crisis. It sets aside $454 billion for “eligible business” which is defined as “a United States business that has not otherwise received economic relief in the form of loans or loan guarantees provided under” the legislation. It is expected, but unclear, whether charitable nonprofits qualify under that definition for stabilization loans. Mid-sized nonprofits and businesses that have between 500 and 10,000 employees are expressly eligible for loans under this provision. Although there is no loan forgiveness provision in this section, the mid-size business loans would be charged an interest rate of no higher than two percent and would not accrue interest or require repayments for the first six months. Nonprofits accepting the mid-size business loans must retain at least 90 percent of their staff at full compensation and benefits until September 30. Section 4003.

**Other Significant Provisions**

**Direct Payments** to adults of $1,200 or less and $500 per child ($3,400 for a family of four) to be sent out in weeks. The amount of the payments phases out based on earnings of between $75,000 and $99,000 ($150,000 / $198,000 for couples). Section 2201.

**Expanded Unemployment Insurance:** Includes coverage for workers who are furloughed, gig workers, and freelancers. Increases payments by $600 per week for four months on top of what state unemployment programs pay. Section 2104.

**Amendments to the New Paid Leave Mandates:** Lowers the amounts that employers must pay for paid sick and family leave under the Families First Coronavirus Response Act* (enacted March 19) to the amounts covered by the refundable payroll tax credit – i.e., $511 per day for employee sick leave or $200 per day for family leave. Sections 3601 and 3602.

**Significant Spending:** The law also calls for large infusions of cash to the following sectors:
- $150 billion for a state, tribal, and local Coronavirus Relief fund
- $130 billion for hospitals
- $30 billion for education
- $25 billion for transit systems

**Legislative Resources**

- Coronavirus Aid, Relief, and Economic Security (CARES) Act, H.R. 748 legislative text
- Section-by-Section Summary of the CARES Act

* See: Analysis of the Families First Coronavirus Response Act.
<table>
<thead>
<tr>
<th>Program</th>
<th>Paycheck Protection Program (Emergency SBA 7(a) Loans) Secs. 1102, 1106</th>
<th>Expanded EIDL &amp; Emergency Grants (SBA 7(b) Loans) Sec. 1110</th>
<th>Mid-Size Loan Program Sec. 4003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Description</td>
<td>Emergency loan program for nonprofits and for-profit entities to secure funds to pay staff and operating costs for two months, and secure full loan forgiveness under certain circumstances.</td>
<td>Existing Economic Injury Disaster Loan (EIDL) program expanded to more for-profit entities, applies looser credit standards, and creates a rapid grant procedure.</td>
<td>Largely undefined loan program to be created by the Treasury Department to fill the gap between the Paycheck Protection Program for smaller employers and the industry stabilization loans to big business.</td>
</tr>
<tr>
<td>Size Eligibility</td>
<td>500 or fewer employees</td>
<td>Existing EIDL limits for nonprofits*</td>
<td>Between 500 and 10,000 employees</td>
</tr>
<tr>
<td>Dollar Amount</td>
<td>The lesser of $10 million or 2.5 times the average total monthly payroll costs from the one-year period (look back) prior to the date of application. Express 7(a) loans available up to $1 million.</td>
<td>Normal EIDL loans available up to $2 million. EIDL advances of $10,000 paid within 3 days.</td>
<td>Unspecified</td>
</tr>
<tr>
<td>Loan Processor</td>
<td>Local financial institutions</td>
<td>Small Business Administration</td>
<td>Local financial institutions</td>
</tr>
<tr>
<td>Nonprofit Eligibility</td>
<td>Must have been in operation on 2/15/2020 and had paid employees and/or paid independent contractors. Expressly available for charitable nonprofits with 500 or fewer employees, but requires that employees of affiliated nonprofits may be counted toward the 500 employee cap, depending on the degree of control of the parent.</td>
<td>In operation before 1/31/2020. Loans can be based solely on credit score. Existing EIDL program applies to “private nonprofit organizations” that excludes religious institutions and some other charitable organizations.</td>
<td>Expressly applies to “nonprofit organizations”</td>
</tr>
<tr>
<td>Personal Guarantee</td>
<td>No collateral or personal guarantee required.</td>
<td>Waives personal guarantee up to $200,000, and requirement of inability to obtain credit elsewhere.</td>
<td>Unspecified</td>
</tr>
<tr>
<td>Certification</td>
<td>Good-faith certification that need for the loan is based on economic conditions; funds to be used to retain workers and maintain payroll</td>
<td>Self-certification under penalty of perjury.</td>
<td>Good-faith certification that need is based on economic conditions; funds to be used to retain and restore employment, won’t</td>
</tr>
</tbody>
</table>
### Loans Available for Nonprofits in the CARES Act

<table>
<thead>
<tr>
<th>Program</th>
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</thead>
<tbody>
<tr>
<td><strong>Loan Use</strong></td>
<td>or make mortgage, lease, and utility payments; and no duplicate application or receipt of funds for same purposes.</td>
<td>$10,000 advance: Paid sick leave, meeting payroll, increased costs due to disrupted supply chain, mortgage, debt service.</td>
<td>abrogate collective bargaining agreements, and will remain neutral in union organizing efforts, among other things.</td>
</tr>
<tr>
<td><strong>Loan Terms</strong></td>
<td>Payroll costs, mortgage interest payments, rent, utilities, and interest on prior debt during the 8-week period following loan origination.</td>
<td>Normal EIDL: 2.75% interest rate for nonprofits $10,000 advance treated as a grant</td>
<td>Interest capped at 2% with no principle or interest paid for first 6 months.</td>
</tr>
<tr>
<td><strong>Loan Forgiveness</strong></td>
<td>Employers that maintain employment for the 8 weeks after origination of loan, or rehire employees by June 30, will have loans forgiven in whole or part, essentially turning the loan into a grant. Section 1106.</td>
<td>$10,000 advance forgiven even if borrower denied EIDL loans.</td>
<td>Expressly prohibited in statute. Section 4003(d)(3)</td>
</tr>
<tr>
<td><strong>Key Definitions</strong></td>
<td><strong>Covered Period</strong> means the 8-week period following loan origination.</td>
<td><strong>Covered Period</strong> means 1/31/2020 through 12/31/2020.</td>
<td>To be announced</td>
</tr>
<tr>
<td></td>
<td><strong>Employee</strong> means an individual working on a full-time, part-time, or other basis.</td>
<td><strong>Eligible entity</strong> means a business with 500 or fewer employees.</td>
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<tr>
<td></td>
<td><strong>Payroll Costs</strong> include compensation (including benefits costs) paid to employees and contractors, capped at $100,000 per year per individual (prorated over the “covered” period), and state/local payroll taxes.</td>
<td><strong>Eligible private nonprofits</strong> include, without limitation, nursing homes, food kitchens, educational facilities, senior citizen centers, daycare centers, playhouses, and shelters, among others.</td>
<td></td>
</tr>
<tr>
<td><strong>Application &amp; Documentation</strong></td>
<td>SBA Instructions and sample application (posted 3/31/2020)</td>
<td>For emergency EIDL Grant, apply here now.</td>
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</tr>
<tr>
<td></td>
<td>For normal EIDL loans, complete SBA Form 5 online.</td>
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This chart is neither financial nor legal advice for any specific organization. It is an analysis of the new law before any rules or regulations. March 31, 2020
The Coronavirus Aid, Relief, and Economic Security (CARES) Act allocated $350 billion to help small businesses keep workers employed amid the pandemic and economic downturn. Known as the Paycheck Protection Program (PPP), the initiative provides 100% federally guaranteed loans to small businesses.

Importantly, these loans may be forgiven if borrowers maintain their payrolls during the crisis or restore their payrolls afterward.

The administration has released initial guidelines; they are available at www.treasury.gov. The U.S. Chamber of Commerce has issued this guide to help small businesses and self-employed individuals check eligibility and prepare to file for a loan.

Small businesses and sole proprietors can begin applying on April 3. Independent contractors and self-employed individuals can apply beginning on April 10.

Here are the questions you may be asking—and what you need to know.

You can apply through any existing SBA 7(a) lender or through any federally insured depository institution, federally insured credit union, and Farm Credit System institution that is participating. Other regulated lenders will be available to make these loans once they are approved and enrolled in the program. You should consult with your local lender as to whether it is participating.

While the program is open until June 30, 2020, the government is advising borrowers to apply as soon as possible given the loan cap on the program.
Am I ELIGIBLE?

You are eligible if you are:

- A small business with fewer than 500 employees
- A small business that otherwise meets the SBA’s size standard
- A 501(c)(3) with fewer than 500 employees
- An individual who operates as a sole proprietor
- An individual who operates as an independent contractor
- An individual who is self-employed who regularly carries on any trade or business
- A Tribal business concern that meets the SBA size standard
- A 501(c)(19) Veterans Organization that meets the SBA size standard

In addition, some special rules may make you eligible:

- If you are in the accommodation and food services sector (NAICS 72), the 500-employee rule is applied on a per physical location basis
- If you are operating as a franchise or receive financial assistance from an approved Small Business Investment Company the normal affiliation rules do not apply

REMEMBER: The 500-employee threshold includes all employees: full-time, part-time, and any other status.

What will lenders be LOOKING FOR?

Borrowers will need to complete the Paycheck Protection Loan Application (which is available HERE) and payroll documentation.

Lenders will also ask you for a good faith certification that:

1. The uncertainty of current economic conditions makes the loan request necessary to support ongoing operations
2. The borrower will use the loan proceeds to retain workers and maintain payroll or make mortgage, lease, and utility payments
3. Borrower does not have an application pending for a loan duplicative of the purpose and amounts applied for here
4. From Feb. 15, 2020 to Dec. 31, 2020, the borrower has not received a loan duplicative of the purpose and amounts applied for here (Note: There is an opportunity to fold emergency loans made between Jan. 31, 2020 and the date this loan program becomes available into a new loan)

If you are an independent contractor, sole proprietor, or self-employed individual, lenders will also be looking for certain documents (final requirements will be announced by the government) such as payroll tax filings, Forms 1099-MISC, and income and expenses from the sole proprietorship.

What lenders will NOT LOOK FOR

- That the borrower sought and was unable to obtain credit elsewhere.
- A personal guarantee is not required for the loan.
- No collateral is required for the loan.
How do I calculate my average monthly PAYROLL COSTS?

How much can I BORROW?

Loans can be up to 2.5 x the borrower’s average monthly payroll costs, not to exceed $10 million.

How do I calculate my average monthly PAYROLL COSTS?

**INCLUDED** Payroll Cost:

1. **For Employers:** The sum of payments of any compensation with respect to employees that is a:
   - salary, wage, commission, or similar compensation;
   - payment of cash tip or equivalent;
   - payment for vacation, parental, family, medical, or sick leave
   - allowance for dismissal or separation
   - payment required for the provisions of group health care benefits, including insurance premiums
   - payment of any retirement benefit
   - payment of state or local tax assessed on the compensation of the employee

2. **For Sole Proprietors, Independent Contractors, and Self-Employed Individuals:** The sum of payments of any compensation to or income of a sole proprietor or independent contractor that is a wage, commission, income, net earnings from self-employment, or similar compensation and that is in an amount that is not more than $100,000 in one year, as pro-rated for the covered period.

**EXCLUDED** Payroll Cost:

1. Compensation of an individual employee in excess of an annual salary of $100,000, as prorated for the period February 15, to June 30, 2020
2. Payroll taxes, railroad retirement taxes, and income taxes
3. Any compensation of an employee whose principal place of residence is outside of the United States
4. Qualified sick leave wages for which a credit is allowed under section 7001 of the Families First Coronavirus Response Act (Public Law 116–5127); or qualified family leave wages for which a credit is allowed under section 7003 of the Families First Coronavirus Response Act

**NON SEASONAL EMPLOYERS:**

Maximum loan =

2.5 \times \text{Average total monthly payroll costs incurred during the year prior to the loan date}

For businesses not operational in 2019:

2.5 \times \text{Average total monthly payroll costs incurred for January and February 2020}

**SEASONAL EMPLOYERS:**

Maximum loan =

2.5 \times \text{Average total monthly payments for payroll costs for the 12-week period beginning February 15, 2019 or March 1, 2019 (decided by the loan recipient) and ending June 30, 2019}

- Payments deferred for six months
- 0.50% fixed interest rate
- Loan is due in two years

Prepared by the U.S. CHAMBER OF COMMERCE
Will this loan be FORGIVEN?

Borrowers are eligible to have their loans forgiven.

How Much?

A borrower is eligible for loan forgiveness equal to the amount the borrower spent on the following items during the 8-week period beginning on the date of the origination of the loan:

- Payroll costs (using the same definition of payroll costs used to determine loan eligibility)
- Interest on the mortgage obligation incurred in the ordinary course of business
- Rent on a leasing agreement
- Payments on utilities (electricity, gas, water, transportation, telephone, or internet)
- For borrowers with tipped employees, additional wages paid to those employees

NOTE: The government is now advising that because of high participation, it is anticipated that not more than 25% of the forgiven amount may be for non-payroll costs. The loan forgiveness cannot exceed the principal.

How could the forgiveness be reduced?

The amount of loan forgiveness calculated above is reduced if there is a reduction in the number of employees or a reduction of greater than 25% in wages paid to employees. Specifically:

Reduction based on reduction of number of employees

<table>
<thead>
<tr>
<th>PAYROLL COST</th>
<th>Calculated on page 2</th>
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<tbody>
<tr>
<td>Average Number of Full-Time Equivalent Employees (FTEs) Per Month for the 8-Weeks Beginning on Loan Origination</td>
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</table>

Option 1: Average number of FTEs per month from February 15, 2019 to June 30, 2019

Option 2: Average number of FTEs per month from January 1, 2020 to February 29, 2020

For Seasonal Employers: Average number of FTEs per month from February 15, 2019 to June 30, 2019

Reduction based on reduction in salaries

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<tr>
<th>PAYROLL COST</th>
<th>Calculated on page 2</th>
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</thead>
</table>

For any employee who did not earn during any pay period in 2019 wages at an annualized rate more than $100,000, the amount of any reduction in wages that is greater than 25% compared to their most recent full quarter.

What if I bring back employees or restore wages?

Reductions in employment or wages that occur between February 15, 2020 and April 26, 2020 (as compared to February 15, 2020) shall not reduce the amount of loan forgiveness IF by June 30, 2020 the borrower eliminates the reduction in employees or reduction in wages.
The Coronavirus Aid, Relief, and Economic Security (CARES) Act expands the Small Business Administration’s long-standing Economic Injury Disaster Loan Program (EIDL). The EIDL program was created to assist businesses, renters, and homeowners located in regions affected by declared disasters.

Who is ELIGIBLE?
In general, all of the following entities that have suffered substantial economic injury caused by a disaster provided they were in existence on January 31, 2020:

- Businesses with fewer than 500 employees
- Cooperatives, ESOPs, and tribal small businesses with fewer than 500 employees
- Sole proprietors
- Independent contractors
- Most private nonprofits

What are the LOAN PARAMETERS?

- The maximum EIDL is a $2 million working capital loan at a rate of 3.75% for businesses and 2.75% for nonprofits with up to a 30-year term
- Payments on Coronavirus EIDL loans are deferred for one year
- Up to $200,000 can be approved without a personal guarantee
- Approval can be based on a credit score and no first-year tax returns are required
- Borrowers do not have to prove they could not get credit elsewhere
- No collateral is required for loans of $25,000 or less. For loans of more than $25,000, general security interest in business assets will be used for collateral instead of real estate
- The borrowers must allow the SBA to review its tax records

How can I access an EMERGENCY $10,000 GRANT?

- Eligible applicants for an EIDL can receive a $10,000 emergency grant within three days of application (through Dec. 31)
- There is no obligation to repay the grant. To receive the $10,000 emergency grant, it is not necessary to have an approved EIDL loan. However, if you are able to secure a PPP loan, the $10,000 grant will be subtracted from the forgiveness amount

NOTE: The Paycheck Protection Program (PPP) created by the CARES Act prohibits borrowers from taking out two loans for the same purpose. For more information on PPP loans, visit uschamber.com/sbloans

How do I APPLY?
Apply online at SBA.gov/disaster

The SBA administers the EIDL program. Please contact the SBA with specific questions.
Managing Through Tough Times
How nonprofits can successfully navigate challenging economic times
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Eight Steps for Managing Through Tough Times

If there is one thing nonprofits have in common, it’s that at some point they’re likely to face a version of tough times. Maybe the trigger will be a sector-wide challenge, such as an economic recession, or a shock distinctive to the fields or locations the nonprofit serves. Or perhaps it will be an organization-specific hardship, such as the loss of a major funder’s support. No matter the cause, tough times force hard choices.

Tough times can also linger. It takes the nonprofit sector 1.5 times longer than the for-profit sector to recover from a recession, according to the Nonprofit Finance Fund (NFF), which conducts the State of the Nonprofit Sector survey (nff.org/learn/survey). “With recessions, organizations take a financial hit, but it is a psychic hit on the sector—we lose talent and then we lose connections,” warns Sandi Clement McKinley, vice president at NFF.

So what to do? Not surprisingly, there are no easy, or even particularly novel, answers to that question. But learning from what others have done before in the face of financial crises can be extremely useful. To that end, we’ve collected insights and advice from our clients, other nonprofit leaders and experts, and our own leadership—distilling them into a set of eight steps for managing through tough times. Note that although we crafted this advice with tough times in mind, the truth is these practices will help keep your organization in shape any time.

It’s critical to take each of these steps with an eye towards how decisions could differentially affect people of color—both inside and outside your organization. Building the better world that we are all working towards requires that social sector actors deliberately embed racial equity considerations into their decisions, and tough times are not an excuse to let that focus slip.

For more resources on getting and keeping your organization in shape to endure tough times, visit “Managing Through Tough Times” (www.bridgespan.org/special-collections/managing-through-tough-times).

1. Act quickly, but not reflexively, and plan contingencies.

Tough times call for immediate action: managing costs aggressively; doing away with nice-to-haves (not only because they are easily expendable but because of the signal it sends to the entire organization); and holding off on new initiatives. But even before your organization is feeling any pain, explicit contingency plans are a must. Keeping
a pulse on emerging developments in your field will help you keep an eye out for potential roadblocks ahead.

Always plan for the worst, recognizing that troubles may unfold in fits and starts. Having Plans B, C, and D in place and knowing when to move to each can mean the difference between pacing your organization through a marathon and a slippery slide into financial and organizational exhaustion.

Many organizations start by asking themselves what they would do if they had to cut their budgets by 10 percent, 20 percent, and 30 percent. They also specify the tripwires that would cause them to move from Plan A to Plan B, C, or D: an X percent fall in fee-for-service revenues, for instance, or a Y percent drop in donations or foundation funding, or a Z percent decrease in cash reserves.

A community-based after-school program with multiple sites, for example, might establish contingencies that call for renegotiating rents immediately; reducing staff and filling positions with volunteers as Plan B; consolidating one or two sites as Plan C; and consolidating to a core site as Plan D. Painful as each shift would be, both for clients and staff, the pacing signals clearly that the organization is doing all it can to preserve services and to keep the core of its mission alive.

2. Protect the core.

While the bad news is that financial constraints may mean you cannot pursue all of your current activities, the good—or at least the less bad—news is that not all of them are equally important in terms of impact. Now is the time to allocate your unrestricted funding and critical talent to the programs and services that have the greatest impact on those you serve. It is also the time to consider whether you need to cut back or discontinue less critical activities—and to ask yourself, “If not now, when?”

Simply identifying which programs are highest impact is not enough. You also have to be mindful of where your discretionary dollars are currently going. (Program contribution analysis is a helpful tool here.) Programs that aren’t covering their costs (thus commanding discretionary-dollar subsidies) deserve even more critical scrutiny—especially if they are less closely aligned with your organization’s mission and impact. Decisions about program cuts also have to be made with racial equity implications in mind to ensure that people of color are not disproportionately burdened.

Your organization’s leadership may already be clear about what the most important priorities are. But if they aren’t, we strongly recommend bringing key staff and board members together to wrestle with three critical questions that can help to create that clarity:

• What results are we trying to achieve, and for whom?
• How do we achieve them?
• What does that really cost?

Until everyone has agreed on the answers to these questions, it will be hard to develop a real consensus around which programs and activities are truly core and which ones, however reluctantly, can be let go.

3. Identify the people who matter most and keep that group strong.

Every organization has a small group of people who are critical to its success—current and future. Perhaps it’s because they’re strong leaders, or they bring distinctive expertise, or they’re culture carriers. If you were to name these critical individuals, who would they be? Odds are not all of them are your direct reports. These decisions about who “matters most” must be viewed through a diversity, equity, and inclusion lens, to ensure a variety of identities and viewpoints infuse your organization’s vision and work. One helpful tool is Race Matters Institute’s Racial Equity Impact Analysis, which includes five racial equity questions for weighing policy and personnel decisions.

These are the people who should be receiving the lion’s share of your attention, so that they can feel like allies and partners in keeping the organization focused on its mission and pulling through. This is a time for shared goals and creative solutions, not individual priorities and business as usual.

Getting clear about who your most critical staff are also will stand you in good stead should layoffs become necessary. It won’t make the process less painful, but it can reduce the odds that the layoffs will compromise the organization’s current and future effectiveness.

4. Stay very close to your key funders.

The individual donors and organizations that know you best are the ones that are most likely to help you navigate a downturn. Remember that you don’t have to wait for your key funders to call you. You can—and should—use this as an opportunity to pick up the phone and call them: let them know what you’re seeing and how you plan to respond; to explain the choices you’re making or expect to make; to ask whether they can be equally transparent with you about what they expect their payouts or donations to be over the next six to 18 months. (See “A Tough Times Call to Action for Funders: Be Even More Attentive to Leaders of Color” on page 6.)

“Know where your key funders’ priorities are and how your nonprofit fits in,” advises Maya Winkelstein, executive director of Open Road Alliance, which offers emergency funding for impact-threatening roadblocks during project implementation. “If you’re not sure where you sit, ask. Seeing your work through your funder’s eyes can help nonprofits to better understand when their funding is at risk.” In fact, a nonprofit’s financial volatility is sometimes inadvertently caused by changes in funder strategy or disbursement delays. (See “How Funders Can Avoid Inadvertently Triggering Tough Times” on page 7.)

You might also consider asking your existing funders to talk with their peers on your behalf. Downturns are usually a time to be cautious about trying to establish new funding relationships. But a referral from a trusted source might induce others to co-invest, at a time when they wouldn’t willingly do so on their own.

As a general rule, work to free up as much funding as possible for your highest-priority activities. You could try to do this by renegotiating the guidelines on restricted grants. It’s also worth taking the time to analyze your sources of revenue and to categorize each according to whether it is “in the bank,” committed, fairly certain, or at risk. Such analysis will allow you to think through more nuanced financial scenarios over the coming year.

5. Shape up your organization.

Beyond helping you stretch limited funds, belt-tightening changes can make your operations more efficient and your impact greater in enduring ways. Similarly, tough times can be the catalyst for taking advantage of low- or no-cost opportunities to improve internal operations and make it easier for people to work smarter—and not just longer and harder.

For example, identifying the organization’s critical decisions and then being explicit about whose responsibility they are can dramatically reduce the amount of time spent on inconclusive discussions (and the attendant frustration). Establishing formal or informal linking mechanisms, such as cross-functional teams, can make it easier for people to coordinate their efforts and share knowledge. Clarifying and refining essential work processes will allow everyone to take advantage of best practices and avoid reinventing the wheel.

Finally, if it’s a recession that’s sparked the tough times, it ironically may be the moment to add to your leadership team—bringing someone onboard with skills you previously might not have been able to access. Chief financial officers are a prime example. In the face of huge demand for financial talent, nonprofit organizations typically have great difficulty filling this position. But, in an economic downturn, a less robust for-profit job market can create hiring opportunities for nonprofits. Sticking to your hiring standards and screening process is important, though, to avoid bringing someone onboard who is merely looking for a short-term stop while the economy recovers.

6. Collaborate to reduce costs and expand impact.

This is the time to take some classic advice to heart: don’t go it alone. Sometimes the most innovative solutions come from unexpected partnerships. Could you combine operations with another nonprofit provider to lower back-office costs, create economies of scale, or share best practices? Could you consolidate purchasing with another organization? Might you even be ready to merge with or be acquired by another organization? There are many opportunities across the collaboration spectrum.³

Collaborations, of course, require time and effort to make work—and some fail despite that investment—so take care to weigh the likely costs, benefits, and risks before proceeding. And if you are considering the formal M&A route, keep in mind that struggling nonprofits typically are not attractive to acquirers. Better to start thinking about this option before tough times are upon you.

7. Involve your board.

Now more than ever, your board needs to be both well informed about the organization’s financial health and a central part of the planning process. In times of financial hardship, everyone expects to step up to the plate. As the organization’s fiduciary trustees, your board members are very much part of the “everyone.”

Board members can make important contributions in multiple ways: by providing experience and expertise from other domains and sectors; by helping to pressure test your assumptions and plans; and by playing an especially active role in the organization’s fundraising efforts. They may also be able to provide focused operational support to complement staff efforts or to fill a gap if staff must be laid off.

During the toughest times, board members should expect to be called upon. They should also expect that what they will be called upon to do will be well considered and appropriate. Effective work on their part, therefore, will likely require thoughtful and tactful management, not only on your part but also on that of your board chair.

8. Communicate openly and often.

Leading an organization through tough times calls for open and frequent communication from the top. People need to know that leadership has a handle on the problem and a plan to address it. They want to know where they stand, what the organization’s prospects are, and what they can do to help. Develop consistent talking points for staff and your board to help manage perceptions.

Leaders who have weathered past downturns find such transparency is one of the best ways to keep teams engaged and enthusiastic—focused on the needs of the people they are serving and not on the organization’s woes. Here, too, small gestures count: rewarding with frequent praise when staff redouble efforts and tighten belts; serving as a role model in reducing a non-essential expense, or rolling up your sleeves to fill a gap on the front line. Remember that there is a world of difference between reactive pessimism and hard-headed determination. People will look to the leader who sees and conveys the brighter future.

In Conclusion

Steps taken to manage through tough times tend to endure. Making the wrong choices—ranging from across-the-board cuts that weaken everything you do, to fostering mistrust and fear by failing to communicate—will have long-term consequences. But so will making the right choices: reinforcing the organization’s core values and mission focus; identifying leaner ways to execute business as usual; partnering with other nonprofits to
A Tough Times Call to Action for Funders: Be Even More Attentive to Leaders of Color

Research has repeatedly shown that bias-related barriers to capital result in leaders of color having weaker funder networks, making their organizations among the sector’s most financially vulnerable. Funders, therefore, have a special obligation to grantees led by people of color during tough times.

“There is a starting point of imbalance in funding streams and funding amounts going to people-of-color-led organizations,” says Shawn Dove, CEO of the Campaign for Black Male Achievement (CBMA). “The feeling of scant dollars is very real. Forget ‘managing through tough times’—leaders of color are often already operating in tough times.” Dove has experience as both a grant seeker and a grant maker as he launched CBMA at the Open Society Foundations where he spent seven years before CBMA became an independent organization.

The Building Movement Project reports in its *Race to Lead* study that 41 percent of nonprofit leaders of color consider “the lack of relationship with funding sources” as one of the main challenges of their job, compared to 33 percent of their white counterparts.¹

As part of Bridgespan’s supplement on big bets for the *Stanford Social Innovation Review* (SSIR), Cheryl Dorsey, president of Echoing Green and Bridgespan board member, noted the “multiple, overlapping, systemic barriers” that leaders of color face when it comes to funding.² Dorsey specifically flagged the “like funds like” pattern as a significant barrier, with funders being more likely to invest in people who share the same ethnic, educational, and career backgrounds.

Of course, any ongoing funding challenges faced by nonprofit leaders of color are only compounded if the entire sector is also taking an economic hit. This reality can make tough times even tougher for these nonprofits.

What can funders do to help? Simply put, double down on the tough-times supports for grantees led by people of color. Stay in close touch, so you know when challenges emerge and what shape they take. When tough times come, act quickly: deploy your own resources to help them navigate financial hardships, and aggressively tap your connections to help broaden the base of support. Leaning in like this can make all the difference in the organizations’ ability to continue their critical role in driving the transformative social change we all seek.

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How Funders Can Avoid Inadvertently Triggering Tough Times

Unfortunately, sometimes it is a nonprofit’s own funder that triggers tough times. “Nonprofits don’t need a recession to fall on hard times. All they need is a funder to change their pay schedule from Q1 to Q4, and that can mean they’re no longer able to survive,” says Maya Winkelstein, executive director of Open Road Alliance (ORA).

ORA considers itself a nonprofit “emergency room.” It offers short-term loans and grants to nonprofits facing unexpected financial hardships that threaten impact. Funder-created obstacles are the most common reason applicants reach out for its support, accounting for nearly half of the triggers ORA documented in its recent analysis of five years of applications. The most frequent types of funder-related causes were disbursement delays and changes in funder strategy. Although funders often aren’t intentionally creating these obstacles, they nevertheless are disrupting their grantees’ work and in doing so threatening the impact of their grant-making.

To ease the disruptions, funders can increasingly weigh how their decisions (big and small) will affect grantees’ financial health. For example, if a grantee’s cash flow is tight and its reserves are small or non-existent (not an uncommon scenario), even minor delays in grant payments could cause great hardship. “We tell foundations that when it comes to financial decisions, if something would be an inconvenience for you then it would be a crisis for your grantee,” says Winkelstein.

As for changes in funder strategy, funders can help prepare grantees by communicating openly and being transparent about potential shifts—using clear and direct language. A funder’s words matter—reassuring a grantee that pending changes in strategy will not affect them might have devastating results if final decisions shift direction.

Beyond these approaches for mitigating harm caused by their own actions, funders can also put themselves in a better position to help grantees navigate tough times caused by other factors. To avoid the philanthropic emergency room all together, funders can take preventative measures in the form of risk management. One helpful practice here is to include contingency funds in annual grant-making budgets—allowing funders to more nimbly help grantees overcome the financial emergencies that are bound to happen between grant cycles.

More generally, Winkelstein would like to see the concept of risk increasingly baked into the grant-making process. Fewer than 20 percent of foundations currently budget for the unexpected, according to ORA. “If we don’t talk about what could go wrong, it implicitly creates the guarantee of a perfect project and false expectations,” says Winkelstein. “The problem is, things happen unexpectedly all the time—that needs to be considered the norm.”

How Pressley Ridge Managed Through Tough Times

The “tough times” they faced

In 2013 Pressley Ridge committed to expanding its work with children and families in community-based settings. Previously, residential, or out-of-home, care had dominated the organization’s offerings, accounting for close to 70 percent of its programming. The organization’s leadership sought to bring more balance to that service mix, motivated by a belief that children should be with their families whenever possible. In its ensuing efforts, Pressley Ridge had success with serving children in their homes, but expanding that work was slow going. Despite increasing support nationally for the idea of children being served in community settings, funding flows still favored out-of-home care.

When the Family First Prevention Services Act (FFPSA) passed in 2018, out-of-home care was still a prominent part of Pressley Ridge’s work. FFPSA was the biggest change to the structure of federal child welfare finance since 1980. The bill aimed to prevent children from entering foster care by allowing federal reimbursement for mental health services, substance use treatment, and in-home parenting skill training. It also sought to improve the well-being of children already in foster care by providing incentives for
states to reduce placement of children in congregate facilities (also called residential care). In practice this meant a major shift for child-welfare organizations, de-emphasizing residential care and emphasizing community-based services.

On the one hand, FFPSA provided the momentum Pressley Ridge needed to live into its goal of expanding its community-based work. But on the other hand, the organization still relied on the residential-care funding streams that FFPSA was projected to squeeze.

**What they did**

Pressley Ridge monitored child welfare trends in the lead up to the bill passing and ensured it was well-positioned when the shift from residential to community-based treatment occurred. Its leadership held annual strategic retreats with its board, inviting external speakers and discussing key trends in social services and beyond. CEO Susanne Cole also set up quarterly info sessions for board members and communicated with them regularly in between. This engagement helped the organization effectively navigate the changing landscape.

Through these efforts, Pressley Ridge decided to increasingly shift services to community settings while also reducing the number of residential facilities it operated. It would retain enough residential capacity to serve children who can’t remain at home given the extent of their challenges—preserving a continuum of care that spanned from intensive residential treatment to in-home supports.

**Results**

Pressley Ridge successfully transitioned from having close to 70 percent residential and 30 percent community-based programming to a 30:70 ratio.
Advice for other nonprofits

Know the true costs of your program and make decisions about what to maintain and what to cut accordingly

“We have a policy that we won’t subsidize services. We take our programs and rank them by operating margin. If margins are less than 10 percent, we decide if we should discontinue the program or find a way to enhance the rate based upon our outcomes. We also look at programs that have higher operating margins, over 20 percent, and look at ways that we could replicate them. What about their design could we replicate? What about these programs better supports positive outcomes for children and families?”

If you are working with government funders, get involved at key points during the decision-making process to share your expertise

“Our perspective is that everyone wants to do the best for children. We look to where the key decision makers work—state-wide planning committees or county committees—to help inform the direction as a resource. We want to be viewed as a partner and resource in the problem-solving process as we assist with social issues in our communities. This sometimes means that we provide consultation even if we don’t expect to get a contract. This is why we exist—to build a better future for those struggling with complex issues.”

Be flexible if your core shifts over time; it may change as your beneficiaries’ needs do

“Pressley Ridge does not exist to provide services; we exist to meet the needs of kids and families in our communities. We stick to our core population but are flexible about the services we use to reach them.”
In the event you have to discontinue a program area, reassure staff that they are still valued by looking for ways that their skills can be used elsewhere in the organization.

“We closed a residential program a few years ago and the staff who worked there were worried about their future. We were able to use their skills in our home-based services—just transferring the place where they served children, but not losing the staff and their expertise.”

If you sense tough times coming, proactively communicate with your board, ideally through short, targeted messages.

“The messaging from the CEO should be: ‘here’s what’s coming, here’s what I’m concerned about, here’s what I think we need to do. Let’s discuss.’ I stick to short summaries highlighting the key points—instead of inundating them with long documents.”
How Prosperity Now Managed Through Tough Times

The “tough times” they faced

Prosperity Now had been diligent about preparing scenario plans to deploy should “routine” financial stresses emerge, but that mattered little when the political climate changed. “Every model we created had to be thrown out the window after the 2016 election,” admits Adnan Bokhari, CFO and COO of Prosperity Now. Federal contract revenue declined from $3 million to $500,000 or 80 percent.

As a result of the loss of federal contracts, Prosperity Now faced a $1 million deficit going into the 2018 fiscal year. It covered the gap by tapping previously restricted funds in its endowment, but its leadership knew they would again face a deficit in 2019 as federal contracts continued to decline. The organization needed to develop a new financial model that matched the economic realities of the times.

What they did

Prosperity Now created a four-pronged strategic approach to financial sustainability that consisted of raising more revenue, optimizing how it
deployed resources, reducing costs, and, as a longer-term solution, generating earned income. The organization was very deliberate in developing principles to guide its decision making in these areas:

1. Prioritize both mission and financial health
2. Prioritize staff
3. Exercise great care to ensure equity
4. Consider both today and tomorrow
5. Review costs and benefits
6. Pursue cuts that make significant financial difference

Prosperity Now also created contingency plans with specific trip wires and next steps. The organization ended up testing its plan in real time as a major funder decided to not renew its support for the following year. The team cut costs to make up the difference and refrained from filling positions when people left the organization.

Prosperity Now also conducted an organization-wide risk assessment to identify the top five risks it currently faced and would face in the future. Bokhari created a “growth monitor” system that the leadership team updated three times a year to determine if the organization is on track to meet its annual goals. “An enterprise risk framework was my initial ambition, but I realized the time commitment wasn’t feasible,” Bokhari explains. “The growth monitor is more of a quick ‘gut check.’ Leadership spends 30 minutes updating it once per quarter, and we were able to commit to doing that. With the right culture and leadership, this will help us home in on what we should be focusing on.”

Results

Prosperity Now was able to address a $2.8 million budget shortfall by creating strategies to raise $1.2 million in additional revenue, generate $0.8 million by optimizing resource deployment, and reduce costs by $0.8 million.
Advice for other nonprofits

No one can do this alone

“The entire leadership team came together to solve this. The next tier of senior management was also engaged in execution of the strategies. The results are our successes—not of any one individual.”

Lead with the data and be persistent. The belt tightening needed to manage through tough times can be hard. Start with piloting new solutions to show that incremental changes are possible and potentially not as painful as initially believed

“I felt that I had to make this a priority, and it was really difficult. It took a long time. I first had to prove that there was even a problem and did so by sharing the current and projected financial numbers openly and consistently.”

Recruit allies in leadership, especially on the board

“Board involvement is key to making hard changes. It really helped to be able to say to the leadership team that either we do this or the board will do this for us. When we laid out those four strategies, one of the board members said that this is something we should be doing every year—and I agree!”

Proactively create systems and processes to identify emerging problems

“Leading efforts to react to tough financial times is a difficult and draining place to be in. Rather than having one person shoulder that by being the mechanism through which this information is delivered, organizations can create systems and processes to alert them if there’s a problem.”

Systematically focus on diversity, equity, and inclusion

“We review every spending cut, both individually and in the context of the larger set of cuts, to ensure that where reductions are made and who they affect is fair, free of bias, and balanced.”
Bridgespan’s “Managing Through Tough Times” resources were updated in 2019, with Maria Orozco, Cora Daniels, and Lauren Rourke as lead contributors.

The Bridgespan Group thanks the JPB Foundation and the Robertson Foundation for their generous support that made this special collection possible.

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