



# COVID Finance and HR Policies, and Management Implications

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Many nonprofit executives are facing difficult decisions around finance, human resources, and how their organizations can keep serving their communities. There is a tension between the impact we want to make in the community and having adequate resources to operate and care for employees during a pandemic.

This presentation is designed to provide basic information about recent financial and human resources policies implemented in response to the COVID-19 pandemic. Also included are some suggestions and executive actions for how to navigate these challenges. Please see the primary sources provided on each slide to learn more, and seek counsel for legal and financial compliance issues.



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

# Before We Begin



- This presentation will cover basic policies for emergency funding and human resources, and discuss management options that can help organizations keep serving the public and retain employees
- The information in this presentation is provided to help nonprofit organization leaders better understand emergency options and best steps to sustainability so they may retain staff and keep working toward their mission as we all navigate COVID19.
- Please check with your accountant or attorney for questions concerning financial or legal compliance.

# Steps to Sustainability



## Assess your current situation

- Involve your board in planning and decision making
- Evaluate your financial situation and the risks to your organization
- Be honest in evaluating demand for your services short and long term



## Take advantage of emergency relief

- Emergency Injury Disaster Loan (EIDL)
- Paycheck Protection Program Loan (PPPL)
- Both programs are first come, first served












## Continue fundraising and cultivation

- Communicate with your constituents
- Pivot your fundraising case statement to support current needs
- Contact your most loyal donors (5 years consecutive) and major donors

# Sources of Revenue



Revenue	Anticipated Funding in 2020	
Fee for service		Reduced due to disruption in service
Philanthropy <ul style="list-style-type: none"> <li>• Individual Giving</li> <li>• Donor Advised Funds (DAFs)</li> <li>• Foundation Giving</li> </ul>	  	Extraordinary generosity, but a decline from 2019 Increase gifting due to response in local needs Increase due to emergency response efforts
Government <ul style="list-style-type: none"> <li>• Contracts</li> <li>• Grants</li> </ul>	 	Likely these will remain, may be reduced Omitted in efforts to meet budgets
Cash Reserves		Used to address needs in 2020
Endowment		Decrease yield, and carryover next 3 years
Lines of Credit		Increase as organizations turn to this short-term

# Emergency Relief to Nonprofit Sector – CARES Act



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

Sources: Small Business Administration SBA.gov, Your Part-Time Controller, and the National Council for Nonprofits



# 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**.

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

The screenshot shows the SBA's online application portal. At the top left is the SBA logo (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 shows five steps: 1. DISCLOSURES (document icon), 2. BUSINESS INFORMATION (building icon), 3. BUSINESS OWNERS INFORMATION (person icon), 4. ADDITIONAL INFORMATION (document icon), and 5. SUMMARY (checkbox 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, grant amount will be deducted from PPPL



# 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>

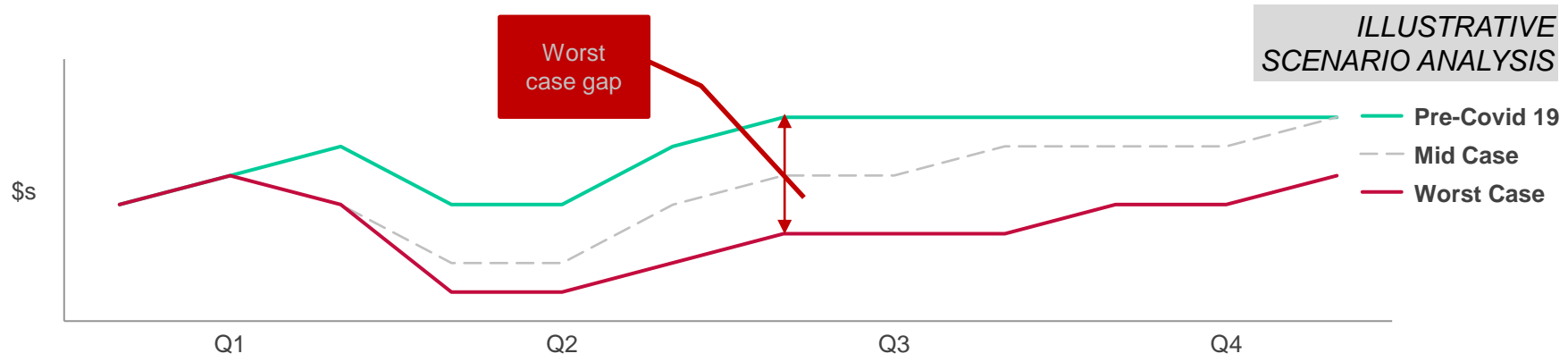
- Information needed to apply more extensive than EIDL, for example:
  - Articles of incorporation, bylaws
  - Payroll summary report with corresponding bank statements
  - Documentation of payment of health insurance premiums, retirement funding
  - Trailing 12-month P&L
- Loan amount will be lesser 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

Sources: Small Business Administration SBA.gov, Your Part-Time Controller, and the National Council for Nonprofits

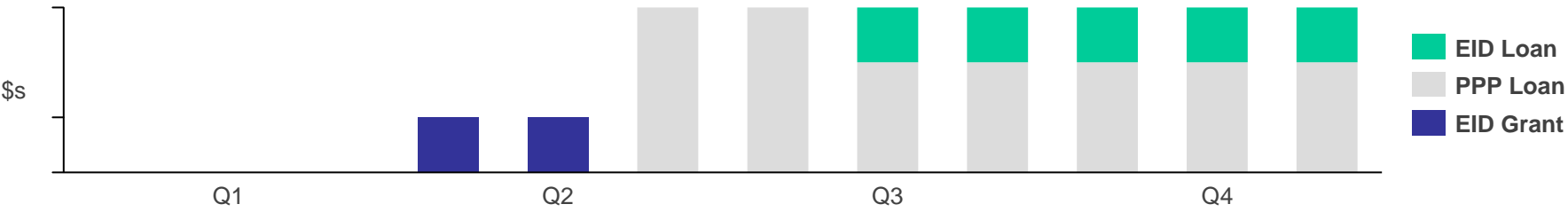


# Example Utilization of EIDL/PPPL: Repair Gap from Worst Case Revenue Shortfall

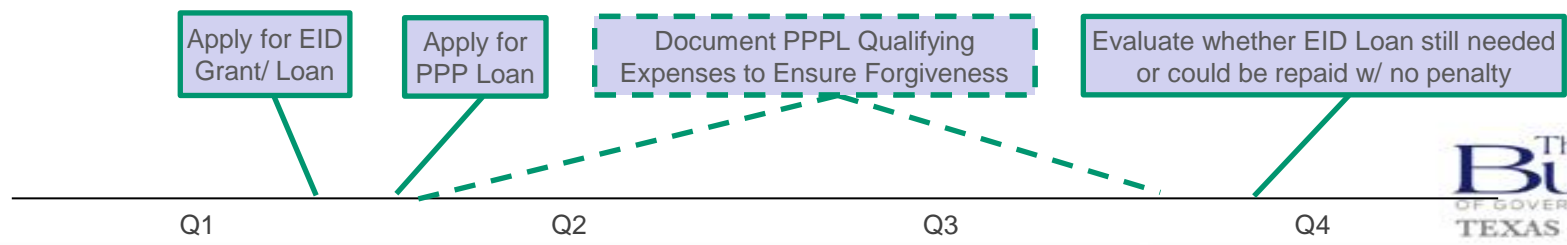
Nonprofit ABC  
2020 Revenue  
Scenarios



Potential Relief  
From CARES Act  
Programs



Nonprofit ABC  
Recommended  
Executive Actions



# Emergency Philanthropy Funding



Many *private funders* responded with first wave of emergency funding, and now have been crafting strategic response to the crisis, as we can begin to see gaps where need is not being met.

## Local Community Initiatives

- Brazos Valley COVID-19 Community Relief Fund
- Greater Houston COVID 19 Recovery Fund
- COVID-19 Relief in a State of Emergency (RISE) Fund Austin
- Multiple Funds in Dallas – United Way, City of Dallas, Dallas Foundation, and Communities Foundation of Texas

# Families and Workers Fund



- April 14, this initiative was launched by the Ford Foundation and six other private foundations
- Initial funding is \$7 million, but they aim to raise \$20 million
- Goal is to provide assistance to the “workers, families, and communities most devastated by the economic and health crises resulting from the COVID-19 pandemic.”
- Learn more about the fund:  
<http://amalgamatedfoundation.org/workersfund>
- Please note, while the Families and Workers Fund is not open to applications at this time, interested organizations can register at [www.justfund.us](http://www.justfund.us).

Sources: Ford Foundation and Amalgamated Foundation



## Direct Relief

- “facilitate direct cash grants and loans to individuals, with focus on those who are most likely to be left out of the government’s emergency policy response —especially workers and families who are reeling from layoffs, temporary business and school shutdowns, and caretaking duties”

## Centering Vulnerable Workers & Families

- “provide grants to policy and advocacy organizations, worker groups, *community nonprofits*, and others advancing and implementing policies and business practices that stabilize working people during the acute phase of this crisis (e.g., paid sick days and unemployment insurance) and ultimately help to center them in the long-term economic recovery”



## 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, and 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.

# Human Resources Goals in Nonprofits



Blend economic theories of human capital with organizational theories to create an environment that attracts talented employees to serve the public





# Multiple Human Resources Implications



*Entirely too much employment law to cover today, so we'll think about some basics.*

- Emergency Leave Acts for COVID-19
  - Families First Coronavirus Response Act (FFCRA)
  - Coronavirus Aid, Relief, and Economic Security Act (CARES)
  - Employer 100% refundable payroll tax credits for leave
- Equity Among the Workforce
- Remote Work Transition
- Current Paid Time Off (PTO) and other Benefits
- Expanded Unemployment Coverage
  - Disaster Unemployment Assistance Program
- Incentives for Retaining Employees

# Families First Coronavirus Response Act (FFCRA)



## Extended Family and Medical Leave (FMLA) through December 31, 2020

- Up to 12 weeks leave, employer does not have to pay the first 10 days
- Pay is not less than 2/3 wages and no more than \$200 per day
- Health care providers and emergency responders may be excluded from this leave
- Employers 25 or fewer employees do not have to restore the employee if economic conditions have created an environment where position is no longer available
- “Exempt small businesses with fewer than 50 employees if the above requirements would jeopardize the viability of the business going forward.”

# Families First Coronavirus Response Act (FFCRA)



## Emergency Paid Sick Leave Act – through December 31, 2020

- “Employers are required to provide 80 hours of fully paid sick leave to full-time employees (pro-rata rules would apply to part-time employees) *on top of any other existing paid leave program of the employer.*”
- “Employers are prohibited from retaliating against any employee who takes leave in accordance with the act.”
- 6 criteria for eligibility
  - 3 related to personal implications COVID, and employers must pay full wage not to exceed \$511 per day
  - the other 3 related to caring for an individual with COVID or if their child’s school or childcare provider is closed due to public health emergency, and employers must pay 2/3 wages not to exceed \$200 per day

# Coronavirus Aid, Relief, & Economic Security Act (CARES)



## Health Care

- COVID-19 testing to be paid by private insurance, without cost sharing, and services during visit that results in testing during the public health emergency
- Broadens use of HSAs and FSAs to pay for medical products

## Benefits

- Allows employees who were laid off 3/2020 or later to have access to paid family and medical leave if they are rehired
- Issue of Congressional Omnibus Budget Reconciliation Act of 1985 (COBRA) is complex, particularly with furlough options.

# Coronavirus Aid, Relief, & Economic Security Act (CARES)



## Pandemic Unemployment Assistance (through December 31 2020)

- “Creates a new program to help those not traditionally eligible for Unemployment Insurance (UI), including self-employed individuals, independent contractors, those with limited work history and those who are unable to work as a result of the coronavirus public health emergency.”
- Waives the first waiting week
- Provides an extra \$600 weekly payment, in addition to the weekly benefit amount an eligible employee otherwise receives under state law
- Increases the maximum number of weeks an individual may receive benefits up to 39 week.

*Note: Some of your employees could make more through unemployment with this act than they do working.*

# Coronavirus Aid, Relief, & Economic Security Act (CARES)



## Retirement

- “Waives the 10% tax on early withdrawals up to \$100,000 from a retirement plan or IRA (made on or after January 1, 2020) for an individual who is diagnosed with COVID-19; whose spouse or dependent is diagnosed with COVID-19; who experiences adverse financial consequences as a result of being quarantined, furloughed, laid off, having work hours reduced, being unable to work due to lack of child care due to COVID-19, closing or reducing hours of a business owned or operated by the individual due to COVID-19
- Permits individuals to pay tax on the income from the distribution over a three-year period and allows individuals to repay that amount tax-free back into the plan over the next three years.
- Doubles the current retirement plan loan limits to the lesser of \$100,000 or 100% of the participant’s vested account balance in the plan. Individuals can delay their loan repayment up to one year.

# Coronavirus Aid, Relief, & Economic Security Act (CARES)



## Business Provisions

- Allows employers and self-employed individuals to defer payment of the employer share of the Social Security tax they otherwise are responsible for paying to the federal government. Deferred tax must be paid over the following 2 years, with 50% due 12/31/2021 and the remaining by 12/31/2022
- “Provides a refundable payroll tax credit for 50% of wages paid by employers to employees during the COVID-19 crisis. The credit is available to employers whose (1) operations were fully or partially suspended due to a COVID-19-related shut-down order, or (2) gross receipts declined by more than 50% when compared to the same quarter in the prior year.”

# Fair Criteria for Making Employment Decisions



In nonprofits, teams can become very close. Therefore, it makes it even more important to follow policies to avoid any practices that are discriminatory or perceived as biased.

- Last in First Out (LIFO) - means those with the least seniority are let go, but you have not control over performance indicators
- Skill based – when an employee does not have the skills to continue in a position based on reorganization decisions made. Ex) Two positions were combined, and one employee has skill set and other does not.
- Performance based - used to retain talent, and it is critical that the organization has documentation and performance reviews



# Decisions in the Absence of Good Options



- Limited to adjusting revenue and expenses to survive
- Do everything possible before cutting staff
- Look to cut auxiliary benefits (parking, retirement contributions or lower health care contributions)
- Be creative to share salary costs before laying off staff:
  - Rolling furloughs – everyone 1 week unpaid a month. Save 25% salary and employees have more time off
  - Shared reduction – everyone in the organization works 30 hours
  - Job Sharing – two employees split time for a FTE position
  - Leveling salaries – temporarily set all salaries at the same level, which requires senior employees to make greater sacrifices

Source: <https://blogs.claconnect.com/nonprofitinnovation/financial-leadership-in-the-face-of-impossible-choices/>



# Options for Reducing Salary Expense

## Furlough

- Retain talent
- Employed, but reduced hours
- Keep benefits
- All employees share the hardship, rather than some losing their jobs

## Layoff

- Temporarily separated from employment and employer intends to recall the employee
- May collect uninsurance
- Some employers extend benefits for a period of time

## Reduction in Force

- Position is eliminated without intent to refill the position
- Can be accomplished by terminating employees or by attrition
- Layoff can turn into reduction if conditions do not change

# Human Resources in Times of Crisis



- Focus on your mission and what you can control
- Aim to provide a sense of calm to employees
- Reassure employees of the value of their work
- Be transparent about the situation
- Plan for employee retention
- Offer wellness options for employees
- Consider equity for employees
- Weigh both the financial situation and organizational impact to guide decisions on what services and human resources strategies to pursue
- Ensure any human resources adjustments made meet state labor and employment laws



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