



**Consolidated Appropriations Act:  
Financial Relief for Nonprofits  
is Finally Here**

**Colorado Nonprofit Association – 2/2/21**

# Disclaimer

- *This presentation is for educational purposes only. It should not be construed or relied on as legal advice or to create any client, advisory, fiduciary, or professional relationship between you and CLA. You should consult with your legal counsel if you have questions or concerns regarding your eligibility to participate in the Paycheck Protection Program (PPP) or other PPP-related issues.*
- *This presentation considers guidance provided by the SBA and US Department of the Treasury through **January 30, 2021**. Additional guidance is being provided on a regular basis, please refer to the US Department of the Treasury website (<https://home.treasury.gov/policy-issues/cares/assistance-for-small-businesses>) for recent updates.*



# Agenda

1. Key Highlights of the CAA
2. PPP Updates
  - First and Second Draw Programs
  - Newly Eligible Entities
3. Employee Retention Credits (ERC)
4. Shuttered Venue Operator Grant
5. Case Study



# CAA: Key Highlights and Timeline

- Signed into law December 27, 2020
- Paycheck Protection Program –
  - \$284B in new funding for
    - ◇ Continuation of initial Paycheck Protection Program loans
    - ◇ Paycheck Protection Program Second Draw loans
  - Timeline of program borrowing: January 1, 2021 – March 31, 2021 | funds run out
  - Borrower friendly modifications
    - ◇ New eligible first-time borrowers, including 501(c)(6) organizations
    - ◇ Increased eligible expenses
    - ◇ More flexibility and clarity in forgiveness period and process



# CAA: Key Highlights and Timeline

- Employee Retention Credits (ERC) –
  - Extension and expansion of the employee retention tax credit program
  - Clarification that a business/nonprofit may be able to access both PPP and ERC as long as double-dipping is avoided
- Guidance Available
  - IFRs issued January 7, 2021
    - ◇ [PPP As Amended IFR](#)
    - ◇ [2<sup>nd</sup> Draw Loan IFR](#)





# PPP Updates

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# PPP Updates

Program

PPP1

PPP2

Basics

New Funding and Updates for First-Time PPP Borrowers

Funding for Second-Draw PPP Loans

Eligibility

General: 500 Employees  
Housing Coop / 501(c)(6) / Destination Marketing: 300 Employees

25% Revenue Reduction and Limit of 300 Employees  
Must have spent all of PPP1 by PPP2 funding

Entity Types

Similar to Original PPP + Housing Coop + 501(c)(6) + Destination Marketing Org + News Org

Forgiveness

Similar to Original PPP + Additional Eligible Costs



# 2<sup>nd</sup> Draw PPP Eligibility

Max 300 employees

Calculate based on prior 12 months headcount. If affiliated entities (eg: foundation) must count employees of all affiliated entities.

Spent all PPP1 funding

Guidance has NOT indicated that forgiveness is required, but that all PPP1 funds must have been spent on eligible costs.

25% reduction in gross receipts

At least one calendar quarter of 2020 vs. the same quarter in 2019 must show a 25% reduction in gross receipts.





# 501(c)(6) PPP Eligibility (1<sup>st</sup> Draw)

Max 300 employees

Calculate based on prior 12 months headcount. If affiliated entities (eg: foundation, PAC, etc) must count all affiliated entities.

15% max receipts from lobbying

“Receipts from lobbying” is not well-defined. ASAE and others have submitted comments requesting clarification. If dues invoices list a portion for lobbying, consider calculating that total as a starting point.

Lesser of 15% or \$1M max expense on lobbying

“Lobbying expenses” also not well-defined and focus of ASAE request. IFR does refer to most recent tax year ended before 2/15/2020, so perhaps schedule C of the 990 for the referenced year?



# Gross Receipts – Nonprofit Definition (IRC 6033)



## INCLUDE

- In-kind contributions of assets
- Gross receipts from sale of assets or investments without reduction for basis
- Non-PPP CARES Act Funding
- Pass-through revenues
- Multi-year grants/pledges\*



## EXCLUDE

- In-kind contribution of services, use of space, etc.
- Realized or unrealized gain/loss on investments
- PPP1 revenues/forgiveness

- Accounting basis should be that used on the form 990
- If organizations don't account on that basis quarterly, adjust financials to the basis for the analysis

# PPP Loan Sizing

## First-Time Borrowers (PPP1)

- Lesser of (i) 2.5 X avg. monthly payroll and (ii) \$10 million
- Payroll includes:
  - Gross wages, max \$100k/emp.
  - Employer paid:
    - Health benefits (medical, dental, vision)
    - Retirement contribution
    - Life and disability insurance
    - State unemployment tax
- See [SBA's loan sizing guide](#)
- Can use **2019 or 2020 payroll**, whichever is larger

## Second Draw (PPP2)

- Generally - Lesser of (i) 2.5 X avg. monthly payroll and (ii) \$2 million.
- NAICS 72 Entities - Lesser of (i) 3.5 X avg. monthly payroll and (ii) \$2 million
- Avg monthly payroll determined using 2019, 2020, or Twelve Trailing Months (TTM)

# PPP Loan Application Process

- Option to use same/different lender for PPP2, though administrative eases by sticking with same bank
- All banks use the SBA application; but formats, portals, and processes may vary
- Plan to have the following support:
  - Completed loan application
  - 941 for year of payroll used for sizing
  - Support for all benefits included
  - Schedule of computation is often helpful





# Employee Retention Credits

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# Employee Retention Credit - 2020



50% reduction in gross receipts for a calendar quarter OR full or partial government shut-down



Up to 50% of \$10,000 of wages and qualified benefits  
(\$5,000 credit per employee max) for all of 2020



>100 employees, the employees had to be paid but not working.  
≤100 employees could be working during the eligible period



Credit is on payroll taxes and filed for on form 941 at the end of a quarter, or filing a 941x to amend for the relevant quarter and claim the credit



CARES Act didn't allow for ERC and PPP; CAA amended that and allowed organizations to take both as long as "double dipping" is avoided.

# Employee Retention Credit - 2021

CAA greatly expanded by this program by:

- Increasing the employee limit from 100 to 500 max for employees to be eligible if still working
- Allowing companies to access PPP and ERC (also retroactive)
- Only 20% gross receipt reduction in a quarter required (or partial or full government shutdown)
- Up to 70% of \$10,000 of wages per quarter; up to \$7,000 credit per employee for each Q1 and Q2 of calendar 2021



# Shuttered Venue Operators (SVO) Grant

- Eligible entities:
  - Live venue operators, theatrical producers and live performing arts organizations
  - Museums (public, tribal or private)
  - Motion picture theatre operators
  - Talent representatives
- Initial grant = 45% of 2019 gross earned revenue
- Supplemental grant = 50% of initial grant amount
- Overall max grant = \$10m





# Shuttered Venue Operators (SVO) Grant

- Initial grant eligibility
  - Entity must be fully operational as of February 29, 2020,
  - Experienced a reduction of at least 25% in gross earned revenue during at least one quarter 2020 compared to same quarter in 2019, and
  - Resumed or intend to resume operations as of the grant date
- Supplemental grant eligibility
  - Supplemental grant available if Q1 2021 revenue is 30% or less of the Q1 2019

# Shuttered Venue Operators (SVO) Grant

- Organization may NOT receive PPP2 and SVO grant
- 28-day priority plan established to provide funding to those orgs with greatest reduction of revenue and orgs with 50 or fewer employees
- Specific criteria exists for the allowed uses of SVO funds and dates when the funds must be spent
- SVO Grant Program not currently open – now is the time to assist with planning
  - *SBA has not announced program opening date*





# Case Study

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# Case Study- Background

\$2M budget  
501(c)(3) nonprofit

Secured a \$250k PPP  
loan in April, 2020

Spent loan on eligible  
costs in 24 week period;  
hasn't applied for  
forgiveness

Q2 and Q3 reductions in  
revenues due to limited  
or closed programs  
funded by cost-  
reimbursement grants

Reduced headcount  
from 30 to 20 over  
2020; may reduce more  
if don't secure PPP2

7 staff took eligible  
FFCRA leave in 2020



# Case Study – Steps to Analyze Opportunities

STEP 1: Pull together quarterly financials for calendar 2019 and 2020 and adjust to “gross receipts”

Gross Receipts	Q1	Q2	Q3	Q4
2019	\$350,000	\$700,000	\$400,000	\$550,000
2020	\$350,000	\$350,000	\$275,000	\$500,000
Change	0%	-50%	-31%	-9%



# Case Study – Steps to Analyze Opportunities

STEP 2: Did you have over 50% reduction in a quarter of 2020 vs. 2019?

- If yes, calculate 2020 ERC claim amount (up to \$5k/employee)
  - ◊ 20 Employees in Q2 = \$100,000
- If no, might you qualify for “partial shut-down”
- Note- may use multiple quarters
  - see detailed requirements

Category	2020	2021
2020 ERC	\$100,000	
PPP1	\$250,000	
2021 ERC – Q1		
2021 ERC – Q2		
PPP2		
<b>Potential Total</b>	<b>\$350,000</b>	

# Case Study – Steps to Analyze Opportunities

STEP 3: Do you have enough eligible costs to reach full forgiveness of PPP1 when accounting for:

- Backing out the potential ERC
- Adjusting for the FTE reduction quotient
- Adjusting out any costs covered by restricted grants
- Backing out the FFCRA credits claimed

Category	2020	2021
2020 ERC	\$100,000	
PPP1	\$250,000	
2021 ERC – Q1		
2021 ERC – Q2		
PPP2		
<b>Potential Total</b>	<b>\$350,000</b>	



# Case Study – Steps to Analyze Opportunities

STEP 4: Calculate 2019 and 2020 payroll and benefits to size your PPP2 loan

Category	2019	2020
Salaries	\$1,250,000	\$1,300,000
Less >\$100k	-200,000	-125,000
Medical	125,000	120,000
Retirement	35,000	39,000
Life/Disability	8,000	7,000
SUTA	12,500	13,000
Total Annual	1,230,500	1,354,000
Loan Size (2.5 mo.)	\$256,354	\$282,083

Category	2020	2021
2020 ERC	\$100,000	
PPP1	\$250,000	
PPP2		\$282,083
2021 ERC – Q1		
2021 ERC – Q2		
Potential Total	\$350,000	\$282,083





# Case Study – Steps to Analyze Opportunities

STEP 5: Compare Q1 and Q2 2021 projected gross receipts to Q1 and Q2 2019

- Do you expect a 20% decline
- If YES or partial shut-down; consider 2021 ERC (up to \$7k/staff per quarter)
- \$7,000 \* 20 staff (assuming each make \$10k/quarter gross wages)

	Q1	Q2
2019 Actual	\$350,000	\$700,000
2021 Projected	\$300,000	\$450,000
Change	-14%	-36%

Category	2020	2021
2020 ERC	\$100,000	
PPP1	\$250,000	
PPP2		\$282,083
2021 ERC – Q1		-
2021 ERC – Q2		\$140,000
<b>Potential Total</b>	<b>\$350,000</b>	<b>\$422,083</b>



# Case Study – Steps to Analyze Opportunities

STEP 6: Evaluate Economic Uncertainty of the organization and comfort level with signing the PPP2 certification. Consider:

- What are you budgeting/projecting for calendar 2021?
- What would PPP2 allow you to do differently, specifically as it relates to staffing and payroll?
- What impact could another potential round of shut-downs or spikes in virus cases have on your operations or demand for services?
- What changes did you see in donor and philanthropic support in 2020? What can you expect to continue and what might have been early or one-time support?
- What access to other sources of liquidity do you have?

## Potential Economic Relief Summary

Category	2020	2021
2020 ERC	\$100,000	
PPP1	\$250,000	
PPP2		\$282,083
2021 ERC – Q1		-
2021 ERC – Q2		\$140,000
<b>Potential Total</b>	<b>\$350,000</b>	<b>\$422,083</b>





## Q&A

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# Additional Resources

- [Nonprofit PPP Considerations](#)
- [Employee Retention Credit – 2020 and 2021 Comparison](#)
- CLA's Thursday Livestream Series – Each week at 2PM Central sharing the latest updates: [CLA Livestream Series : 2020 : Events : CLA \(CliftonLarsonAllen\) \(claconnect.com\)](#)
- CLA's COVID-19 Resources Hub for articles, tools, and other content: [Covid 19 : Campaign : CLA \(CliftonLarsonAllen\) \(claconnect.com\)](#)



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