



Economic Relief for Nonprofits and Associations – PPP, ERC and More

February 11, 2021

Disclaimer

- *The information contained herein is general in nature and is not intended, and should not be construed, as legal, accounting, or tax advice or opinion provided by CliftonLarsonAllen LLP to the user. The user also is cautioned that this material may not be applicable to, or suitable for, the user's specific circumstances or needs, and may require consideration of non-tax and other tax factors if any action is to be contemplated. The user should contact his or her CliftonLarsonAllen LLP or other tax professional prior to taking any action based upon this information. CliftonLarsonAllen LLP assumes no obligation to inform the user of any changes in tax laws or other factors that could affect the information contained herein.*
- *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 **February 5, 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.*



Today's Goal

- Identify Consolidated Appropriations Act provisions that may provide positive impact
- Help you understand what programs you may qualify for and when the opportunities apply
- Learn about the interplay between programs and how to maximize your benefits
- Demonstrate with a case study how you can apply the above to your Organization



Speaker Line-Up

Do you have questions?

Live questions and answers
during the session.

Jen Rohen – Employee
Retention Credit

Karen Gries - PPP

Larry Adams - Shuttered
Venue Operator Grant
Program

Lisa Stover – Case Study



Employee Retention Credit Updates

WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING

Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor

Employee Retention Credit – Time Period

- The ERC is modified now to include the first two quarters of 2021, whereas it had originally expired as of 12/31/20

6



Employee Retention Credit – PPP Loan Interplay

Prior Law

- **REPEALED** – A company that received a Paycheck Protection Program (PPP) loan was ineligible to claim the employee retention credit.
- This disallowance rule extended to all affiliated companies that shared common ownership, so that if one company received a PPP loan, any other company with more than 50% common ownership was ineligible to claim the credit.

Current Law

- **CHANGE is retroactive to the effective date under the original law for wages paid after March 12, 2020.**
- A company that received or receives a PPP loan is no longer prohibited from claiming the employee retention tax credit.
- The credit, however, may not be claimed for wages paid with the proceeds of a PPP loan that have been forgiven.
- A company that received a PPP loan in 2020 and paid qualified wages in excess of the amount of the forgiven PPP loan used to pay wages, and is otherwise eligible to claim the credit, can claim the credit retroactively.



Employee Retention Credit – Eligibility

Government Order:

- If an organization was closed due to a valid government order, then the credit still is applicable for the dates the government order is in effect.
- Please note that it must be a government order and not a guideline impacting business operations in order to be valid.



Employee Retention Credit – Eligibility Gross Receipts Test

Prior Law

- Gross receipts were less than **50%** of gross receipts for the same quarter in 2019 until such quarter as gross receipts are 80% of same quarter in 2019.
- Businesses that were not in existence in 2019 could use a comparison to 2020 for purposes of the credit.

Current Law

- Gross receipts are less than **80%** of gross receipts for the same quarter in 2019.
- Businesses that were not in existence in 2019 may use a comparison to 2020 for purposes of the credit.
- **Change effective 1/1/21 and forward**

Employee Retention Credit – Percentage of Wages

Prior Law

- The credit was **50%** of the qualified wages paid to an employee, plus the cost to continue providing health benefits to the employee.

Current Law

- Beginning January 1, 2021, the credit is **70%** of qualified wages, plus the cost to continue providing health benefits to the employee.
- **Change effective 1/1/21 and forward**



Employee Retention Credit – Maximum Credit Amount

Prior Law

- Annual cap of \$5,000 per employee (\$10,000 in qualified wages x 50%).

Current Law

- Cap is increased to \$7,000 per employee for each of the first two quarters of 2021 (\$10,000 in qualified wages x 70%) for a possible \$14,000 credit per employee.
- The 2021 credit is available even if the employer received the \$5,000 maximum credit for wages paid to such employee in 2020.
- **Change effective 1/1/21 and forward**



Employee Retention Credit – Employer Size Requirements

Prior Law

- A company with more than **100** employees could not take the credit for wages paid to an employee performing services for the employer (either teleworking, or working at the workplace, even though at reduced capacity due to reduction in business).
- A company with 100 or fewer employees was eligible for the credit, even if the employee was working.
- Global inbound companies will not have to aggregate foreign employees.

Current Law

- The threshold increases to **500**. An employer with 500 or fewer employees will be eligible for the credit, even if employees are working.
- When calculating the 500-employee threshold, the employees of all affiliated companies sharing more the 50% common ownership are aggregated.
- Global inbound companies will not have to aggregate foreign employees.
- **Change effective 1/1/21 and forward**



Employee Retention Credit – Advance Payments

Prior Law

- In 2020, there was no provision to receive the credit before qualified wages were paid.

Current Law

- The IRS is expected to draft guidance to allow an advance payment of the credit for companies with 500 or fewer employees, based on 70% of average quarterly payroll for the same quarter in 2019.
- If the amount of the actual credit determined at the end of the quarter is less than the amount of the advance payment, the company will need to repay the excess.



Employee Retention Credit – Hazard Pay

Prior Law

- No credit for pay rate increases.

Current Law

- Under the new law, the credit is allowed for hazardous duty pay increases.
- **Change effective 1/1/21 and forward**



Families First Corona Virus Response Act

- FFCRA leave requirements expired Dec. 31, 2020
- The requirement that employers provide paid sick leave and expanded family and medical leave under the Families First Coronavirus Response Act (FFCRA) expired on Dec. 31, 2020. Please visit the Wage and Hour Division's [FFCRA Questions and Answers](#) page to learn more about workers' and employers' rights and responsibilities after this date.
- Employer voluntary FFCRA paid leave benefits eligible for payroll tax credit through March 31, 2021

15





PPP Updates

WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING

Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor

Consolidated Appropriations Act: 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 or until 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 with ability to choose any period between 8 and 24 weeks



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% Gross Receipts 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	

2nd 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 (1st Draw)

Max 300
employees

Calculate based on prior 12 months headcount. If affiliated entities (e.g.: 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?



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)

Gross Receipts – Nonprofit Definition (IRC 6033)



INCLUDE

- In-kind contributions of assets
- Gross receipts from sale of assets or investments without reduction for basis/costs
- 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
 - Gross proceeds are included
- 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 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
 - ◊ If using 2020, Q4 unavailable. Provide payroll report to supplement
 - Support for all benefits included
 - Schedule of computation is often helpful



Other Considerations

- [SBA Cross Program](#) Eligibility Coronavirus Relief Options
- Those applying for PPP1 now may have potential to get PPP2 before 3/31/21 if criteria are met
- PPP forgiveness:
 - Between 8-24 weeks – can apply as soon as you have reached enough forgivable costs
 - Expanded categories of eligible expenses from the CAA
 - Reductions in FTE don't mean forgiveness is decreased, but it may take longer to get to 100%
 - 10 months from the end of your covered period to apply for forgiveness; lender and SBA review process can take up to 5 additional months
 - New forgiveness application forms issued 1/19/21
 - ◇ [3508 S \(<150k\)](#)
 - ◇ [3508 EZ](#)
 - ◇ [3508](#)





Shuttered Venue Operator Grants

WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING

Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor

Shuttered Venue Operators (SVO) Grant - \$15B

- Guidance that has been issued to date:
 - Consolidated Appropriations Act – signed December 27, 2020
 - [SBA.gov website](https://www.sba.gov)
 - [SBA FAQ](#) Issued 1/27/2021
 - [SBA FAQ](#) Issued 2/5/2021
- Detailed information on eligibility requirements coming soon
- Application and additional guidelines will be posted when available
- SBA is in the process of setting up the grant program and is not yet accepting applications



SVO Grant - Eligible Entities

Eligible entities (Overall maximum grant = \$10million)

- Live venue operators, theatrical producers and live performing arts organizations – can be outdoor venue but need fixed seating; 70% of revenue earned through ticket sales and concessions
- Museums (public if solely an operator, tribal or private)
- Motion picture theatre operators
- Talent representatives (70% or more of ops representing artists)

Initial grant = 45% of 2019 gross earned revenue (accrual basis)

Supplemental grant = 50% of initial grant

SVO Grant - Entities Not Eligible

- City park and rec department operating a bandstand
- Venues with non-fixed seating arrangements (multi-purpose room)
- Venues with no fixed performance space (e.g. circus or fair)
- Restaurants that feature live music since not principal business
 - a.k.a. 70% rule
- Sports venues since sports is not considered a performing art
- Own venues in more than 10 states and more than 500 employees
- Federal grants/funding over of 10% of 2019 gross revenue (excludes disaster assistance)
- Businesses not in operation as of February 29, 2020
- Applied for 1st or 2nd Draw PPP loan after December 27, 2020



SVO Grant – Initial Eligibility

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



SVO Grant - Eligible Expenses

Eligible Expenses

- ✓ Payroll costs, worker protection expenditures & independent contractors
- ✓ Rent, Leases and Utilities
- ✓ Mortgage and debt payments (loans incurred prior to 2/15/20)
- ✓ Ordinary and necessary business expenses including admin costs
- ✓ Advertising and capital expenditures related to producing and performing

Ineligible Expenditures

- ✗ Real estate purchases, investments & loan payments if loan originated after 2/15/20



SVO Grant – Initial Timing of Grants and Priorities



\$2 billion reserved for eligible applications up to 50 full-time employees



28-day priority plan established to provide funding to those orgs with greatest reduction of revenue:

- 1st 14 days 90% gross revenue decline between April 2020 and December 2020
- 2nd 14 days 70% gross revenue decline between April 2020 and December 2020
- 28 days after 1st and 2nd round – 25% or greater gross revenue decline comparing quarterly revenue 2019 to 2020

SVO Grant – Planning Opportunities

Next steps while awaiting further SBA guidance:

- ✓ Compare PPP 2nd draw to SVO grant
- ✓ Gather support for revenue calculation (gross and earned
- ✓ Apply for a DUN & Bradstreet (DUNS) number if you don't already have one
- ✓ Register at SAM.gov and GRANTS.gov
- ✓ Calculate number of employees:
 - ◇ Over 30 hours = FT;
 - ◇ 10-29 hours = ½ time;
 - ◇ 0-10 hours are not counted;
 - ◇ add up number of qualifying employees in each pay period and divide by number of pay periods





Case Study B – 2nd Draw Loan

WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING

Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor

Case Study- Background

\$8M budget 501 (c)(3)
nonprofit

Secured a \$461k PPP
loan in April, 2020

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

Reduction in earned
revenue in Q2, Q3, and
Q4; partially offset by
increase in contributions

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

- Adjust revenues to “gross receipts”
- Identify a quarter with a 50% reduction and subsequent quarters until reach 20% or less

	Q1	Q2	Q3	Q4
2019 (Adjusted)	\$ 1,000,000	\$ 2,000,000	\$ 2,500,000	\$ 2,500,000
2020 (Adjusted)	\$ 1,000,000	\$ 1,500,000	\$ 1,200,000	\$ 1,500,000
Change	0%	-25%	-52%	-40%



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 = \$100,000 (assumes adequate eligible wages/employee)
- If no, might you qualify for “partial shut-down”

Category	2020	2021
2020 ERC	\$100,000	
PPP1	\$461,458	
2021 ERC – Q1		
2021 ERC – Q2		
PPP2		
Potential Total	\$561,458	

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	\$461,458	
2021 ERC – Q1		
2021 ERC – Q2		
PPP2		
Potential Total	\$561,458	



Case Study – Steps to Analyze Opportunities

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

Category	2019	2020
Salaries	\$ 2,000,000	\$ 1,900,000
Less >\$100k	(275,000)	(250,000)
Medical	300,000	300,000
Retirement	150,000	175,000
Life/Disability	20,000	15,000
SUTA	20,000	19,000
Total Annual	2,215,000	2,159,000
Loan Size (2.5 mo.)	\$ 461,458	\$ 449,792

Category	2020	2021
2020 ERC	\$100,000	
PPP1	\$461,458	
PPP2		\$461,458
2021 ERC – Q1		
2021 ERC – Q2		
Potential Total	\$561,458	\$461,458



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 assuming adequate eligible wages)

	Q1	Q2
2019 Actual	\$ 1,000,000	\$ 2,000,000
2021 Projected	\$ 900,000	\$ 1,300,000
Change	-10%	-40%

Category	2020	2021
2020 ERC	\$100,000	
PPP1	\$461,458	
PPP2		\$461,458
2021 ERC – Q1		-
2021 ERC – Q2		\$140,000
Potential Total	\$561,458	\$601,458



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	\$461,458	
PPP2		\$461,458
2021 ERC – Q1		-
2021 ERC – Q2		\$140,000
Potential Total	\$561,458	\$601,458





Q&A

WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING

Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor

Additional Resources

- CLA's Livestream Series – 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 \(CliftonLarsonAllen\) \(claconnect.com\)](#)



CLAconnect.com

John Tauer
john.tauer@claconnect.com

Jen Rohen
jennifer.rohen@claconnect.com

Karen Gries
karen.gries@claconnect.com

Larry Adams
larry.adams@claconnect.com

Lisa Stover
lisa.stover@claconnect.com

