



Q&A

# HOW NONPROFITS ARE ADAPTING TO CHANGE

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**BDO**

## **Presenters**

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QUESTION DETAIL		ANSWER
1.	Have you seen that organizations are receiving a lesser loan amount than their application. We received our PPP loan but it was only for 69% of application amount.	The award is based upon a simple calculation of 2x eligible payroll. Any adjustment must have been made in the application process.
2.	Is it correct that the "grant period" is good until June 30, 2020? if so, and banks have not yet originated the loans, do you agree that there is less than 8 weeks available for the recipient to actually use the funds and expect them to be forgiven?	In general, borrowers can calculate their aggregate payroll costs using data either from the previous 12 months or from calendar year 2019. For seasonal businesses, the applicant may use average monthly payroll for the period between February 15, 2019, or March 1, 2019, and June 30, 2019. An applicant that was not in business from February 15, 2019 to June 30, 2019 may use the average monthly payroll costs for the period January 1, 2020 through February 29, 2020.
3.	Is there a definition for Tangible Net worth? Is the average NI adjusted for operating loss carryforward?	Net Assets are your tangible Net Worth.
4.	Is the MSLP only available to PPP borrowers?	While PPP borrowers are eligible to borrow from the MSLP, its intended for mid-size business with up to 10,000 employees and \$2.5 billion in revenues.
5.	For the alternative size standard, is it Net worth less than \$15 Million AND net income less than \$5M past 2 years or is it Net worth less than \$15 Million OR net income less than \$5M past 2 years. Also, do you include unrealized gains and losses in net income?	Organizations with more than 500 employees can qualify for PPP loans if they have both Net worth less than \$15 Million AND net income less than \$5M past 2 years.
6.	For PPP, is the 500 employee cap applied to all employees (i.e. US and non-US employees) or only US employees?	Yes.
7.	To the extent that Medicaid is already paying us for salaries, do you believe that DOH or SBA will be clawing back debt forgiveness?	To be determined later on. Most organizations that this applies to have seen a spike in costs that may exceed Medicaid reimbursements
8.	What relief options exist for community based behavioral health centers with little Medicare volume and is part of a larger control group with excess of 500 employees? I haven't see much in relief options outside of behavioral health grants through the state.	PPP loans if they qualify for the alternative size standard. FEMA grant funding as the funding of last resort as well. If you do get PPP funding, the FEMA grant would be net of the PPP.
9.	Can an organization use the payroll tax deferral option in conjunction with the PPP or Main Street Lending programs?	Yes. However, deferral of the company's portion of the FICA must stop once the PPP loan is forgiven.
10.	Is the payroll tax deferral option available for those that may have applied for the PPP loan?	Yes. However, deferral of the company's portion of the FICA must stop once the PPP loan is forgiven.

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11.	So you are saying that forgiveness of the loan won't be impacted if you defer now, but stop deferring once you have the funds of the PPP loan?	That is correct. See answer above
12.	Does the 990 extension to 7/15 apply to those that have already been extended to 5/15 (6/30/2019 year end)	The filing and payment extensions the IRS granted (from April 15, 2020 to July 15, 2020) provided in Notice 2020-18 ("Phase 1") are only for income tax returns and tax payments due on April 15, 2020. A Form 990-T is an income tax return for this purpose. A Form 990 is not considered an income tax return and does not qualify for the extension.
13.	When is the updated deadline for the 990?	The federal deadline was extended to July 15, 2020
14.	Are the Social Security tax credits just deferrals? I understood them to be refundable credits that can be applied to federal payroll tax liabilities.	Yes. FICA deferrals are deferred for the company portion.
15.	Do you see companies reducing their office space because they are finding out that they can manage with a percentage of staff working from home?	Many organizations are embracing the telecommuting concept more. Depedening on your current lease situation, you may want to recosinder a smaller footprint on space
16.	Given changes that NPO's may have to make to adapt, do you advise that they review policies to ensure compliance or the need to update?	Yes. As we shift into a new paradigm for many organizations, we recommend contuinally reviewing policies and procedures to ensure complaince with many of the changes in laws, regulations and operating procedures.
17.	Have you seen anything as to whether the PPP loans (SBA 7(a) loans) will be subject to Single Audit under UGG?	No indication of that presently. For the funding to qualify as revenue or grant income, an organization must qualify for loan forgiveness.
18.	Under the Main Street Lending Program, does an unused line of credit reduce the amount of borrowing capacity?	Only if the loan is done under the Main Street Expanded Loan Facility.
19.	In determining your EBITDA amount, can you use your 990 return instead of your audited financial statements?	Both can be used. A most Nonprofits don't pay taxes ( unless its for UBIT) it should an organizations net income.
20.	Can we apply for PPP funding for payroll within our ICP?	Must to considered on the consilidated organization level, after applying the affiliation rules.
21.	Is the eight week period for the PPP loan from when the loan was approved or when it was funded?	In general, borrowers can calculate their aggregate payroll costs using data either from the previous 12 months or from calendar year 2019. For seasonal businesses, the applicant may use average monthly payroll for the period between February 15, 2019, or March 1, 2019, and June 30, 2019.

QUESTION DETAIL		ANSWER
22.	Regarding the deductibility now for high income individuals, what are the new parameters?	The Coronavirus Aid, Relief and Economic Security Act (CARES Act) was enacted on March 27, 2020. In order to encourage charitable contributions in 2020 (for any charitable purpose, not just contributions to charities related to the COVID-19 crisis) the CARES Act increases the maximum 60% of AGI charitable contribution limit to 100% of AGI limit for 2020.
23.	What was the timeframe for paying back deferred payroll taxes, if an entity chose to do the deferral?	First 50 % by December 31,2021 and the remaining 50% by December 31, 2022
24.	How do you address the staff and donor outcry when they want you to provide additional services (needed) without having and you have to say no?	Better donor engagement surrounding costs of matining existing program in a COVID-19 environment.
25.	PPP requires employees return by June 30, any ideas as what will be to follow for nonprofits if programming can not begin again? Any future legislation on the horizon to address this?	The federal government is contuing to make changes to the CARES ACT as needed
26.	In regard to Alternative Size Standard, how does it apply to nonprofits? There is no net worth or net income.	Net income is the surplus of revenues over expenses. Net Assets are an organizations Net Worth
27.	How do you calculate "tangible net worth" for the SBA Alternative Size Standard. Is it a nonprofits net assets?	Its your Net Assets
28.	It's my understanding that the PPP as a part of the Small Business Act only has exceptions for 501(c) (3) and 501 (c) (19). Would the Main Street loans be open to 501(c)(12)'s? We are a small electric cooperation, and my big concern about sustainability is the fact that we are not withholding services for lack of payment.	Not at this time.

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