



**BDO KNOWLEDGE**

2020 COMPLIMENTARY NONPROFIT  
AND EDUCATION WEBINAR SERIES

# COVID-19: HOW NONPROFITS ARE ADAPTING TO CHANGE

April 14, 2020

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# Today's Agenda

1. Who we are and why we are trying to help
2. Latest update on the CARES Act affecting Nonprofits
3. Strategies for Sustainability
4. Next Steps

# With You Today



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**LATEST UPDATE ON  
THE CARES ACT  
AFFECTING  
NONPROFITS**

# LATEST UPDATE ON THE CARES ACT AFFECTING NONPROFITS

## Clarification of Payroll Protection Program (PPP)

- Can qualify under the Alternative Size Standard
  - Greater than 500 employees if;
    1. Net Worth is less than \$15 million
    2. Combined Net Income the last two fiscal years is less than \$5 million

# LATEST UPDATE ON THE CARES ACT AFFECTING NONPROFITS

## Main Street Lending Program (MSLP) established \$600m fund on April 9th

- Borrowers of the PPP can also borrow new loans under Main Street New Loan Facility (MSNLF) or upsize an existing term loan under the Main Street Expanded Loan Facility (MSELF), but not both
- Must attest that financing is required due to COVID-19 and will use reasonable efforts to retain workforce
- Not forgivable and not used to refinance or pay down existing loans
- Eligible lenders under the Main Street Lending Program are limited to U.S. depository institutions, U.S. bank holding companies, and U.S. savings and loan holding companies.
- Borrower also will be prohibited from increasing the compensation of any employee whose compensation exceeded \$425,000 in 2019 or from offering the employee significant severance or termination benefits until one year after the loan is no longer outstanding.
- Borrower's officers and employees whose total compensation exceeded \$3 million in 2019 cannot receive compensation greater than \$3 million, plus 50% of the amount over \$3 million that the individual received in 2019 until one year after the loan is no longer outstanding.
- The Main Street Lending Program is not yet active The Federal Reserve is accepting comments to the Main Street Lending Program through April 16, 2020.

# LATEST UPDATE ON THE CARES ACT AFFECTING NONPROFITS

## Main Street New Loan Facility (MSNLF)

- Eligible loans must be unsecured term loans originated on or after April 8, 2020, with the following features:
  1. four-year maturity;
  2. amortization of principal and interest deferred for one year;
  3. adjustable rate of SOFR (Secured Overnight Financing Rate) plus 250-400 basis points;
  4. minimum loan size of \$1 million;
  5. maximum loan size of the lesser of (i) \$25 million or (ii) an amount that, when added to the borrower's existing outstanding and committed but undrawn debt, does not exceed four times the borrower's 2019 earnings before interest, taxes, depreciation and amortization ("EBITDA"); and
  6. prepayment permitted without penalty.

# LATEST UPDATE ON THE CARES ACT AFFECTING NONPROFITS

## Main Street Expanded Loan Facility (MSELF)

- Under the MSELF, an eligible upsized term loan will have most of the same features of an eligible loan under the MSNLF, with the following differences:
- the original facility must have been made by an eligible lender to an eligible borrower on or before April 8, 2020;
- any collateral securing the existing eligible term loan, whether under the original terms of the eligible term loan or at the time of upsized, will secure the MSELF upsized tranche on a pro rata basis; and
- the maximum loan size is the least of:
  1. \$150 million,
  2. 30% of the borrower's existing outstanding and committed but undrawn bank debt, or
  3. an amount that, when added to the borrower's existing outstanding and committed but undrawn debt, does not exceed six times the borrower's 2019 EBITDA.



# LATEST UPDATE ON THE CARES ACT AFFECTING NONPROFITS

## FEMA Grant Assistance:

- Distributed through Block Grants
- HHS to deliver \$30 million to Healthcare providers beginning April 10<sup>th</sup> based upon a formula set to Medicare fee for service

# STRATEGIES FOR SUSTAINABILITY



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## Contingency planning:

- Cash in flows and Cash out flows
- Cost Reductions
- Continuity of programming
- Scenario analysis

# STRATEGIES FOR SUSTAINABILITY

## Suring up funding:

- CARES Act
- FEMA
- Federal awards
- Fee for service
- Private Foundations
- Direct giving as a substitute for special events

# STRATEGIES FOR SUSTAINABILITY

## Continuity of Programs:

- Essential versus Nonessential
- Mission driven
- Historical profit margins

# STRATEGIES FOR SUSTAINABILITY

- Assessing the Impact on Organizational Culture and Employee retention



# QUESTIONS?