

Many of our nonprofit, foundation, and other charitable clients have questions about what they can do to survive during these very uncertain times. Below is a collection of questions we have received, as well as some of the options available to help. **Bernstein does not provide tax, legal, or accounting advice. In considering this material, you should discuss your individual circumstances with professionals in those areas before making any decisions.**

### Congress Coronavirus Aid, Relief, and Economic Security (CARES) Act: How does the \$2 trillion COVID-19 stimulus/disaster relief package affect nonprofits, foundations, and donors?

Hopefully these programs can provide nonprofits with access to the necessary funds to retain staff and continue their mission-related work during this uncertain and challenging environment. For further information, see our blog: [“Donors and Nonprofits should ‘CARE’ About the Stimulus Bill”](#).

Topic/Question	What’s Available? / Bernstein’s Commentary
Charitable Giving for Individual Donors	<p>To encourage charitable giving, the bill relaxes some of the limitations on charitable income tax deductions. The AGI limitation is suspended for 2020 for individual donors who contribute cash to a public charity. This effectively raises the limitation from 60% of income (cash only gifts) or 50% (cash and property) to 100% of income. Only cash contributions to public charities are eligible for the higher limit. Gifts to donor advised funds, supporting organizations, and private foundations do not qualify.</p> <p>Even taxpayers who don’t itemize their deductions receive a benefit. Donors who use the standard deduction are permitted to deduct an additional \$300 for cash contributions to public charities in 2020.</p>
Charitable Giving for Corporations	<p>For corporations, the 10% income limitation increases to 25% of taxable income. The limitation on deductions for contributions of food inventory also increases from 15% to 25%.</p>
Loans for Smaller Nonprofits	<p>The CARES Act also provides welcome relief for nonprofits starved for funds by the novel coronavirus outbreak. The bill creates a new Paycheck Protection loan program through the Small Business Administration. Applications can be submitted through <a href="#">SBA approved banks and lenders</a>. We recommend you work with your current bank (if they’re participating) since existing relationships will be given priority. Generally, nonprofits that employ fewer than 500 people are eligible to borrow up to a maximum of \$10 million, with the exact amount based on 2.5 times monthly payroll costs. Loan proceeds can be used to help pay payroll costs, mortgage interest, rent, utilities, insurance premiums, etc. No collateral or personal guarantee is required. Principal and interest payments can be deferred for six months. The interest rate is 1.0%. There are specific affiliation rules pertaining to nonprofit and faith-based organizations, so check with your legal or accounting professionals to see how they apply to your organization’s circumstances. Time is of the essence. The SBA Guidance notes that <b>loans will be handled first come, first serve</b>.</p>



## Supporting Your Mission During an Uncertain Time

Loan Forgiveness for Smaller Nonprofits	Nonprofits would be eligible for forgiveness on the portion of the Payroll Protection loan used for payroll costs, rent, mortgage interest, and utilities for the eight weeks after the origination of the loan. However, forgiveness can be reduced for reductions in headcount or compensation. A nonprofit can effectively turn a portion of the loan into a grant by keeping its staff on the payroll. Any loan amount not forgiven would have a two-year maturity. <a href="#">Click here for helpful information from the Treasury Department.</a>
Other COVID-19 Loan Option for Smaller Nonprofits	Under Congress’s second emergency bill, the SBA expanded the program for Economic Injury Disaster Loans (EIDLs). Nonprofits with 500 or fewer employees are eligible to apply for loans up to \$2 million, based on the economic injury incurred. Repayment periods are 30 years with terms determined on a case by case basis, based on each borrower’s ability to repay. The interest rate is 2.75% for nonprofits. The EIDL program allows an eligible entity to request an immediate advance on the EIDL of up to \$10,000. An applicant would not be required to repay such an advance payment, even if it is subsequently denied an EIDL. Borrowers can apply online directly with the SBA at <a href="https://www.sba.gov/page/coronavirus-covid-19-small-business-guidance-loan-resources">https://www.sba.gov/page/coronavirus-covid-19-small-business-guidance-loan-resources</a> .
Loans for Larger Nonprofits	For larger nonprofits, the CARES Act instructs the Treasury Secretary to ensure that nonprofit organizations and businesses between 500 and 10,000 employees have access to a specific loan facility at a rate no higher than 2% per year and no payments due for the first six months. Borrowers must certify that the loan is necessary to support the borrower’s ongoing operations, the borrower will retain 90% of its workforce until September 30, 2020, and the borrower will not outsource or offshore jobs for a period ending two years after repayment of the loan.



**Nonprofit Insights: What’s going on? What does this mean for the future? What were some winning strategies in historically challenging times nonprofits can leverage this go-around?**

The COVID-19 pandemic is exposing and exacerbating vulnerabilities nonprofits have been facing for years. Though the future is uncertain, the nonprofit sector is remarkably one of innovation, adaptation, and flexibility in service of the most vulnerable. Its response to the COVID-19 pandemic will be no different. For further information, see our blog: [“Nonprofits’ New Game Plan.”](#)

Topic/Question	What’s Available? / Bernstein’s Commentary
<p>What lessons of winning strategies from the past can be leveraged to make nonprofits stronger today?</p>	<p>Past crises provide valuable lessons for surviving turbulent times and thriving afterward.</p> <p>Learnings from the 2008 financial crisis: nonprofits proved to be highly adaptive—employment rose and new organizations formed. Non-educational and non-medical nonprofits saw an increase of 1.4% in donations. Despite gifts declining by 11.8%, educational and medical institutions grew revenue by 2.8% through <i>diversifying their funding sources</i>.</p> <p>Learnings from 9/11: The resulting short recession affected many of the same businesses currently impacted by the COVID-19 pandemic. Following the attacks, <i>nonprofit organizations adapted and made themselves relevant to the crisis</i>. Responding to community needs proved certain organizations were durable and essential community resources.</p>
<p>What tactical strategies should nonprofits and foundations implement not just during the COVID-19 pandemic but looking forward into the future?</p>	<p>Now there is an even more pressing need for this sector to collaborate as much on the financial side and the buying side as on the program side:</p> <ul style="list-style-type: none"> <li>▪ Cross-sector collaboration and investigating the possibility of a merger or acquisition</li> <li>▪ Diversifying revenue streams</li> <li>▪ Reassessing suppliers and economies of scale</li> <li>▪ Engaging in different and more strategic fundraising efforts</li> </ul> <p>Though the sector as a whole did not buckle under the last recession, many small nonprofits, who were not human service organizations, did. Tips for avoiding that outcome:</p> <ul style="list-style-type: none"> <li>▪ Support Each Other: call your peers! (CEOs, CFOs, and other fellow leaders)</li> <li>▪ Collaborate Within and Across Sectors: include the private sector to further social good</li> <li>▪ Do Your Purchasing Homework: doing so can open up cash flow</li> <li>▪ Know Your Suppliers: who will work with you on pricing and services?</li> <li>▪ Invest in Technology: it makes a huge difference in times like these</li> <li>▪ Reconsider Priority Purchases: what are they and what they should be?</li> </ul>

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<p>Donor Outreach During the Crisis: How should nonprofits communicate with donors during the pandemic? Should they make direct asks?</p>	<p>Acknowledge the unique situation the country is in; acknowledge the fears and anxieties donors are feeling. Use creative and strategic storytelling to bridge the current physical divide created by distancing and quarantining, which inadvertently creates less awareness of the most vulnerable. Proximity creates understanding, and the lack thereof is a huge risk to the social sector. Effective storytelling reminds donors of the crucial work nonprofits are currently doing, while simultaneously making an implicit ask to support the growing needs of our communities.</p> <p>Highlight ways you are innovating and adapting to stay relevant in this and future moments.</p> <p>And don't forget gratitude!</p>
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