

WELCOME

THANK YOU FOR JOINING US

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H2R^{cpa}

Business Solutions, Family Approach

Nonprofits and the Coronavirus Pandemic: Enduring these challenging times to serve tomorrow

MAY 15, 2020

9:30 TO 10:30 A.M.



Business Solutions, Family Approach



Edward G. Scherer, CPA

Partner

H2R CPA

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Edward G. Scherer joined H2R CPA in 1991 and is currently an Accounting & Assurance Services Partner as well as the Partner-in-Charge of the firm's Nonprofit practice. Prior to joining the team at H2R CPA, Ed worked at a multi-national, closely held steel manufacturer in the controller's office.

In his current role at H2R CPA, Ed concentrates his practice in accounting and auditing for family-owned and closely held businesses, as well as management consulting and business advisory services. Ed's industry specialties include manufacturing, technology, higher education foundations and nonprofits.



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Jeff Wolstoncroft, CPA

Senior Manager

H2R CPA

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Jeff Wolstoncroft is an Accounting & Assurance Senior Manager at H2R CPA. He has been performing attest engagement services for a variety of nonprofit organizations, fraternal benefit societies, government entities and for-profit corporations in a variety of industries since 2005.

In addition to attest services, Jeff has supplied tax services to individuals, closely held companies and nonprofit organizations. Jeff has also served and held various positions and functions of accounting within the private sector. Jeff's consulting experience includes converting and setting up accounting systems, as well as providing detailed support for accounting systems such as QuickBooks. Jeff has also consulted with clients in the review and assessment of the design and effectiveness of internal control systems, as well as assisted in the design and implementation of internal control systems.

With over 14 years of experience in a variety of areas of public and private accounting, Jeff provides extraordinary service, practical know-how and prompt professional services to all of his clients.





Laurie Kuzneski
Director of Client Development
Kuzneski Insurance Group
laurie@kuzneski.com

Laurie Kuzneski is an entrepreneur, angel investor, and Board member. A graduate of Indiana University of Pennsylvania with a degree in Journalism and Public Relations, she spent her early career in advertising and then as AVP of Marketing for a large financial institution based in Indiana, PA. In 1999, she left banking and began investing with her husband, Andy in early stage companies.

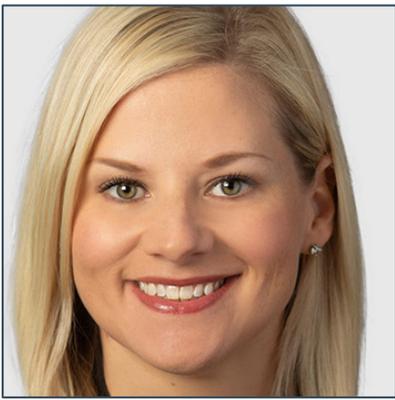
In November of 2001, she launched Miss Laurie's Gourmet Kitchen, Inc. A home-based business selling her family's recipe for gourmet peanut brittles and teaching cooking classes to adults and children. Reading market trends and her own passion for healthy eating, Miss Laurie stopped producing candy and focused on teaching cooking. Since then she has taught 1,000+ kids and adults how to cook in an effort to bring families back to the dinner table.

In 2013, Laurie formally joined Kuzneski Insurance Group to work with her husband, Andy, as Director of Marketing and Wellness. Since then she has held positions of Director of Operations and currently, Director of Client Development. She combines her marketing, operations, insurance, and entrepreneurial experience to guide KIG clients.

In her spare time, Laurie has served on many non-profit boards and committees including the United Way of Indiana County where she was Chair of the 2017 Capital Campaign. She is currently the Vice-Chair of International Myeloma Foundation Comedy Gala, a cancer charity based in Los Angeles, California. Locally she sits on the Executive Board of the Indiana County Chamber of Commerce, the Board of Directors of Indiana Regional Medical Center, and the Council of Trustees of Indiana University of Pennsylvania.



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Kate McKenzie, DSc., CAP®
Assistant Director of Development
The Pittsburgh Foundation
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Since 2014, Kate has cultivated relationships with donors and their trusted advisors to accomplish the donor's philanthropic objectives through current and legacy gifts that benefit nonprofits in the greater Pittsburgh region. Kate is also trained in the 21/64 methodology for facilitating multigenerational meetings with families to define and implement their philanthropic goals. She has spoken at numerous national and regional conferences about innovative methods for bringing professional advisors and clients together to develop charitable giving strategies.

Before joining the Foundation, Kate worked in higher education for nine years. She spent five of those years raising major gifts, specifically endowed scholarships. She earned her doctorate in 2012 in information systems and communications. Her research explored fundraisers' perceptions of social and professional media for prospect research purposes. In 2014 she was named a Fast Tracker by the "Pittsburgh Business Times." She has an MS in organizational leadership from Robert Morris University and a BA is in Public Relations from Westminster College. Kate is a graduate of Leadership Pittsburgh, Inc.'s Leadership Development Initiative Class XXIII, serves on the PNC YMCA Board of Advisors, and is a member of the Advisory Committee on Community Based Organizations (ACCBO) for the City of Pittsburgh. She is also a member of the Estate Planning Council of Pittsburgh. She is a life-long athlete, a three-time marathoner and a mom.





Amy B. Razem, CAP®
Senior Development Officer
The Pittsburgh Foundation
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Amy works with professional advisors and their clients to establish new and deferred funds that represent their charitable giving intentions. She is thrilled to aid the organizations and individuals behind positive change in our community and to help create meaningful ways for people to experience the rewards of charitable giving. Philanthropy has always been part of her life, beginning in early childhood when her father explained the importance of helping others and extending throughout her career.

Prior to joining The Pittsburgh Foundation, Amy managed charitable giving portfolios as an associate major gift officer in major and planned giving for the Children’s Hospital of Pittsburgh Foundation. She also created and implemented strategic fund-raising plans as a member of that foundation’s Annual Giving Department, where she was promoted to as an associate director after serving as development coordinator and development associate.

Amy earned a bachelor’s degree in rhetoric and communication from the University of Pittsburgh and began her career as an account executive at Pittsburgh’s ESPN Radio affiliate, WEAE, before moving onto Clear Channel Radio (currently iHeart Media). She resides in Stanton Heights. In her free time, she enjoys traveling both in the United States and internationally, spending time with friends and visiting family in Cleveland. Don’t worry: she’s not a Browns fan.



Viability and operational concerns

- State of the non-profit sector for small and medium sized entities
- A few items of note:
 - ✓ \$300 above the line deduction for cash contributions made to 501(C)3
 - ✓ For larger donors who itemize their deductions, limit on cash contributions increased to 100% for 2020
 - ✓ Donations of appreciated stock or contributions to donor advised funds do not qualify

Viability and operational concerns (cont'd)

- Board/leadership
 - ✓ Focus/refocus the mission
 - ✓ Hibernator, Responder or Hybrid
 - ✓ Conserve cash and reduce expenses
 - ✓ Plan for the future
- How do you provide services moving forward?
 - ✓ Social enterprise
 - ✓ Virtual support services
 - ✓ Change in, or add to, value proposition



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Coronavirus Pandemic Relief Update

Payroll Protection Program (PPP)

- Total allocated for the 2 rounds: \$660bb
- \$120bb in funds remain as of May 8
- Guidance continues to trickle out
- The Administration will review all loans over \$2mm
 - ✓ Loans under \$2 Million are to be deemed to have made the required certification concerning the necessity of the loan request in good faith.



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Coronavirus Pandemic Relief Update

PPP Loans

- 501(c)(3) & (c)(19) Not-For-Profits, including religious organizations, qualify for the loan funds and forgiveness
- Apply at your financial institution
- Loan amount is up to 2.5 months of your average monthly covered payroll, for a 12-month period. Typically either 2019 or 12 months ended March 31, 2020.
- Must have less than 500 employees to qualify



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Coronavirus Pandemic Relief Update

PPP Loan Forgiveness

- How to qualify?
 - ✓ Track qualified cost incurred and paid during the 8-week covered period
 - ✓ Will need to apply forgiveness through your bank and you will be required to self-certify
- What qualifies?
 - ✓ Payroll costs - gross wages (up to 100k), health insurance, retirement/pension plan contributions, state and local taxes. All amounts are paid by employer's net of employee contributions. These are the same payroll expenses used in calculating the loan amount.
 - ✓ Operating costs – rent and interest on mortgages covering real and personal property (i.e., office/warehouse/manufacturing space, equipment used in the operating of the business, including automobiles); and utilities



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Coronavirus Pandemic Relief Update

PPP Loan Forgiveness (cont'd)

- What is excluded?
 - ✓ Gross wages over \$100k annualized (\$15,384.61 during the 8-week period)
 - ✓ Sick Leave paid covered by other Federal funds
 - ✓ Federal taxes paid by the employer. The employee's taxes are part of the gross wages and are not able to be included a second time.
- What reduces forgiveness?
 - ✓ Reductions in workforce
 - ✓ Reductions in wages greater than 25%, this is on an employee-by-employee basis
 - ✓ A minimum of 75% of funds must be used on covered payroll costs



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PPP Loan Forgiveness (cont'd)

- We are awaiting guidance on forgiveness
 - ✓ SBA has said attempts to rehire employees who refuse to return will not count against the employer on the forgiveness calculation. Attempts to rehire must be documented by employer and the employee.
- What happens if we do not use all the funds on forgivable costs?
 - ✓ Funds remain a loan at 1% within 2 years of the loan date with payments to begin 6 months after the date of the loan
 - ✓ Interest is accrued during the 6-month deferment period
 - Interest accrued during the 8-week covered period is forgiven if loan is forgiven



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Business Considerations

- Begin to prepare projections to see what will be forgiven
 - ✓ There may be planning opportunities to get more forgiveness
 - ✓ Once eight weeks is over, very little planning can be done
- Don't let "free money" guide all your decisions
 - ✓ 1% loan could be more valuable than forgiveness
 - ✓ Forgiveness and tax deductions cannot be double counted

Additional Federal Loan Programs

- Economic Injury Disaster Loan (EIDL)
 - ✓ Through the SBA, can apply for up to a \$10k grant three days after application. The grant is not required to be repaid even if the loan is not approved.
 - ✓ Must be repaid
 - ✓ The grant will reduce PPP forgiveness
 - ✓ Designed for small businesses
- Main Street Loans through the Federal Reserve
 - ✓ Loan minimum of \$500K
 - ✓ Must be repaid
 - ✓ Designed for large businesses



Coronavirus Pandemic Relief Update

Tax and the FFCRA and CARES Acts

- Filing and payment deadlines have been postponed to 7/15
 - ✓ 990s due 4/15 now due 7/15, no extensions are needed
 - ✓ 12/31/19 990s can be further extended until 11/15
- Many states have followed the Federal deferments, including PA
- Tax Credits for FFCRA Paid Sick and Family Leave
- Allowable credit up to \$10,000 in the aggregate for the 10 weeks
- Employee retention credit for employers, refundable payroll tax credit for 50% of wages paid by eligible employers, capped at \$10k total, must have shown a 50% reduction in gross receipts, not eligible if granted forgiveness under PPP



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Tax and the FFCRA and CARES Acts (cont'd)

- Delay of payment of employer payroll taxes from 2020 to 2021 and 2022, not eligible if granted forgiveness under PPP
- RMD requirement waived for 2020
- \$300 above-the-line charitable deduction
- Removal of limitations on individual cash charitable contributions during 2020



HR, Insurance & Board Engagement During COVID-19

Presented by Laurie Kuzneski

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Nonprofit Actions and Concerns

- Reduction of hours
- Applying for SBA or other loans
- Laying off employees or furloughs
- Meeting new compliance obligations
 - FFCRA, CARES Act, EFMLA
- Maintaining core business functions
- Keeping workforce health and safety in mind

Moving Forward

- Navigating WFH
- Reengaging employees
 - Bringing them back safely
 - CDC/OSHA Guidelines
 - What if they don't want to come back?
 - FFCRA, EFMLA, Leave policies

Insurance Concerns

- Employee Benefits
 - Continuity of coverage
- Cyber Liability
 - Remote employees at risk
- Employment Practices Liability Insurance
 - Not if, but when
- Directors and Officers
- Business Interruption Insurance

Board Member Perspective

- Engage your BOD
 - Strategy
 - Crisis Management
 - Planning short- & long- term
 - Call additional meetings
 - Update frequently
- Include your BOD
 - When making difficult or political decisions
 - When communicating with key stakeholders
 - When preparing for the future

Resources

- Most recent CDC recommendations for employers and businesses
<https://www.cdc.gov/coronavirus/2019-ncov/community/organizations/businesses-employers.html>
- OSHA's guidance for employers
<https://www.osha.gov/Publications/OSHA3990.pdf>
- CDC Recommended steps regarding staying at home and self isolation
<https://www.cdc.gov/coronavirus/2019-ncov/if-you-are-sick/steps-when-sick.html>
- CDC guidelines for ending self isolation for employees with COVID-19
<https://www.cdc.gov/coronavirus/2019-ncov/hcp/disposition-in-home-patients.html>
- ThinkHR COVID19 Resource Center
<https://www.thinkhr.com/covid19/>

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Nonprofits and the Coronavirus Pandemic

Kate McKenzie, CAP, D.Sc.

Amy B. Razem, CAP



**DONOR ENGAGEMENT 6 FEET AWAY
PRIORITIZING IMMEDIATE, MID AND LONG TERM
CARES ACT OPPORTUNITIES**

Immediate

Stewardship, front and center

Treat donors as insiders

Targeted communication to base

Tangible items

Mid-term

Engage with advisor population

Research and brush up on vehicles

Legacy, values based conversations

Long-term

Events - online or “virtual” experiences

Data mining – look INWARD

Planned giving library/planned giving strategy

Professional development – CAP, training, etc..

Questions / Discussion

THANK YOU



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