



COVID-19: Implications for Nonprofit Organizations

The Impact of COVID-19 on Nonprofits

The coronavirus pandemic is having lasting implications on nonprofit and for-profit organizations alike. As we embark on these uncharted times, it's important to keep up to date with the latest information so you can ensure compliance as you work to protect your nonprofit organization. Here are some of the frequently asked questions when it comes to the [effect of COVID-19](#) on nonprofit organizations:

Does the Families First Coronavirus Response Act apply to nonprofit organizations?

Yes. Nonprofits with fewer than 500 employees are included in [this temporary relief](#) which provides expanded family and medical leave and paid sick leave for coronavirus-related absences. The legislation takes effect on April 2, 2020, 15 days after being signed by President Trump.

Nonprofits will be reimbursed through a refundable tax credit, applied against the employer portion of payroll taxes, at the end of each quarter. This legislation is heavily tied to existing employment laws with the Department of Labor. Nonprofits may need to consult with experts who specialize in employee benefit issues.

How should nonprofit organizations account for funds received from tickets for an upcoming event that has been cancelled?

If the [nonprofit issues a gift card or gift certificate](#) to be used for a future event or performance rather than refunding the money, the nonprofit would recognize a contract liability for the funds that have already been received. The nonprofit would recognize the related revenue when the gift card or gift certificate is redeemed. On the other hand, if the patron releases the nonprofit from the obligation to perform under the contract, the nonprofit could recognize contribution revenue at the time they are released from the obligation.

Can nonprofits provide disaster relief to the community when this activity is not its primary mission?

Yes. Nonprofits engaging in disaster assistance should ensure they have proper procedures in place for identifying and selecting those in need as well as documenting the assistance provided. Nonprofits should consider disclosing this activity on their Form 990 series as a new activity.

Are nonprofit organizations eligible for U.S. Small Business Administration (SBA) disaster loans?

Yes. The SBA uses the term "private non-profit organization," which may be confusing to understand who is eligible. General guidance from the [SBA Office of Disaster Assistance](#) provides an eligible "private non-profit organization" is a non-governmental agency or entity that currently has an effective ruling letter from the IRS granting tax exemption under sections 501(c), (d), or (e) of the Internal Revenue Code, or satisfactory evidence from the state that the non-revenue producing organization or entity is a nonprofit organized or doing business under state law.

The types of nonprofits eligible to apply include such entities as nursing homes, food kitchens, museums, educational facilities, senior citizen centers, daycare centers, playhouses, community centers, shelters, rescue organizations, associations, etc. Nonprofits that are unsure on eligibility should complete the application and await a decision from the SBA.

Are tax-exempt organizations with a tax return filing due date of April 15, 2020, automatically extended to July 15, 2020?

It depends. Taxpayers eligible for the automatic extension of time to file include individuals, trusts, estates, partnerships, associations, companies and corporations that have a federal income tax return due on April 15, 2020. Eligible taxpayers that have a Form 990-T filing due on April 15, 2020, are included in this automatic extension, which includes calendar year employees' trusts under 401(a), including IRA, SEP, Simple SEP, Roth IRA, Coverdell ESA, and Archer MSA plans. However, taxpayers filing Form 990-PF, Form 990, Form 990-EZ or Form 4720 are not covered under this extension as these forms are not considered to be federal income tax returns.

In addition, eligible taxpayers may defer federal income tax payments to July 15, 2020. It is important to note the automatic extension of time to file and deferral of income tax payments applies only to the federal return.

The spread of COVID-19 is changing the way we do business, community and life. Eide Bailly will continue to provide resources to help individuals and organizations navigate this unprecedented time in history. Please visit [Eide Bailly's COVID-19](#) resource center.

Ksenia Popke, CPA and Partner with Eide Bailly works with a variety of not-for-profit entities in fields such as cultural and performing arts, education, health and human services, public and private foundations, science and research. She enjoys building rich personal relationships, applying her extensive knowledge to solve complex problems and sharing colorful stories of life growing up in Russia. To learn more about navigating business issues related to COVID – 19, please contact [Ksenia](#) by email or phone 303.459.6782.