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Large nonprofits too big to qualify for PPP struggle to survive

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At a time when their services have never been in greater demand, nonprofit groups have also seen their revenue disappear. And many of the largest are too big to qualify for state or federal relief as they battle to survive the Covid-19 pandemic.

Goodwill Industries International Inc., which operates a national network of thrift stores through which it provides job training, was founded in 1902 and has had a presence in the Bay Area for more than a century. But with its stores closed due to local shelter-in-place orders it faces an uncertain future.

"We have over 500 employees so we are not eligible for the primary support and relief that the CARES Act has to offer," said William Rogers, president and CEO of SF Goodwill.

Under the CARES Act, only organizations that employ under 500 people are eligible to apply for the Small Business Administration's forgivable Paycheck Protection Program. Larger nonprofits with national workforces easily exceed this figure. Goodwill employs 131,000 nationally with the San Francisco chapter employing more than 600.

Several large private organizations were able to qualify for PPP due to franchise structures, although companies like Ruth's Chris Steak House and AutoNation returned their loans after a public shaming campaign. Essentially, if an organization employs fewer than 500 people at a location it remains eligible, regardless of how many franchises are operated in total. The problem is that many large nonprofits like Goodwill operate under a centralized structure that makes them in effect too big to aid.

As well as providing a home for donated used clothing and other household items, Goodwill performs a vital service in helping low-income, homeless or formerly incarcerated people into employment. As the coronavirus shuttered all nonessential businesses Goodwill furloughed the majority of its workforce.

Rogers worries about the impact the shutdown will have on already vulnerable populations. "It is incredibly frustrating," he said.

How major nonprofit groups are structured and organized is determining what federal assistance they can access. But even when they are eligible for PPP it has not necessarily saved them from the economic realities of operating under Covid-19.

For instance, housing charity Habitat for Humanity has what amounts to a federal structure. Local affiliates like Habitat for Humanity of Greater San Francisco have successfully applied for PPP because they are independent nonprofits with their own boards and workforces.

On the other hand, the parent organization Habitat for Humanity International operates in more than 70 countries and employs 900 people, making it ineligible for PPP. On April 24 Habitat for Humanity International announced that it would lay off approximately 10% of its workforce, reduce staff hours and leadership pay.

The Salvation Army USA employs 59,731 nationally and is structured across four corporations across the U.S. Like Goodwill it has not been able to access PPP because of the size of its workforce.

Major Darren Norton, regional director for the Salvation Army Golden State Division, fears that the inability to access funding now will have far-reaching repercussions. "We recognize that even when the pandemic crisis is over, the economic fallout in



Goodwill Industries at 1580 Mission St.

families is going to be months and months to come," he said.

To combat the disappearance of traditional sources of revenue, nonprofits are mounting sustained lobbying campaigns to open up government-backed support and ease the codification surrounding relief eligibility.

On April 29, 142 members of Congress, led by Reps. Seth Moulton, D-Mass., and Brian Fitzpatrick, R-Penn., [sent a letter to House leaders](#) urging them to consider the plight of nonprofits shut out of PPP in the next round of coronavirus disaster relief.

The letter, backed by 63 of the largest nonprofits in the U.S., called on policymakers to "expand the eligibility for nonprofits to participate in the Paycheck Protection Program by modifying the current 500-employee cap or by other means," among other measures.

While state and federal agencies struggle to meet unprecedented demand for services, there have been instances of significant philanthropy from the private sector.

As the Covid-19 shutdown took hold, Bay Area nonprofit Tipping Point launched a \$30 million campaign to help frontline charities in efforts to support vulnerable populations. To date it has raised \$20 million of that target with 14 companies making substantial contributions. Fintech company Ripple and global investment firm BlackRock made donations of \$1.1 million and \$1 million, respectively.

"The scale and immediacy of the situation demand extreme generosity from all sectors — from local governments to private companies. In uncertain times like this, corporate philanthropy can play a huge role in supporting organizations," said Chris Larsen, executive chairman and co-founder of Ripple.

Dan Cardinali is CEO of the Independent Sector, the only national-level membership organization of nonprofits, charitable foundations and corporations. He has been lobbying politicians and business leaders heavily over recent weeks and hopes that the work and needs of nonprofits are not forgotten as thoughts turn to recovery from the pandemic.

Cardinali has been impressed with the donations coming from the private sector. But he hopes that the needs of nonprofits are not forgotten as thoughts turn to recovery from the pandemic.

"The challenge will be, 'Is this a little bit more like disaster response?' You know, 30 days or 45 days, you get a spike, and then you have this precipitous drop off," he said.

With shelter-in-place orders in the Bay Area extended through May, revenue sources for nonprofits remain limited. Disaster relief and PPP could help soften the financial blow substantially but require legislative change.

For William Rogers of Goodwill, the message for decision makers is clear.

"They have to start looking at this in a balanced way," he said. "There are community needs that are not going to be met because significant nonprofits and folks in the nonprofit sector have been left behind."

"What they need to do is they need to stop, take a breath and focus on what recovery is going to look like because nonprofits are going to be a huge part of that effort."

Simon Campbell
Staff Reporter
San Francisco Business Times

