

## ***Establishing Grant Programs for Nonprofits Responding to the COVID-19 Crisis***

As the state's municipal and nonprofit associations, our interest is in supporting 165 cities and boroughs and the 6,000 Alaska nonprofits serving residents in those and other Alaska communities. Alaska's local governments recognize that nonprofits are a major economic driver for Alaskans and their families, partnering with government in delivering essential services, leveraging public funds for maximum impact through public/private partnerships, investing in our communities, and helping ensure community well-being and quality of life for all Alaskans.

**We recognize that some but not all local governments have existing grant programs. The following considerations can be applied to existing local granting programs or to new programs set up to manage the COVID-19 relief and recovery effort.**

The following guidance is intended to offer a streamlined process for how local governments can effectively implement nonprofit support programs for relief and recovery during this public health and economic crisis, as allowed under the CARES Act and other funding sources. As partners, AML and The Foraker Group stand ready to support local governments in developing funding programs that encourage nonprofit partner access and participation. Alaska communities are building on this strong partnership today and into the future.

### **Considerations for any grant or relief program:**

Nonprofits just like our small businesses will need support in two time frames and maybe even three.

- They need support **now** for the adaptations they have made to ramp up and serve Alaskans and to maintain their missions with closed programs and no revenue. Many have applied for federal CARES Act and PPP funding but this process will be slow to turn critical funding to the sector and there will likely not be enough for all who apply.
- They will need support **three-to-nine months** from now. The CARES funding is a temporary fix for economic conditions that will last much longer. Nonprofits will need funding to carry them from the time CARES and PPP funding ends and the economic conditions resume to a viable level to sustain the work.
- And those that rely on tourism, seafood, and oil and gas will also likely need more support measured in years, not months, to recover from the impacts of this pandemic.
- The federal relief makes a distinction in its offerings between support to maintain employment and financial relief for mission work impacted by COVID-19. Grant opportunities must take both into account as some of our strongest mission-oriented organizations have small staff because of their use of networks, collaborations, and volunteers. Their missions are still greatly impacted so employment alone cannot be the sole criteria.

### **Access to any of these options would require:**

- The nonprofit was negatively impacted by COVID either through rapid expansion or adaptation to serve the community or because of forced closure in the name of public health.

- All funds have as few restrictions as possible to ensure nonprofits can spend the relief funds on operational costs as needed.
- All nonprofits not just (c)3 and (c)19 organizations are eligible if they meet the other criteria.
- Special attention is given to nonprofits that do not meet the criteria for current PPP or EIDL funding and/or these funds do not duplicate other avenues of financial relief the organization received through the CARES Act or private funding.

**Criteria for consideration:\***

The following criteria represents a modified list from that for the Pick.Click.Give. program, which the state has already implemented as a standard for nonprofit accountability. We recommend a modified list because the program is only focused on charitable organizations. Additional criteria are based on the CARES Act criteria.

- Unless federally exempt, recipients will have a current or 2018 Internal Revenue Service Form 990 on file with the IRS, or, if the IRS has granted a filing extension for the current year, have on file that form for the immediately preceding year.
- Recipients will be directed by a voluntary board of directors or local advisory board whose majority of members are residents of the state of Alaska.
- Recipients will have provided in-state aid or services during the two calendar years that immediately precede the year the application is filed.
- Recipients will have completed and provided a financial audit with an unqualified opinion conducted by an independent certified public accountant for the fiscal year to which the IRS Form 990 was filed. This requirement applies only to organizations whose total annual budget exceeds \$750,000 during the fiscal year to which the IRS Form 990 applies.

**Other suggested criteria:**

- An IRS letter of determination of nonprofit status for more than 2 years
- A sworn statement showing that the nonprofit has been impacted by COVID either because of the adaptation and expansion of services and expenses as the result of COVID, or loss of revenue from a temporary closure caused by COVID (expansion, adaptation or contraction), or from loss of mission-related revenue (as determined by the IRS), charitable giving, or loss of government funding.

**Application process:\***

Local governments may not be set up to process grant applications or manage this process so we recommend:

- In the interest of the local government and applicant, make this a simplified process for both parties
- Use of a simple application for amounts under \$25,000 – basic information and justification
- Use of a simple application for amounts over \$25,000 but with additional financial documentation
- Applications can be online and distributed by email via networks
  - Central location if agreed to by local government – basic template

- Or develop own process if capacity

\*This process could be managed through the clerk or finance office or through a partnership under an agreement with a local entity like a local community foundation, The Alaska Community Foundation, or other industry umbrella nonprofits for emphasis on specific topics like tourism. (Note that their granting process and fee structure will likely differ from this process so establishing the relationship is an essential first step.)

**Decision-making process:**

- Establish a simple matrix to ensure funding is distributed across issue areas, regional geography, and relief and recovery needs. (Note: Foraker and AML can provide a template. Additionally, if a needs assessment or survey instrument is available to establish the known needs in your community, we recommend using it to build a more specific decision matrix.)
- Keep the decision-making process at the manager level for smaller amounts
- Establish grant review committees for larger requests with nonprofit representation and expertise
- Bring slate of pre-approved grants to the council or assembly for approval as required

**Distribution process:**

- Consider release of full amount, especially for smaller amounts – by check or ACH
- If you have capacity, distribute in installments – similar to Governor’s proposal for municipalities – this allows for internal tracking along the way
- Require single reporting depending on the size of the grant
- Compile all information into a simplified report to OMB to account for CARES Act requirements
- Encourage development of an impact dashboard, maybe through AML and Foraker, to demonstrate how CARES Act funds have helped Alaskans

**Options for partnerships to maximize capacity and speed of delivery:**

- Foraker can share applications or notifications with nonprofits as grant opportunities emerge.
- Foraker can advise or troubleshoot challenges to support nonprofit education and grant making.
- Foraker and AML can provide a decision matrix or other template examples.
- AML can play a role in managing applications if desired and/or interested or if there is limited capacity at the local level.
- AML can augment capacity of local governments in support of reporting and compliance requirements with the state or federal government.
- Local community foundations are experts in local grant making and have systems in place to manage the grant application process in partnership with local governments.