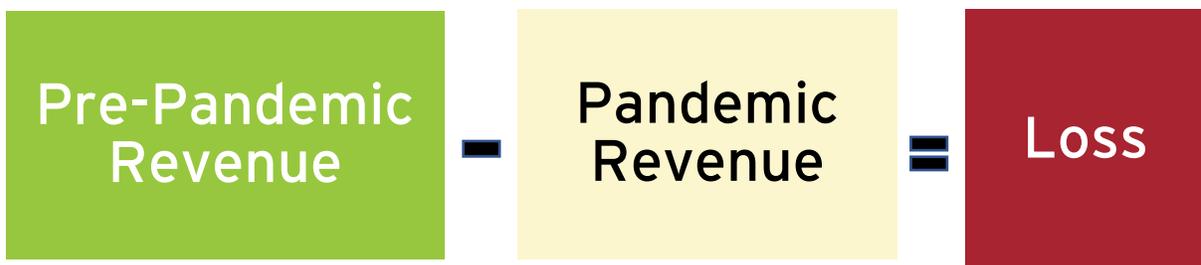


How to Calculate Pandemic Revenue Loss And Frequently Asked Questions

For the TN Nonprofit Arts & Culture Recovery Fund Grants



Pre-Pandemic Revenue

Step 1. Identify Pre-Pandemic Annual Revenue.

Find the IRS Form 990 or 990-EZ form for the most recent year that reflects pre-pandemic revenue, ie before March 2020.

What year? It depends on your organization's fiscal year. For nonprofits with fiscal year of Jan 1-Dec 31, the 2019 form makes the most sense. For nonprofits with other fiscal year periods, consider which annual return reflects maximum revenue. For a nonprofit with fiscal year July 1 - June 30, the 990 total revenues for July 1, 2019-June 30, 2020, may be higher than for July 1, 2018-June 30, 2019 even though the later return period includes 4 pandemic months (March-June 2020). If you choose a pre-pandemic year that includes a few pandemic months, make sure to deduct any federal pandemic financial assistance received in that fiscal year. Finally, if your FY19 revenue is a dramatic anomaly unrepresentative of your organization's pre-pandemic revenue, you can explain why, upload 990s for the last 3 years and use a three-year average. This alternative option is subject to review and approval is not guaranteed.

Where do I find the Total Annual Revenue figure?

990 Return of Organization Exempt From Income Tax
 Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except private foundations)
 Do not enter social security numbers on this form as it may be made public.
 Go to www.irs.gov/Form990 for instructions and the latest information.

Part I Summary

1	Briefly describe the organization's mission or most significant activities:	
2	Check this box <input type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its net assets.	
3	Number of voting members of the governing body (Part VI, line 1a)	3
4	Number of independent voting members of the governing body (Part VI, line 1b)	4
5	Total number of individuals employed in calendar year 2019 (Part VI, line 2a)	5
6	Total number of volunteers (estimate if necessary)	6
7a	Total unrelated business revenue from Part VIII, column (C), line 12	7a
7b	Total unrelated business taxable income from Form 990-T, line 39	7b
8	Contributions and grants (Part VII, line 1h)	
9	Program service revenue (Part VII, line 2g)	
10	Investment income (Part VII, column (A), lines 3, 4, and 7d)	
11	Other revenue (Part VII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11a)	
12	Total revenue—add lines 8 through 11 (must equal Part VII, column (A), line 1c)	

IRS 990 form Line 12

990-EZ Short Form Return of Organization Exempt From Income Tax
 Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except private foundations)
 Do not enter social security numbers on this form, as it may be made public.
 Go to www.irs.gov/Form990EZ for instructions and the latest information.

Part I Revenue, Expenses, and Changes in Net Assets or Fund Balances

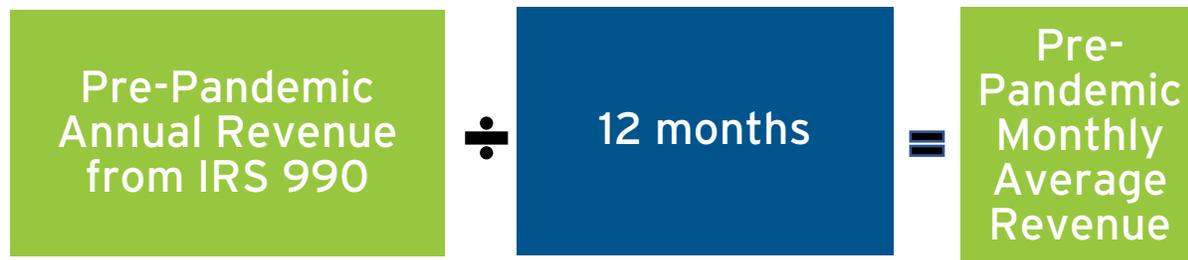
1	Contributions, gifts, grants, and similar amounts received	1	100
2	Program service revenue including government fees and contracts	2	
3	Management, dues and assessments	3	
4	Investment income	4	
5a	Gross amount from sale of assets other than inventory	5a	
5b	Less: cost or other basis and sales expenses	5b	
5c	Gain or (loss) from sale of assets other than inventory (subtract line 5b from line 5a)	5c	
6	Gross income from gaming (attach Schedule G if greater than \$10,000)	6	
6a	Less: cost or other basis and selling expenses	6a	
6b	Net income or (loss) from gaming (attach Schedule G if the sum of each gross income and contributions exceeds \$10,000)	6b	
7	Less: direct expenses from gaming and fundraising events	7	
7a	Net income or (loss) from gaming and fundraising events (add line 6b and subtract line 7)	7a	
7b	Less: sales of inventory, less returns and allowances	7b	
7c	Less: cost of goods sold	7c	
7d	Gross profit or (loss) from sales of inventory (subtract line 7b from line 7a)	7d	
8	Other revenue (describe in Schedule G)	8	
9	Total revenue—add lines 1, 2, 3, 4, 5c, 6b, 7a, and 8	9	

IRS 990-EZ form Line 9

No 990? If your organization is not required to file an IRS 990 form, please submit and enter annual revenue from a notarized annual profit and loss statement for your most recently completed pre-pandemic fiscal year.

Step 2. Pre-Pandemic Monthly Average Revenue

The pandemic has lasted more than 12 months, so a 12-month pre-pandemic revenue figure from the 990 is not a fair comparison for the longer pandemic period. To get an apples-to-apples pre-pandemic revenue figure, we need the average monthly pre-pandemic revenue. The grants management system will automatically calculate the monthly average based on the Pre-Pandemic Annual Revenue figure you enter and click “Save.”

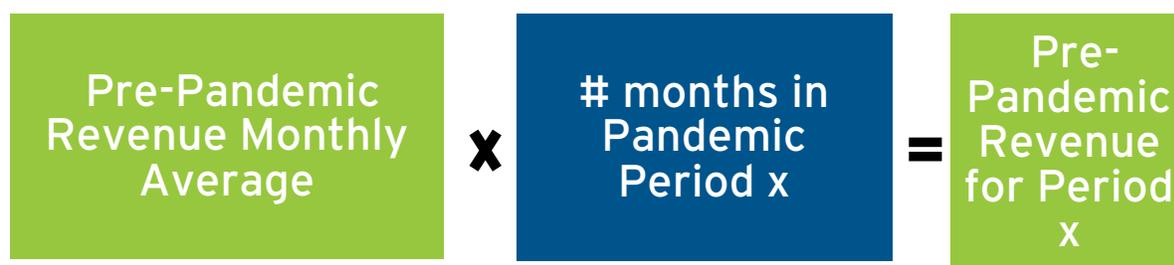


Step 3. Pre-Pandemic Revenue Estimate for Pandemic Period 1.

Again, once you enter Pre-Pandemic Annual Revenue and click “Save”, the system will automatically calculate the 21-month Pre-Pandemic Revenue Estimate for Pandemic Period 1. This is an estimate of revenues your organization might have generated for the period March 1, 2020, through November 30, 2021 IF there had been no pandemic.

Because the pandemic is ongoing, the Tennessee Arts Commission anticipates offering multiple rounds of TN Nonprofit Arts & Culture Recovery Fund grants subject to availability of funding in response to ongoing loss incurred after the Pandemic Period 1 cut-off date of November 30, 2021. Grantees are encouraged to think carefully about how these funds, which will end June 30, 2024, can be a bridge to financial recovery from the economic harm of the COVID-19 public health emergency. Below are expected pandemic periods for grant funding rounds.

Pandemic Period x	Dates	# of Months in Pandemic Period
1	March 1, 2020 - Nov 30, 2021	21
2	Dec 1, 2021 - Dec 31, 2022	13
3	Jan 1, 2023 - Dec 31, 2023	12



Pandemic Revenue

Step 4. Identify Actual Pandemic Revenue.

From your organization’s accounting records, using the same revenue categories that are included in IRS 990 reporting, generate a report that shows revenues for the Pandemic Period for the application for that period. For Pandemic Period 1, show actual revenues for the 21-month period of March 1, 2020 - November 30, 2021. The ideal report would include actual revenues by month or fiscal year and by category/source and be in Excel format for easy analysis in the review process. Other formats may also be acceptable.

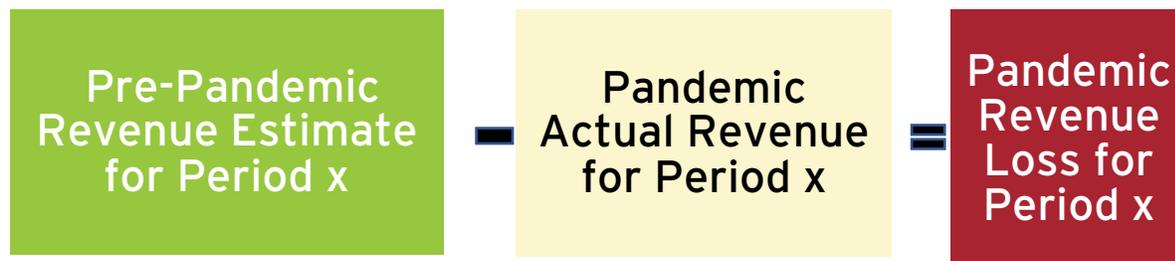
Exclusions, if applicable. Your organization may have taken emergency steps during the pandemic to generate one-time, non-recurring revenues to stay afloat and/or maintain service delivery. For example, if your organization drew down board reserves or liquidated assets to maintain services during the pandemic, the reduction of those assets may be considered a pandemic-related economic harm to your organization’s pre-pandemic financial position.

If you seek to exclude pandemic-related one-time revenues from your Pandemic Revenue for loss calculation, please show and clearly identify those amounts in your pandemic revenue report and upload related explanation and documentation (bill of sale, board authorization for one-time reserve use, other). Exclusions are not guaranteed; approval will depend on adequate support and justification.

Upload a copy of the Actual Pandemic Revenue report and support from your accounting records, **including the 21-month pandemic actual revenue total**, into your application in the Documents section of the TN Arts Commission online grants system. Be sure the spreadsheet or report clearly shows the name of your organization and the time period of the revenues. Include a contact name, email and phone # in case of questions. If you run multiple reports to cover the 21-month period, make sure each report is clearly marked so that the information is easy to follow for an external reviewer.

For monitoring purposes, consider how you will show that the figures in the reports you submit tie to your general ledger accounting records.

Step 5. Pandemic Revenue Loss.



To get Pandemic Revenue Loss for a period, the system will automatically subtract Pandemic Actual Revenue you entered from the Pre-Pandemic Revenue Estimate for that period when you click “Save.”

For audit purposes, financial records and supporting documents must be retained for five years from the date of submission of the final expenditure report.

Determine Grant Request Amount.

The grant request amount should equal the Pandemic Revenue Loss for the period, up to \$5 million maximum. Expenditures can be spread over July 1, 2021 - June 30, 2024.

The total Grant Request Amount can be budgeted for expenditures beginning July 1, 2021 or spread over the three year grant period ending

June 30, 2024. Think strategically about how to best rebuild your organization's services to the community.

Subject to availability of funds, the Tennessee Arts Commission anticipates future opportunities for application for additional funds related to pandemic losses incurred after November 30, 2021. If your organization requests and is awarded additional funds based on pandemic-related revenue loss in Pandemic Loss Periods 2 and 3, your grant contract will be amended to include those additional funds.

Questions? Contact your TN Arts Commission [assigned program director](#).

Pandemic Revenue Loss FAQ

1. What's the definition of "lost revenue"?

Generally, lost revenue refers to those revenues otherwise expected that were reduced or eliminated as a result of the COVID-19 public health emergency.

2. How will other federal pandemic-related relief be considered?

Receiving other federal pandemic-related aid does not disqualify applicants from applying for additional support through this program to address residual pandemic-related economic loss.

3. Why use IRS Form 990 to get base pre-pandemic revenue?

To maximize consistency and accuracy of pre-pandemic revenue data, the Commission chose to use reported revenues from the IRS Form 990. Nearly all nonprofits are required to file this annual form. Data submitted in the 990 is declared to be true, correct and complete under penalty of perjury by the signatory.

4. For applicants not required to submit an IRS form 990, why must the profit/loss statement be notarized?

To add another level of credibility to the submitted information. The notarization is consistent with reporting required of recipients of direct appropriations from the TN General Assembly. The notarized form must be signed by the organization's Chief Authorizing Official (Chair or President of the Board OR Executive Director).

5. Why does the period for pandemic revenues begin March 1, 2020 instead of January 27, 2020 when the U.S. Treasury dates the start of the pandemic or March 12, 2020 when the Tennessee state of emergency was declared?

March was selected because the Tennessee state of emergency was declared in March. Many nonprofit accounting systems report on a monthly basis. The full month beginning March 1 was chosen instead of a partial month to simplify reporting.

6. How were the pandemic periods selected? The pandemic periods were selected to maximize amount and timing of funds to grantees given the time constraints of the state funding process.

7. How was the negative impact/loss calculation methodology developed?

The Tennessee Resilience Plan analysis of the TN Nonprofit Arts and Culture Recovery Fund notes *“The pandemic resulted in significant economic losses to the nonprofit arts sector because festivals and performing arts organizations cancelled events and museums closed their doors to protect the public health, resulting in lost earned revenue. Nonprofits with in-person fund-raising events cancelled or saw significant losses. As nonprofits begin to resume services, their efforts are limited by lost revenue. This initiative is a step to address that negative impact.”*

The analysis concluded that *“The key here will be ensuring that the awardees are required to show a negative impact to their organization as a result of the shutdown. Accordingly, there needs to be a mechanism built into the grant application process that requires the applicant to demonstrate a negative impact/harm due to the economic disruption caused by the COVID-19 pandemic.”*

The Tennessee Arts Commission researched loss calculation methodology beginning with the Coronavirus State Fiscal Recovery Fund interim final rule at 31 CFR Part 35 published May 17, 2021. The agency considered pandemic loss calculation resources provided by the National Association of Counties (NACO) as well as the Higher Education Emergency Relief Fund (HEERF) FAQ published March 19, 2021.

31 CFR section 35.6. Eligible Uses part b. authorizes aid *“that responds to the negative economic impacts of the COVID-19 public health emergency”* while part d. articulates the theory adapted for this program, ie *“to support provision of government services to the extent of a reduction in the recipient’s general revenue.”* It further provides a calculation formula:

$$\text{Max} \{ [\text{Base Year Revenue} * (1 + \text{Growth Adjustment})^{\left(\frac{n_t}{12}\right)}] - \text{Actual General Revenue}_t; 0 \}$$

Federal Register Vol. 86.93 dated May 17, 2021 page 26800 elaborates: *“Calculation of Loss. In general, recipients will compute the extent of the reduction in revenue by comparing actual revenue to a counterfactual trend representing what could have been expected to occur in the absence of the pandemic. This approach measures losses in revenue relative to the most recent fiscal year prior to the COVID-19 public health emergency by using the most recent pre-pandemic fiscal year as the starting point for estimates of revenue growth absent the pandemic.”*

While the federal methodology was developed for state and local governments, not nonprofits, the Tennessee Arts Commission has adapted

it for nonprofit application. Specifically, the formula has been adapted to cover the on-going pandemic in increments of more than 12 months.

8. What if some revenue loss after March 2020 was caused by factors other than the pandemic?

The Tennessee Arts Commission subscribes to the federal theory articulated in 31 CFR Part 35 Interim Final Rule for Coronavirus State and Local Fiscal Recovery Funds published May 17, 2021. From page 26800 of Federal Register Vol 86, No. 93: *Although revenue may decline for reasons unrelated to the COVID-19 public health emergency, to minimize the administrative burden on recipients and taking into consideration the devastating effects of the COVID-19 public health emergency, any diminution in actual revenues relative to the counterfactual pre-pandemic trend would be presumed to have been due to the COVID-19 public health emergency.*”

9. If an organization had increased expenses as a result of the COVID-19 pandemic, can those increased expenses be included in the institution’s estimate of lost revenue?

No. However, allowable expenses incurred since July 1, 2021 may be charged to this grant, ie a TN Nonprofit Arts and Culture Recovery Fund grant.

10. Our nonprofit ran a capital campaign over the 2019-2021 period. Our total revenue looks good, but the reality is that our unrestricted operating revenues took a big hit because of the pandemic. May we exclude restricted revenues from our pandemic loss calculation?

The Tennessee Arts Commission will consider revenue circumstances not contemplated in the published guidance, although approval of alternative rationales is subject to a variety of state and federal constraints. Any justification for exception to the standard pandemic loss calculation must be reasonable and supported by documentation. Alternative rationales will be considered last in the application review process and may result in a delayed award. Applicants should submit a calculation based on the standard published methodology as well as any proposed alternative so that if the alternative is not approved, an award based on the standard methodology can be made if warranted.

11. Can you give some examples of pandemic revenue loss calculations?

	Pandemic Loss Calculation Elements	Smaller Nonprofit Pandemic Period 1	Smaller Nonprofit Pandemic Period 2	Smaller Nonprofit Pandemic Period 3	Larger Nonprofit Pandemic Period 1	Unusual Case Pandemic Period 1
1.a	Annual Pre-pandemic revenue	600,000	600,000	600,000	18,000,000	1,200,000
1.b	Pre-pandemic monthly avg revenue	50,000	50,000	50,000	1,500,000	100,000
	# Months in Pandemic Period	21	13	12	21	21
1.c	Pre-pandemic projected revenue	1,050,000	650,000	600,000	31,500,000	2,100,000
2	Pandemic Actual Revenue	630,000	520,000	600,000	21,000,000	2,400,000
3	Pandemic Loss	420,000	130,000	-	10,500,000	(300,000)
	Grant Request	420,000	130,000	-	5,000,000	-

12. Who can I contact if I still have questions?

First contact your TN Arts Commission [assigned program director](#).

If further guidance is needed, contact Carol.White@tn.gov or Hal.Partlow@tn.gov

This Job Aid for Pandemic Loss Calculation and Pandemic Revenue Loss FAQ is incorporated as part of the Tennessee Arts Commission grant guidelines aka State grant proposal solicitation as may be amended.