COVID-19 RESPONSE POLICIES & NEW YORK CITY ARTS & CULTURE

ACCESS & IMPACTS

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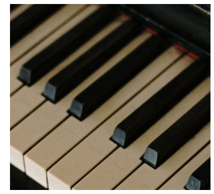


executive summary



Nonprofit arts and culture organizations play an essential role in New York City's (NYC) economic vitality and quality of life.

The prolonged pandemic shutdown crushed the sector leaving venues and museums across NYC dark, but ultimately not silenced. **This study examines how nonprofit arts organizations in NYC navigated their survival through federal relief programs, virtual programming, and collective action to communicate shared experience.**

Our research focused on two federal programs authorized by the Coronavirus Aid, Relief, and Economic Security (CARES) Act[1]–the Paycheck Protection Program (PPP) and the Economic Injury Disaster Loan (EIDL). The PPP was a forgivable loan program launched in 2020 and provided two rounds of funding due to the program's popularity and the quick exhaustion of Round 1 funds. PPP rules upon implementation required the funds be spent within eight weeks on eligible expenses with at least 75% expended on payroll.

1. Rep. Courtney, "116th Congress H.R. 748 CARES Act," Pub. L. No. 116–136 (2020), https://www.congress.gov/bill/116th-congress/house-bill/748.

We have a two-fold research question that asks, first, what were nonprofit arts and culture organizations' experiences in the PPP and EIDL application processes and, second, how beneficial were the funding programs to sustain organizations during the prolonged pandemic closures. To explore these questions, we developed a survey for nonprofit arts and culture organizations in NYC and held semi-structured interviews with government officials, Cultural Institutions Group members, and borough arts councils.

Our findings demonstrate that the United States Small Business Administration's (SBA) administration of the PPP Round 1 process created confusion, attrition, and unequal access based on banking relationships. Two of the main reasons for the confusion that dampened program participation were the lack of clarity from the SBA on PPP loan forgiveness and confusion over program rules. Without the certainty of forgiveness, taking a loan was a significant risk for some organizations. While 91% of those who accepted loans were "extremely" or "very confident" that the loan would be forgiven, if the loan was not forgiven 67% of the organizations would have experienced major impacts. This may reveal an inhibitory effect of the terms of the PPP applications if organizations that were not confident in the program's likelihood of forgiveness chose not to apply. Because many arts and culture organizations are program-dependent staffed with temporary employees, potential applicants were also confused about whether the PPP was accessible to them. **The PPP's focus was on retaining employees but nonprofits had other financial needs beyond covering salaries within the eight weeks required to expend PPP loans.**

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The PPP Round 2 improved the application process and allowed for broader access. In this round, all who applied were approved and accepted the loan. The program opened up to a wide array of lenders and that increased access to organizations that did not have access or found it difficult to gain access, to the limited list of SBA-approved lenders in Round 1. In the middle of Round 2, the PPP Flexibility Act[2] made several changes that better matched organizations' needs especially extending the payout length from eight to 24 weeks, and providing a safe harbor for organizations unable to return to pre-pandemic staffing levels.

Despite the improved application process from Round 1 to Round 2, in both rounds participants reported complaints about dealing with lenders, the SBA website, and confusing rules. Given the number of times Congress revised the program, based on feedback from multiple industries, SBA repeatedly updated application rules which introduced potential confusion throughout the period. This may have contributed to our survey result of mixed responses on barriers, indicating that even Round 2 was not a uniformly smooth and equitable application process.

The resounding good news is that the federal funding was beneficial for arts and culture nonprofit organizations and that it met their needs. As a general finding, the PPP funding represented a larger percentage of the operating budget for the smaller organizations than it did for the larger ones. That is not to say that the PPP met all needs; future research is needed to identify gaps that the current federal relief programs did not address. For example, our data indicate that **despite PPP funding, 41% of survey respondents reported furloughing staff.** Qualitative responses indicate the front-facing positions were first on the chopping block (e.g., ticketing, concessions); along with program-specific staff (e.g., performers, educators), who were often temporary employees. Our study may indicate a potential protective effect of the PPP loans on staff retention, but a more directed round of data collection is needed to draw definitive conclusions.

The EIDL was less utilized than the PPP loans. Only 27% of respondents applied for an EIDL and 20% accepted. EIDL had a maximum $10,000 grant advance ($1,000 per employee up to ten). Organizations could apply for both the PPP and the EIDL however, in the CARES Act the advance was added to the PPP loan amount and not eligible for forgiveness. The rules shifted in December 2020 to allow forgiveness but that was eight months into the pandemic. There was qualitative feedback that the sector needed grants, not loans, and that the size of loans was inappropriately scaled for the scope of the pandemic effects. For those that received an EIDL, half were at the $10,000 level with larger organizations taking out $150,000 loans. We found three-quarters used the EIDL immediately; however, the rest chose to keep the loan but not spend it. Qualitative responses indicated that it provided a low-interest cushion that they hoped they would not need.

The resiliency of the arts and culture sector shone through during the pandemic. Our survey found a 750% increase in the number of organizations that offered some form of virtual programming (from 15 to 111 organizations) from the March shutdown to January 2021. The programs were often free to the public during the shutdown, which was a tremendous cultural gift. The cultural programming was exceeded by virtual programming which experienced an 860% increase (from five to 43). However, one-third of the respondents reported that they incurred substantial expenditures to create virtual programming. As described above, only 25% of Round 1 PPP funds could be spent on non-payroll expenses. An important source of information was the Culture@3 virtual meetings open to all nonprofit organizations. It provided a critical venue of collective action to share information.

2. Dean Rep. Phillips, "H.R. 7010 - Paycheck Protection Program Flexibility Act of 2020," Pub. L. No. 116–142 (2020), https://www.congress.gov/bill/116th-congress/house-bill/7010?q=%7B%22search%22%3A%5B%227010%22%5D%7D&s=1&r=1.

Based on our research, we recommend the following:

1. **Increase agency knowledge and understanding of nonprofit business models and common practices, and adapt federal forms to accommodate nonprofit organizations.**

2. **Invest in government agency capacity.**

3. **Create an administrative structure for crises able to contract with both nonprofit and for-profit.**

4. **Include operating expenses in government funding programs.**

5. **Invest in the arts and culture sector with multi-year grants, not loans.**

6. **Equity within the sector.**

introduction

Nonprofit arts and culture organizations play an essential role in NYC's economic vitality and quality of life.

The sector drives tourism, local arts participation and learning, and community placemaking. Before the COVID-19 pandemic, the NYC arts and culture scene was home to almost 2,200 nonprofit arts organizations.[3] With the prolonged pandemic shutdown starting in 2020 and continuing through several months of 2021, we have yet to see how many of these organizations survive and when the remaining organizations will be able to recover to pre-pandemic levels of programming. What we do know is that performing arts venues, concerts, theaters, museums, galleries, and many organizations, both large and small, have ongoing limitations and have not resumed ticket sales and earned income at pre-COVID-19 attendance levels.

When the pandemic emerged in March 2020, NYC was the epicenter within the United States with over 203,000 cases and 18,676 confirmed deaths by June 1, 2020.[4] All arts organizations were closed by New York State and/or City Executive Orders between March 7 and March 21, 2020.[5] The length of the shutdown was beyond all expectations. By June 8, 2020, Americans for the Arts estimated the economic impact of COVID-19 on the arts and culture sector to be $5.9 billion nationally (N = 19,398) with a median impact of $51,500 in NYC (N = 1,396).[6] By June 2021, over a year after the initial shutdown, only some of the arts and culture organizations re-opened and those that did had capacity limitations (e.g., museums). The performing arts mostly remain closed in June 2021 because even if they could open, the capacity limitations made reopening financially unfeasible, to say nothing of the health and safety concerns for the performers and audience. The prolonged closures left organizations without earned revenue or limited revenue streams. Adding to the economic impact was the cancellation or reduced format for annual spring fundraising galas, which further negatively impacted revenues for nonprofit arts and culture organizations.

We focus this report on the experiences of nonprofit arts and culture organizations in NYC because nonprofit organizations faced a different funding environment than their for-profit counterparts. This is due to two main reasons. First, the federal pandemic policies were allocated through the Small Business Administration (SBA) that had little experience providing loans to nonprofit organizations that, unlike their for-profit counterparts, do not have "owners" but rather are governed by volunteer boards. Second, NYC provides funding for nonprofit arts and culture organizations through the NYC Department of Cultural Affairs (DCLA). The organizations receive these funds through two main funding streams, both of which are limited to nonprofit organizations (See Appendix A for a list of acronyms used in this study).

A common refrain across all levels of government is that they forget that nonprofit organizations exist or, if they are eligible for the program, the administrative processes are not adapted in

3. New York City Comptroller Scott Stringer, "The Creative Economy: Art, Culture and Creativity in New York City" (Office of the New York City Comptroller, Bureau of Budget, October 25, 2019), https://comptroller.nyc.gov/reports/the-creative-economy/.

4. Thompson CN, Baumgartner J, Pichardo C, et al., "COVID-19 Outbreak - New York City," MMWR Morb Mortal Wkly Rep 2020, June 29, 2020, http://dx.doi.org/10.15585/mmwr.mm6946a2.

5. The Mayor of the City of New York, Emergency Executive Order N. 98, 2020.

6. Americans for the Arts, THE ECONOMIC IMPACT OF CORONAVIRUS ON THE ARTS AND CULTURE SECTOR, vol. 2021, March 8, n.d., https://www.americansforthearts.org/by-topic/disaster-preparedness/the-economic-impact-of-coronavirus-on-the-arts-and-culture-sector.

introduction

ways that reflect the governance structures and diversity of organizations. For example, even though the federal PPP was open to nonprofit organizations, the first question on the SBA's application form was "name of business owner" but nonprofit organizations are not businesses and they do not have owners. **The General Accountability Office found that only 7% of the CARES Act Paycheck Protection Program (PPP) funds were allocated to nonprofits[7] and a mere 1.5% was allocated to arts and entertainment (includes both nonprofit and for-profit organizations).[8]**

In this report, we present a snapshot of NYC's nonprofit arts and culture sector's pandemic experience. Specifically, we have a two-fold research question that asks, first, what were nonprofit arts and culture organizations' experiences in the PPP and Economic Injury Disaster Loan (EIDL) application processes and, second, how beneficial were the funding programs to sustain organizations during the prolonged pandemic closures?

Through surveys and interviews, we learned about the economic impacts and the likelihood of permanent closures, the good and bad of the PPP, and the less-used federal EIDL program. Our qualitative survey comments and interviews revealed a deeper understanding of the intergovernmental funding for the arts. We begin with city and state funding for arts and culture, provide background on the federal pandemic relief programs, and describe our data collection methodology and analysis. In closing, we leverage the findings from the survey and interviews to provide recommendations that are designed to improve the visibility of nonprofit organizations in government programs and document how government can improve their programs to better support the arts and culture sector.

7. U.S. Government Accountability Office, "COVID-19 Opportunities to Improve Federal Response and Recovery Efforts" (U.S. Government Accountability Office, June 2020).

8. Reuters, "PPP Loan Share by Industry and Industry Size," June 10, 2021, https://graphics.reuters.com/HEALTH-CORONAVIRUS/PPP/rlgpdlqknpo/.

The City and State Funding Environment

NYC is a complex ecosystem of arts organizations and workers, encompassing freelance artists, musicians, dancers, actors, curators, and educators within a diverse array of nonprofit organizations ranging from small, community-based grassroots nonprofits to the largest performing arts institutions in the world.

In this section, we describe the funding environment from the city, state, and federal levels.

City funding flows through three main streams with several contributories.[9] The Cultural Institutions Group (CIG) receives both operating and energy funding support. These 34 organizations are spread across the five boroughs and include such venerable institutions as Carnegie Hall and the Metropolitan Museum of Art, as well as community-based institutions such as the Brooklyn's Children Museum and Richmondtown Historical Society.[10] DCLA also provides program funds to almost a thousand non-CIG organizations through the Cultural Development Fund (CDF). CDF is an annual competitive grant program that provides funding for program (not operating) expenses. Additionally, DCLA funds five local arts councils (Bronx Council on the Arts, Brooklyn Arts Council, Lower Manhattan Cultural Council, Queens Council on the Arts, and Staten Island Arts.)[11] The arts councils regrant funds to the smallest nonprofit organizations, artist collectives, and individual artists through competitive applications.

Prior to the pandemic in fiscal year 2020, DCLA announced its largest budget ever for the arts at $212 million. The budget included:

- **$121 million** for the 34 institutions in the CIG group[12];
- **$28.5 million** for the CDF program;
- **$17.7 million** from the Mayor and City Council Initiatives provided to CDF and CIG recipients;
- **$3.9 million** for organizations providing direct support for artists and emerging nonprofits;
- **$1.25 million** to the Energy Group[13] (energy bills paid by city for these 12 organizations in city-owned buildings.[14]

9. DCLA also allocates Mayoral and City Council discretionary funds such as the Cultural After School Adventures (CASA), SU-CASA for seniors, Coalition of the Theaters of Color, etc.

10. For a full list see https://www1.nyc.gov/site/dcla/cultural-funding/city-owned-institutions.page

11. New York City Department of Cultural Affairs, *City Announces Grants Totaling $51.3M for Cultural Programming at 985 NYC Nonprofits,* 2019, https://www1.nyc.gov/site/dcla/about/pressrelease/PR-2019-12-19-DCLA-Programs-Funding-Cultural-Development-Fund-FY20.page.

12. NYC Finance Division et al., "Fiscal 2022 Executive Plan, the Ten-Year Strategy for Fiscal 2022-2031, and the Fiscal 2022 Executive Capital Commitment Plan for Department of Cultural Affairs," May 10, 2021.

13. For a full list visit: https://www1.nyc.gov/site/dcla/programs/energy.page

14. New York City Department of Cultural Affairs, *City Announces Grants Totaling $51.3M for Cultural Programming at 985 NYC Nonprofits.*

The City & State Funding Environment

That expansion came to an abrupt end with the pandemic closures and budgetary impacts on the city. **DCLA's FY21 adopted budget was decreased by 11% to a total of $189 million.**[15] While over thirty states and localities created arts and culture grants and relief funds, to date NYC has not provided targeted relief funding to the sector, nor was the nonprofit sector allowed to apply for several programs that targeted small businesses. A case in point is the NYC Small Business Services emergency loan program. Nonprofits were expressly prohibited from applying for the $75,000 emergency loan program.[16] No emergency funding was made available from NYC or DCLA to nonprofits; however, a private foundation, the New York Community Trust, created an Impact and Relief Fund[17] but only for nonprofits who are current state or city grant recipients, leaving the smallest nonprofit organizations without a source of emergency support.

In the recent FY22 budget, New York State created an $800 million Small Business Relief Fund but, again, nonprofits were ineligible. The New York Forward Loan Fund, through the Empire State Development Corporation, did allow both businesses and nonprofits with receipts under $3 million but only if they did not receive federal pandemic relief. **The state budget allocates $40 million to New York State Council of the Arts (NYSCA)[18] but recovery fund grants are being limited to a maximum of $49,500, only organizations with budgets below $10 million are eligible, and funding will not be available until sometime in Fall 2021.**[19] The quick turnaround Restart NY: Rapid Live Performance Grants[20] are exclusively for NYSCA grantees within the past five years, and at a mere $5,000 or $10,000 do not provide meaningful relief for much of the sector, but are anticipated to provide paying work to performing artists.

The arts and culture sector looked to the federal government for aid but there was little art-specific relief included in the CARES Act. It provided $200 million in emergency funding to the National Endowment for the Arts (NEA), National Endowment for the Humanities (NEH), and Institute of Museum and Library Services (IMLS) to disseminate via competitive grants to nonprofit organizations and to regrant to state arts councils. The NEA received $75 million but chose to restrict grant applications to previous NEA grantees within the past four years. The NEA regranted a total of $30 million of this fund to state arts councils with New York State receiving $490,000. NYSCA also narrowed its scope for emergency grants to its current grantees receiving general operating support. Tight eligibility restrictions on these grant opportunities further steered the most vulnerable organizations, not already receiving some form of government support or general operating support, to federal pandemic loan programs. With such a massive economic impact, all eyes turned toward the federal government for pandemic relief. In this next section, we describe two programs available for nonprofit organizations.

15. NYC Finance Division et al., "Fiscal 2022 Executive Plan, the Ten-Year Strategy for Fiscal 2022-2031, and the Fiscal 2022 Executive Capital Commitment Plan for Department of Cultural Affairs."

16. Phoenix Energy, "NYC Small Business Support During COVID-19," Phoenix Energy Blog (blog), March 31, 2020.

17. New York Community Trust, "About the NYC COVID-19 Response & Impact Fund," n.d., https://www.nycommunitytrust.org/covid19/.

18. "New York State Budget S2503-C BUDGET," Pub. L. No. S2503-C/A3003-C, New York State April 6 (n.d.), https://www.budget.ny.gov/pubs/archive/fy22/en/index.html.

19. "New York State Council on the Arts Recovery Grants Guidelines," FY 2022, http://www.nysca.org/downloads/guidelines/FY2022/FY2022_Guidelines_Recovery_Fund.pdf.

20. "New York State Council on the Arts Restart NY: Rapid Live Performance Grants Guidelines," FY 2022, http://www.nysca.org/downloads/guidelines/FY2022/FY2022_Guidelines_Restart_NY_Round1.pdf.

Federal Pandemic Relief Programs

When the CARES Act was signed into federal law on March 27, 2020, it created the Paycheck Protection Program and provided COVID-specific funding for the EIDL program.

The federal government plunked $349 billion into the SBA for the PPP, which presented a massive administrative undertaking for a relatively small federal agency with an FY19 budget of $665 million.[21] **Distributing the PPP funds proved a formidable task as evidenced by a tumultuous rollout; the SBA and Treasury issued 18 interim rules, each with multiple iterations, and 20 FAQs by June 2020** (See Appendices B, C, and D for a complete timeline and program changes). In contrast, the SBA's EIDL was a pre-existing loan program that received an infusion of federal pandemic funds. The SBA did not need to create and implement a new program, but rather expand an existing one, which was a much more straightforward task. We describe the two programs in their complexity below.

The Paycheck Protection Program

The program was designed to keep workers in "small" businesses paid and employed during the pandemic. Small was defined as businesses with less than 500 employees. To reach a broader array of those affected, the PPP granted expanded eligibility to sole proprietors, independent contractors, self-employed individuals, veterans organizations, tribal business concerns, and nonprofits, which were all marked differences from past SBA programs.

The program allowed:

- **Loan amounts were based on the average total monthly payroll costs incurred during one year before which the loan was made multiplied by 2.5, and not to exceed $10 million;**
- **Eight weeks to expend the funds;**
- **Loans processed through SBA approved lenders, which pre-pandemic consisted of primarily large banks and referral services.[22]**

The SBA opened the PPP application portal on April 3, 2020 and funds were exhausted 13 days later, leaving many smaller businesses and nonprofits without having secured a loan. The "first draw" quickly drew criticism for funding huge organizations such as chain restaurants, and sports organizations.[23] Part of the problem was that larger organizations had existing banking relationships and professional staff to navigate the rapidly changing SBA rules. But for smaller organizations, there was also the issue that the incessant rule changes made it difficult to understand eligibility and program rules,[24] particularly the criteria for loan forgiveness.[25]

21. U.S. Small Business Administration, "FY 2020 Congressional Justification and FY 2018 Annual Performance Report," n.d., https://www.sba.gov/sites/default/files/2019-04/SBA%20FY%202020%20Congressional%20Justification_final%20508%20%204%20 23%202019.pdf.

22. Daniel Brown, Victoria Williams, and Patrick Delehanty, "Small Business Lending in the United States, 2019" (The Office of Advocacy of the U.S. Business Administration, September 2020), https://cdn.advocacy.sba.gov/wp-content/

23. Jonathan O'Connell, "White House, GOP Face Heat after Hotel and Restaurant Chains Helped Run Small Business Program Dry," Washington Post, April 20, 2020, sec. Business, https://www.washingtonpost.com/business/2020/04/20/white-house-gop-face-heat-after-hotel-restaurant-chains-helped-run-small-business-program-dry/.

24. Small Business Administration, "Interim Final Rule. 13 CFR Part 120. Business Loan Program Temporary Changes; Paycheck Protection Program," Federal Register, April 15, 2020, Vol. 85, No. 73 edition.

25. Loans were designed to be forgivable if spent on allowable expenses in the correct ratio of 75% on payroll, and 25% on other expenses such as rent, utilities, or mortgage obligations.

Federal Pandemic Relief Programs

On April 24, 2020, Congress recapitalized the program with an infusion of an additional $321 billion.[26] The program expanded eligible lending institutions to community lenders and included a $60 billion set aside for small banks, community financial institutions (CFI), and credit unions to better reach small and underserved organizations that did not have banking relationships with SBA-approved lenders.

By June 5, 2020, after much industry advocacy and feedback, the federal government passed the Paycheck Protection Program Flexibility Act (PPPFA). The new version modified the PPP program structure by:

- **extending the period to expend funds from eight to 24 weeks;**
- **raising the non-payroll portion of a forgivable loan from 25 to 40 percent;**
- **inserting a "safe harbor" clause for determining the forgivable amount for loan recipients unable to return to pre-pandemic business activity due to compliance with federal COVID requirements;**
- **extending the term of the loan from two years to five years.**[27]

The PPP was recapitalized again in December 2020 when the federal government passed the Consolidated Funding Act.[28] This time the federal government funded an additional $284 billion for PPP. It allowed for previous PPP recipients to participate in a second draw and also continued access for non-PPP recipients to take the first draw. The same legislation authorized $15 billion to the Shuttered Venue Operators Grant (formerly known as Save our Stages), a new federal stream of funding specifically targeted to for-profit and nonprofit arts and culture businesses and organizations that was not implemented until after our study period.

The 2021 version of PPP opened on January 13th with the following:

- **authorized new loans as well as second draw loans for businesses and nonprofits that had previously secured PPP loans in 2020;**
- **simplified the forgiveness application for loans under $150,000;**
- **opened to community financial institutions first including Community Development Financial Institutions, Minority Depository Institutions, Certified Development Companies, and Microloan Intermediaries;**
- **eligibility was narrowed from 500 employees or less to 300 employees or less;**
- **applicants had to show at least a 25% reduction in gross receipts in any calendar quarter of 2020 compared to the same quarter of 2019;**
- **$15 billion (5%) was set aside for additional PPP lending by CFIs.**

26. Betty Rep. McCollum, "H.R. 266 - Paycheck Protection Program and Health Care Enhancement Act," Pub. L. No. 116–139 (2020), https://www.congress.gov/bill/116th-congress/house-bill/266/text.

27. Rep. Phillips, H.R. 7010 - Paycheck Protection Program Flexibility Act of 2020.

28. Henry Rep. Cuellar, "H.R. 133 - Consolidated Appropriations Act, 2021," Pub. L. No. 116–260 (2020), https://www.congress.gov/bill/116th-congress/house-bill/133/text.

29. U.S. Small Business Administration, "SBA Re-Opens PPP to Community Financial Institutions First," January 11, 2021, https://www.sba.gov/article/2021/jan/11/sba-re-opens-ppp-community-financial-institutions-first.

30. U. S. Treasury, "Second Draw Paycheck Protection Program (PPP) Loans: How to Calculate Revenue Reduction and Maximum Loan Amouts Including What Documentation to Provide," March 12, 2021, https://home.treasury.gov/system/files/136/Second-Draw-PPP-Loans--How-Calculate-Revenue-Reduction-Maximum-Loan-Amounts-Including-Documentation-Provide1192021.pdf.

Federal Pandemic Relief Programs

The SBA issued a rule on February 22, 2021 that announced additional steps to further promote equitable relief by including:

- **14-day exclusive PPP application period for businesses and nonprofits with fewer than 20 employees;**
- **revision of the PPP funding formula to allow independent contractors and self-employed individuals to receive greater financial support ;**
- **eliminations of an exclusionary restriction on PPP access for small business owners with prior non-felony convictions;**
- **eliminations of exclusionary restrictions on small business owners who struggled to make federal student loan payments ;**
- **ensuring access to non-citizen small business owners who are lawful U.S. residents.[31]**

Even with the infusions of additional funding, the demand for the program outstripped its funding level repeatedly. The PPP program funding was fully expended before the program closed on May 31, 2021. Even then it left some organizations that were in the application process, such as Manhattan's Museo del Barrio, without access to funding.[32]

Economic Injury Disaster Loans

The EIDL is an ongoing SBA program designed to assist private, non-farm businesses that have sustained losses in a disaster-declared county. The CARES Act authorized $10 billion in emergency EIDL funding.[33] Compared to the billions invested in the PPP, this lesser-known program was another source of funding available to arts and culture nonprofit organizations. The EIDL program is limited to businesses, nonprofits, and independent contractors with 500 employees or less. The program rules waived any personal guarantee on advances and loans of less than $200,000, and required the business/nonprofit to be in existence for at least one year before the disaster.

The CARES Act recapitalized EIDL with an additional $10 billion mere weeks later. Even with the recapitalization, the program was oversubscribed. On May 4, 2020, due to program funding constraints and with the stated SBA goal of helping as many small businesses as possible, SBA decreased the maximum EIDL loan amount to $150,000 from $500,000 or the equivalent of six months of working capital.[34] The amount is a stark contrast to the $2 million loan amount normally set by the SBA for the EIDL program. This limit was raised by the American Rescue Plan in March 2021 with organizations able to return to SBA and increase their loan amounts up to $500,000 at the same terms.[35]

Allowable expenditures include paid sick leave for employees unable to work due to COVID-19, payroll, increased costs due to supply chain interruption, rent or mortgage, and repaying obligations unable to be met due to revenue losses. Organizations were eligible to secure both PPP and EIDL support but expenses could not overlap.

A key difference between the PPP and EIDL is that the latter is not forgivable and has a repayment term of 30 years at a 2.75% interest rate for nonprofits. The EIDL program provided a "grant" advance up to $10,000 for loan applicants, but it reduced PPP forgiveness by the amount, effectively making it a loan. This provision of the CARES Act was later changed into a grant by the Consolidated Appropriations Act in December 2020.[36]

31. U.S. Small Business Administration, "SBA Prioritizes Smallest of Small Businesses in the Paycheck Protection Program," February 22, 2021, https://www.sba.gov/article/2021/feb/22/sba-prioritizes-smallest-small-businesses-paycheck-protection-program.

32. Carmen Reinicke, "Small Business Owners Missed out on Thousands of Dollars in Loans When PPP Funding Ran out Early," CNBC.Com, May 16, 2021, https://www.cnbc.com/2021/05/16/small-business-owners-were-blindsided-when-ppp-funding-ran-out-.html.

33. Rep. Courtney, 116th Congress H.R. 748 CARES Act.

34. U.S. Government Accountability Office, "COVID-19 Federal Efforts Could Be Strengthened by Timely and Concerted Actions," Report to Congressional Committees, September 2020, https://www.gao.gov/products/gao-20-701.

35. U.S. Small Business Administration, "COVID-19 EIDL," n.d., https://www.sba.gov/funding-programs/loans/covid-19-relief-options/eidl/covid-19-eidl#section-header-5.

36. Rep. Cuellar, H.R. 133 - Consolidated Appropriations Act, 2021.

Methodology

Research Questions

The research question we focus on is twofold:

1. What were nonprofit arts and culture organizations' experiences in the application process?

2. How beneficial were the funding programs to sustain organizations during the prolonged pandemic closures?

To explore these questions, we developed a survey for nonprofit arts and culture organizations in NYC and held semi-structured interviews with government officials, CIGs, and borough arts councils.

Methodology

Survey Design & Implementation

The research team conducted an online survey of arts and culture organizations in NYC, focusing on their experiences with the federal PPP and EIDL programs administered by the SBA. The survey asked participants about four themes:

1. basic information about the organization, (e.g., number of employees, budget, geographic location),
2. experiences with PPP Round 1,
3. experiences with PPP Round 2, and
4. experiences with EIDL.

The survey included multiple choice answers and options for open responses. The open response questions were treated as qualitative data; the team employed content analysis to identify common themes and patterns in participants' experiences.[37]

The survey was distributed via social media posts and e-mails starting in December 2020 and replies were accepted until January 2021. The team closed the survey on the presidential inauguration intentionally to control for the effects of the incoming Biden Administration and expected changes to the policy environment. To distribute the survey, the survey team built a mailing list using publicly available granting information from NYC's Open Data that provided information on DCLA grant recipients, and other city-agency interactions. All public funding is listed by fiscal year, awardee, program, and amount. The team compiled a list of grantees funded by DCLA on Open Data for FY14 - FY18. Contact information for the over 1,200 organizations was compiled using organization websites and other public listings. We then ran an online search for contact information for each of these organizations.[38]

Additionally, we contacted by email and phone each borough arts council requesting that they share the survey link to their grantees and communities. Several local arts councils provided lists of their grantees that do not receive funding directly from DCLA. The research team presented the survey request to the newly formed Culture@3 group call and eblast consisting of 800 NYC cultural leaders, local elected officials' offices, New York Independent Venue Association, Broadway World, and through professional NYC arts publicist Alanna Stone.[39] We created a Facebook page "Fighting Extinction" to promote the survey through tagging and sharing. Finally, principal investigator Tamara Keshecki drew on her professional network to recruit participants.

In total, 153 organizations or individual artists responded to the survey of the 1,296 organizations contacted, representing a response rate of 11.7 percent. Several organizations replied with an auto-message stating they had closed due to the pandemic; it was not possible to determine if they received PPP or EIDL funding. CIG participation was low (N = 2) despite multiple direct and indirect requests.

Interviews

We conducted eight semi-structured interviews with government officials and staff, CIGs, and local arts councils. Requests were sent by email from February – May 2021. Interviews were held via Zoom and lasted between 30 – 45 minutes. Transcripts were analyzed using NVivo qualitative data analysis to identify common themes and patterns in participants' responses. The team used a combination of a priori codes, often integrated into the structure of each interview question, as well as emergent codes to generate the final codebook.

37. We acknowledge University of Massachusetts Amherst undergraduate student Will Duffy for his analysis of the open-ended questions.

38. We acknowledge Will Duffy's persistent work to develop the mailing list in his capacity as a University of Massachusetts Undergraduate Research Assistant

39. Alexa Criscitiello, "NYC ARTS Organizations & Artists Called to Participate in A Key Survey: 'COVID-19 Response Policies And NYC Arts: Access and Impacts,'" Broadway World, January 14, 2021, https://www.broadwayworld.com/off-broadway/article/UNYC-ARTS-Organizations-Artists-CalledTo-Participate-In-A-Key-Survey-COVID-19-Response-Policies-And-NYC-Arts-Access-And-Impacts-20210114.

Findings

Survey Participating Organization Characteristics

The survey respondents were classified into four categories based on their artistic discipline:

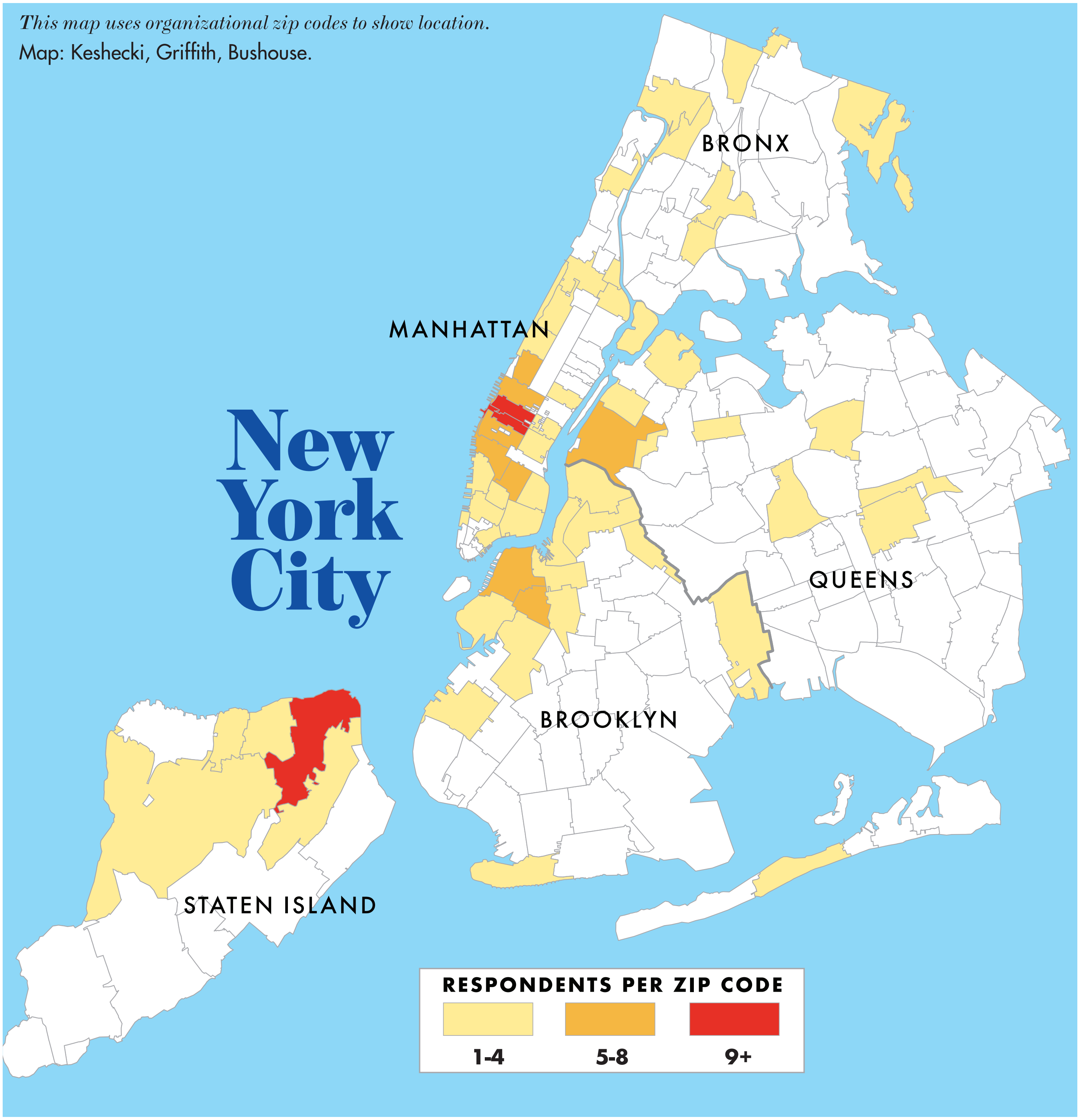
1. performing arts,
2. non-performance-based arts such as museums, literary arts, and humanities
3. arts councils and service organizations, and
4. other.

Our respondents were heavily weighted from performing arts organizations at 68% (*N* = 101). Non-performance-based arts comprised 11% (*N* = 17). Five percent of respondents were arts councils and service organizations and 16% (*N* = 24) were other types of organizations. The "other" category included circuses, music archives, video games, and others. Organizations did report more specific artistic disciplines (e.g., architecture/design, folk arts, humanities, etc.) but the sample size did not allow for inter-disciplinary comparisons.

All five boroughs were represented with Manhattan being the most common at 55% (*N* = 81). Respondents from Brooklyn comprised 21% of respondents (*N* = 31), 10% of respondents operated in Staten Island (*N* = 15), 10% were from Queens (*N* = 14), and 5% came from the Bronx (*N* = 7). The high concentration of arts organizations in Manhattan, as well as the western edge of Brooklyn, speaks to inter-borough differences in both the number of arts organizations as well as the historical investment of public and private funds and resulting organizational capacity.

Findings

Figure 1. Map of Survey Respondents



Findings

Organizations were asked to report their 2020 operating expenses as well as the number of full-time, part-time, and per diem or seasonal staff that they employ. Participants varied significantly in size in terms of both operating expenses and the number of employees. About one-third had operating expenses of less than $100,000 in 2020, and about one-quarter of organizations had operating expenses in excess of $1,000,000. Similarly, the number of staff employed ranged from none to several dozen for full-time, part-time, and per diem employees (See Table 1).

Because the board's support and organizational leadership are critical for a nonprofit to apply for the PPP and EIDL programs, we also asked about the gender, BIPOC, and LGBTQ+ status of both the board chairperson and executive director (ED). Overall, our sample includes 70% identifying as a woman or other gender minority, 20% BIPOC, and 5% LGBTQ+. See Table 2 for full results on ED and Board Chairperson identities.

Table 1. Survey Respondents Employees by Operating Expenses

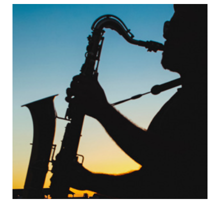
2020 Operating Expenses			Mean Number of Employees		
Operating Expenses	***N***	**Percent**	**Full Time**	**Part Time**	**Per Diem/Seasonal**
0–$100,000	38	33%	1.8	4.1	24.3
$100,001–$250,000	18	16%	3.4	3.8	16.0
$250,001–$500,000	21	18%	3.4	5.3	24.7
$500,001–$1,000,000	9	8%	3.7	3.0	24.4
$1,000,001–$5,000,000	23	20%	10.9	10.2	29.7
$5,000,001+	7	6%	106.5	90.8	32.0

Note: Because not all participants responded to each question, the categories do not sum to the full survey respondent level (N = 153). Throughout this report the team calculates category percent by using the number of participants who answered the question being analyzed.

Additionally, 12% (*N* = 19) of EDs identified with multiple underrepresented groups. Those identities include BIPOC women (*N* = 14), LGBTQ+ women (*N* = 3), and BIPOC LGBTQ+ (*N* = 2). Thirteen (8%) of board chairpersons identified with multiple underrepresented groups. Those identities included BIPOC women (*N* = 9), LGBTQ+ women (*N* = 1), BIPOC LGBTQ+ men (*N* = 1), and BIPOC LGBTQ+ women (*N* = 2).

Table 2. Board Chairperson and Executive Director Demographics

	Executive Director identifies as:		Board Chair identifies as:	
	N	**Percent**	***N***	**Percent**
Woman or other gender minority	77	50%	46	30%
Black, Indigenous, or Person of Color (BIPOC)	17	11%	31	20%
LGBTQ+	15	10%	8	5%



Findings

A 2017 national survey (N = 1759) of nonprofit organizations found that executive directors were 72% women and board chairs are 42% women. Compared to our survey respondents, women are less represented in executive director positions. The variation may be due to low representation of the arts, culture, and humanities missions (9%) and inclusion of foundations and non-public charities in the national survey. The racial data are the same: Both executive directors and board chairs are 90% Caucasian (BoardSource, 2017). A Nonprofit NY study released in August 2020 showed that 59% of NYC area nonprofits were led by people of color, which is substantially higher than our survey respondents. The same study included 36% were led by women (as defined by holding a C-Suite role). Given the disproportionate impact of the pandemic on BIPOC populations, additional research is needed to specifically research impacts on BIPOC-led organizations.

Paycheck Protection Program

The SBA administered the PPP in two funding rounds in 2020, with organizations only eligible to receive one PPP loan. For each round, we asked participants about their application process and outcome.

PPP Round 1 Application Process

This section began by asking each organization to report if they qualified for the PPP loan, if they applied for a PPP loan, if their application was approved, and, finally, if they accepted the loan. The questions were displayed sequentially and once a respondent answered "No" the subsequent questions were not displayed (e.g., if an organization did not apply for a PPP loan they were not asked if they had a loan application approved).

About two-thirds of organizations surveyed (*N*=88) reported that they qualified for the loan. For those that qualified, seven decided not to apply. Of the remaining 81 that applied, 68 were approved by the bank and, finally, 65 organizations accepted a PPP Round 1 loan (See Figure 2). Ultimately, 65 of the 88 (74%) qualifying organizations accepted a PPP loan in Round 1.

Figure 2. PPP Loan Application Attrition

88 of 153 **(58%)** organizations **qualified** for a R1 PPP loan	→	81 of 88 **(92%)** organizations **applied** for a R1 PPP loan	→	68 of 81 **(84%)** applications were **approved** for a R1 PPP loan	→	65 of 68 **(96%)** approved organizations **accepted** a R1 PPP loan

Of note is that 17 were unsure if they qualified. Several reasons were provided for this, including the PPP's emphasis on retaining employees and the ever-changing program rules and guidance. Arts organizations are different from standard businesses that pay employees year-round. Some indicated that they were financially sound and the PPP loan was not needed. But for those for which the loan was needed, the main reason for not applying was the lack of clarity from the SBA on loan forgiveness. A second reason was confusion about the program rules.

Findings

In the arts, particularly the performing arts, often employees are program-dependent and temporary. Key administrative staff typically work year-round and on a set schedule, but teaching artists, performers, artists, and production staff may not, especially at small to mid-size organizations.

The key to a successful application in Round 1 was an established relationship with a bank. As Table 3 indicates, 50 of 65 (77%) organizations that accepted a PPP loan in Round 1 had a prior banking relationship with the lender. The majority of relationships were checking accounts, lines of credit, or credit cards, but five organizations reported an executive staff relationship with the lender and five also reported a board member relationship with the lender. One organization reported both.

Table 3. Banking Relationship PPP Round 1

Type of Relationship	N	Percent
Checking Account	42	84%
Line of Credit	8	16%
Credit Card	13	26%
Loan	3	6%
Board member relationship with lender	5	10%
Executive staff relationship with lender	5	10%
Board member recommendation	0	0%
Executive staff recommendation	0	0%
Other	8	16%

"A former board member of ours took on the role of loan processor at [name omitted] when we applied, and she saved us. She saw it through. So we got a loan."

The location for PPP Round 1 grants were clustered in Manhattan, the western edge of Brooklyn, and several on Staten Island.
There was low participation in the Bronx and Queens. This geographic distribution trend continued with PPP Round 2. Organizations from the Bronx and Queens that completed the survey showed low PPP participation in both rounds.

"The primary bank that we held did not return my phone calls or emails for a week, and there was one time, when the person who picked up the phone didn't put me on hold, and yelled to the branch manager that I was on the phone and she was like, "yeah, I'm not going to call her back."

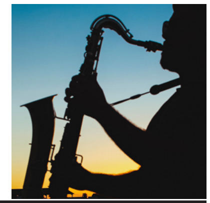


Figure 3. **Map of PPP Recipients**

An important issue for nonprofit organizations was whether the PPP loan would be forgiven. Participants were asked two questions about loan forgiveness:
1) How confident they were that the loan would be forgiven on a 4-point scale, and
2) What impact it would have if the loan was not forgiven on a 5-point scale.

Most organizations were either extremely confident or very confident (91%) that they would qualify for loan forgiveness *(See Figure 4)*.

> **"We faced no barriers in working with our credit card processor, a category of PPP lender added in Round 2. We canceled our application to our bank when this loan came through."**

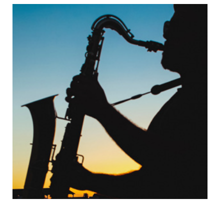
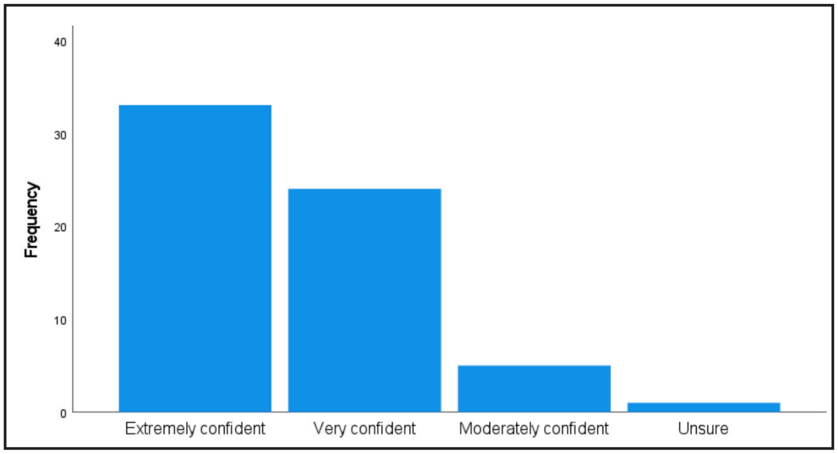


Figure 4.

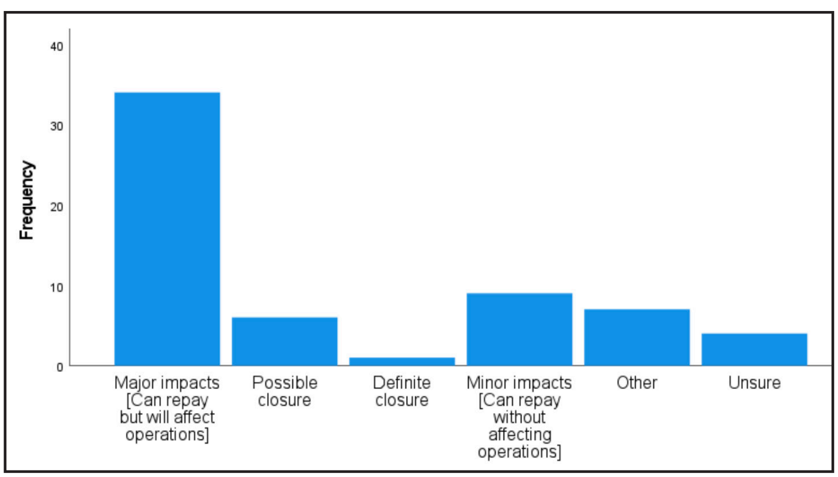
How confident are you that your organization's PPP loan will qualify for forgiveness?



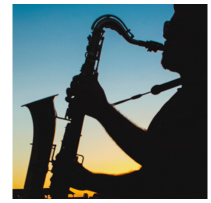
Crucially, confidence in forgiveness may have been a major factor in accepting a loan – 67% of organizations reported that they would have suffered major negative impacts or faced closure if the loans had not been forgiven (See Figure 5). Again, this may reveal an inhibitory effect of the terms of the PPP applications if organizations that were not confident in the program's likelihood of forgiveness chose not to apply.

Figure 5:

If the PPP loan is not forgiven, what impacts would it have on your organization?



"We decided that we might have to pay back some of this loan and that we had to do what was best strategically for the institution, not what was best strategically for [positioning] this loan [for forgiveness]. Because in that moment, there was much more at stake than just whether we could get the loan forgiven or not."



Findings

PPP Round 2

The second round of PPP included several important changes including opening the program up to non-traditional SBA lenders and creating a $60 billion dollar aside for small banks, community financial institutions (CFI), and credit unions to better reach small and underserved organizations that did not have banking relationships with large banks.

Participants were asked the same series of questions about applying for Round 2 as they were about Round 1. **For those that applied (*N* = 16), all were approved and accepted the loan. This is a stark contrast with the 16% rejection rate in Round 1.** Organizations that had applied in Round 1 but did not receive a PPP because funds ran out, were first in line to receive a Round 2 loan and they did not need to reapply. Nine of the 16 applicants had been rejected in Round 1 but kept their applications open in Round 2.

The timing of the Round 2 funding was that it opened before the PPPFA was passed. **The passage of the Paycheck Protection Program Flexibility Act on June 5, 2020 created additional flexibility including lengthening the covered period from 8 to 24 weeks.** Of our 16 respondents, 15 were approved before the PPPFA. Of those 15, six organizations chose an eight-week period, seven chose 24 weeks, and three organizations were unsure.

> **"You know the program has had many iterations and there's another one coming up. I hear that as situations happen and changes are remade it's getting better … At the beginning it wasn't an equitable program, it was sort of one size fits all. And what I mean about the inequities, there's always a push and pull between treating culturals, and nonprofits in general, as small businesses, and treating them special because they are small businesses, but they have their own unique set of needs."**

Barriers to PPP applications Rounds 1 and 2

The survey data and qualitative findings indicate a slightly mixed message about barriers to applying for PPP loans. The **interviews suggest that the application process improved from Round 1 and Round 2,** which is supported by external data. The survey data, in contrast, suggests this was not an across-the-board experience, and that many organizations did well in both rounds while others struggled in both rounds. Participants were also asked to rate how much those barriers affected their Rounds 1 and/or 2 application(s) on a 1-5 scale (See Table 4). Approximately 50% in both rounds responded "Not at all" or "A little." The number for Round 2 was small (N=14) but percentages reveal an increase in the percent who responded "A Lot" or "A Great Deal" with 36% in Round 2 and 24% in Round 1.

Participants were asked to qualitatively report barriers they may have faced while applying for PPP loans. Some respondents said there were no barriers but other answers were similar in Rounds 1 and 2. **Examples of barriers included some of the bureaucratic obstacles discussed above, such as complaints about the website, dealing with banks, and confusing rules.** This may be partially a reflection of the survey methodology, which asked specifically about

barriers, and the responses were limited to only those who applied for a PPP (those that did not apply did not view that block of survey questions). **Thus, the barriers may have caused pre-application attrition** which would not have been captured in our survey respondents. It is also important to note that our survey was open from December 1, 2020 to January 20, 2021, which includes the December addition of $284 billion in PPP funding with the option of a second draw. At the time, the SBA also clarified the rules for loan forgiveness for loans under $150,000. The changing rules may also contribute to the mixed message in our results.

Table 4.
Did those barriers affect your organizations's PPP loan application?

	Round 1		Round 2	
	N	Percent	*N*	Percent
Not at all	18	26%	6	43%
A little	17	24%	1	7%
A moderate amount	18	26%	2	14%
A lot	11	16%	3	21%
A great deal	6	9%	2	14%
Total	70		14	

Effect of PPP Loans

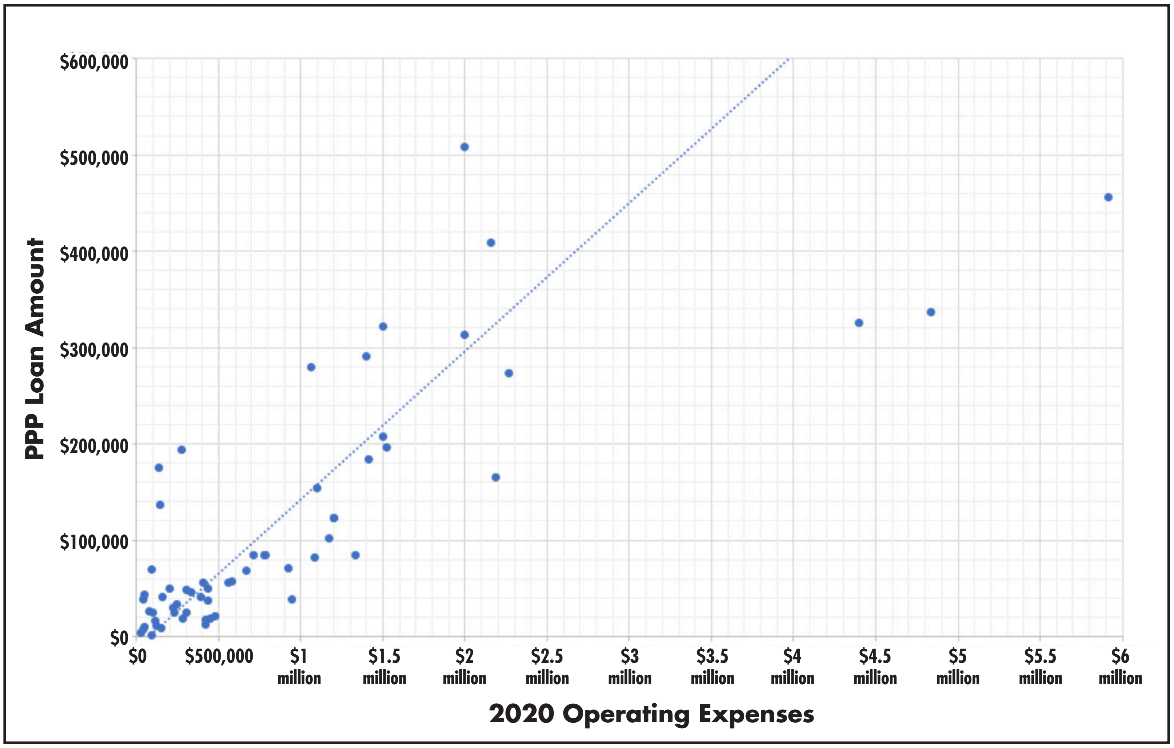
Organizations that received a PPP were asked to report the amount of the loan. PPP funding ranged from less than $10,000 for smaller organizations to more than $1,000,000 for larger organizations (See Table 5). **As a general finding, the PPP funding represented a larger percentage of the operating budget for the smaller organizations** (i.e., 2020 operating expenses of less than $500,000) than it did for larger organizations (See Figure 6). The larger organizations tended to receive PPPs that were a smaller proportion of their 2020 operating budget (i.e., their data points are below the trend line on the graph).

Table 5. **PPP Loan Amounts**

Loan Amount	*N*	Percent
0–$50,000	34	44%
$50,001–$100,000	13	17%
$100,001–$200,000	14	18%
$201,000–$500,000	11	14%
$1,000,000+	5	6.5%

“There were organizations who received funding in the first and second rounds. I think that the biggest challenge was that there was there was a lot of confusion about which banks you could get it through and it seems that your ability to access depended on which bank you were working with. There was also a lot of confusion about the paperwork, because it looked as though the federal paperwork was written and then rewritten and rewritten.
“So I thought I fill(ed) this form out before, well you filled out the early version of the form, so you need to fill it out again” things like that.”

Figure 6. 2020 Operating Expenses vs. PPP Loan Amounts



Note: Figure 6 figure omits 4 organizations that received PPP loans in excess of $1,000,000.

Two survey questions measured participants' satisfaction with the PPP funding, specifically addressing how beneficial the program was to the organization and how well the allowable expenses matched the needs of the organization. **The survey respondents that received PPP loans generally agreed that the loans were beneficial to the organizations that received assistance,** in terms of both synergies with the needs of the organization and qualitative satisfaction with the funding (note that some participants chose to skip portions of the survey, or not complete the survey, so the number of respondents to the impacts section does not exactly match the number of respondents who reported receiving a PPP loan).

Specifically, the results indicate that the PPP loans were beneficial and met financial needs. As Table 6 demonstrates **89% of the organizations reported that the PPP loans were "extremely beneficial" or "very beneficial."**

The loans also met organizations' needs with 78% that the loan was either a "perfect match" or a "very good match" for their needs (See Figure 7). There is some bias to how well the loans matched organizational needs since these are organizations that accepted PPP loans. Some organizations may have chosen not to apply or accept the loans if the restrictions did not meet the needs of the organization. As discussed above, the qualitative responses indicate that, in addition to the application process issues, there is a mismatch between the PPP focus on employees because the sector relies heavily on temporary employees, particularly in the performing arts.

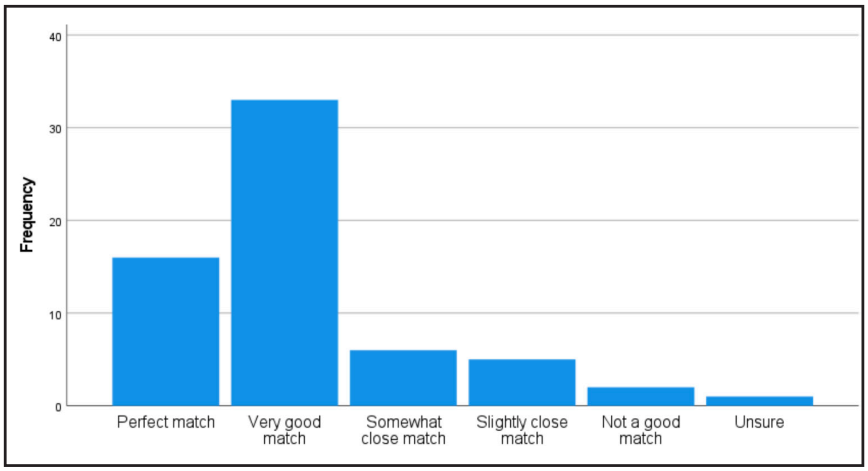
"PPP Round 2, once they eliminated all the big corporations, went much easier and without the pressure of first come, first serve. There was responsiveness on the part of the bank as well."

Findings

Table 6.
How Beneficial Was the PPP to Your Organization?

	N	Percent
Extremely beneficial	55	70%
Very beneficial	15	19%
Moderately beneficial	4	5%
Slightly beneficial	5	6%

Figure 7.
How well did allowable expenses of the loan match your organization's needs?



Since the PPP was aimed at retaining employees, we asked respondents to report how many staff were furloughed in terms of three categories: 1) temporary and permanent furloughs, 2) full and partial furloughs, and 3) furloughing of full time, part-time, and per diem employees. **Twenty-two organizations (41%) that received a PPP furloughed staff in some manner.** We are not able to conclude whether or not the PPP loans prevented furloughing because only 11 organizations that did not receive a PPP answered this question. A furlough rate of 41 percent, however, is lower than the findings of a survey implemented this year by the Center for Urban Future who found that 54% of all nonprofit arts organizations in NYC furloughed staff. This may indicate a protective effect of the PPP loans on staff retention, but a more directed round of data collection is needed to draw definitive conclusions.

Our qualitative responses reflect the difficult challenges organizations faced. They had to make quick decisions that significantly impacted the lives of their staff members.

"So the artists that we work with are bringing a number of affiliations to the table. Very, very few people make their living from their artwork. Very few people solely identify as an artist. … Artists in our community (say), I'm trying to homeschool my kids. I'm trying to find whatever kind of pickup work that I can get because I lost my job and I have no money coming in. I'm trying to care for a parent, I'm experiencing food scarcity, I'm just trying to get food. Really basic life issues that people were dealing with."
- Nonprofit cultural leader

Findings

"I made some very hard decisions, very quickly, and so, by the end of April or middle of April I had decided to lay off four people and to not renew contracts for two part time people. So that was really within a month that I made those decisions."

Qualitative comments also demonstrate the types of employees that were laid off were related to front-facing positions. When programs and performances were canceled there was not work for these types of employees and executive directors made decisions to cut those categories of payroll expenses.

"...we laid off about half of our staff. We laid off primarily part-time staff in front-facing, front-of-the-house positions and we did that pretty much right away before there were any federal relief programs even imagined. Because we knew that earned revenue was going to be substantially impacted, no matter what we did, once we closed."

However, even for those who retained their jobs, it did not mean that work continued at the same level of pay with one nonprofit arts executive stating, "Just to say that also regardless of the PPP loan every one of our full-time staff members took a salary cut and are at that cut rate to this day."

Lastly, the Staten Island Arts COVID-19 Check-In survey in April 2020 documented that individual artists were also deeply affected, **"When we issued our own survey last April, 87% of the artists who responded said that they have lost their jobs."**

Economic Injury Disaster Loan (EIDL)

Many nonprofit arts organizations chose not to participate in the EIDL program. It is unclear if that is due to confusion about program eligibility, program intersection with the PPP, or another reason. Nonprofits are required to seek a board resolution in New York State when accepting debt and because EIDL is a loan that may also have provided a barrier to participation.

Last, there was strong feedback from the field that loans were not what was needed to meet the dire moment, that this was not the time to be taking on debt.

> **"Our thinking was that loans were not useful to us. That it was either grants or we wouldn't pursue it."**

> **"I don't know, anyone who used it, I gotta be honest, we didn't look into it ourselves, and there may be other folks who looked into it, but I don't know of anyone."**

Table 7. EIDL Loan Amounts Offered

	N	Percent
$1 to $10,000	OMITTED	
$20,001 to $30,000	1	3%
$50,001 to $60,000	1	3%
$70,001 to $80,000	2	7%
$90,001 to $100,000	2	7%
$100,001 to $110,000	1	3%
$140,001 to $149,999	9	31%
$150,000 (Maximum Allowable)	2	7%

Ultimately, the limitations of the EIDL program were reflected in the survey findings. **In contrast to the high application rate of the PPP loans, only 41 organizations (27%) applied for an EIDL and 30 (20%) accepted the loan.** See Table 7 for loan amounts. Note that 11 organizations reported that they received EIDL loans of less than $10,000. Examination of their operating budgets suggests several of those respondents were confusing the EIDL loan with the EIDL grant. As such we have omitted those responses.

Economic Injury Disaster Grant Advances (EIDL Grant Advance)

Most grants were for the $10,000 maximum. Due to program funding constraints, SBA limited EIDL grant advances to $1,000 per employee, up to a maximum of $10,000.[40] Findings show that 50% of respondents able to secure an EIDL grant advance had at least ten employees. EIDL grant advances were not a separate application from the EIDL but participants did have to check the box that they were interested in accepting a grant advance. There were no further steps to receiving an EIDL grant advance, the funds were direct deposited into bank accounts without notice once approved.

SBA was supposed to process EIDL grant advances within three days. For our survey respondents, they did not; the mean time between application submission and receipt of the grant was 4.8 weeks (*sd* = 2.8). No stated expectation of when the loan offer would be made; it took an average of 7.6 weeks (*sd* = 5.7) for organizations to receive that money.

Nineteen organizations accepted both PPP and EIDL loans. Notably, this means that fewer than half (12 of 31) of organizations accepted an EIDL without also accepting a PPP loan. Of the organizations that applied for an EIDL, only four of 31 failed to qualify for a PPP loan. Those organizations had budgets ranging from $38,000 to over $2,000,000; PPP loan amounts ranged from $9,000 to $409,000.

Sixteen of 31 organizations (52%) found the EIDL "extremely beneficial" or "very beneficial," in contrast to 89% of organizations that found the PPP loans "extremely beneficial" or "very beneficial." Multiple comments explained that, as a loan, the EIDL was not an optimal economic assistance program. Qualitative comments reflect the mismatch of a loan during the pandemic shutdown.

> **"A loan is not beneficial. I need a grant. If I can't get a grant to pay off this loan, I will file bankruptcy and close."**

> **"We do not need loans! We need grants!"**

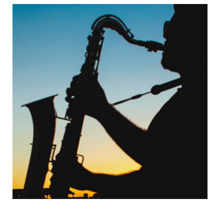
Unfortunately for some organizations, despite the EIDL, they permanently closed with one survey respondent stating, **"Again, the program was completely inappropriately scaled for the scope of the disaster and only allowed us time to create a plan that ultimately ended in our permanent closure."**

The SBA accepted and administered EIDL applications directly, in contrast to PPP applications which were processed only through third-party lenders. That cut out one layer in the approval process; however, **SBA's EIDL application was not an intuitive match for nonprofit organizations. Similar to the PPP application, it asked mandatory questions including Current Ownership Since Date, Owner/Agent information including Ownership percent, and social security number.** Nonprofit organizations do not have owners and therefore no social security numbers associated with the "business."

Of the organizations that accepted both PPP and EIDL loans, 11 of 19 were not aware that if they received both the PPP loan and the EIDL grant advance, the EIDL grant would be added to the PPP loan. Qualitative comments reflected confusion and frustration about this.

40. Small Business Administration, "Interim Final Rule. 13 CFR Part 120. Business Loan Program Temporary Changes; Paycheck Protection Program."

Findings



> **"EIDL was easier to apply for, but we were livid when we realized it would be subtracted from our PPP forgiveness."**
>
> **"Seems unfair that the $10,000 that EIDL provided is being deducted from our PPP forgiveness." And another said "We were not clear that it would be combined with PPP. Luckily, when we were told we'd have to pay it all back, we set up payments and started paying."**
>
> **"Wish we had gotten it but was too late and confused if that would have disqualified us for the PPP."**

Additionally, this rule stopped at least one organization from applying at all: "Yes we did qualify, but we chose not to apply because -- at that time, in the spring of 2020 -- the rules of PPP specified that any EIDL Advance would be deducted from PPP forgiveness (i.e., given by one program and taken away by the other).

Of the eleven organizations that chose to apply for an EIDL but ultimately not accept it, four passed on the EIDL because of concern about debt, four did not accept because they received a PPP loan, and three did not accept because they received an EIDL grant (two did not answer the question).

For those who accept the EIDL (*N* = 33), there were two main uses. Three-quarters used it for immediate needs: 16 for payroll, six for accounts payable, three on fixed debts, and two on other bills. The remaining quarter (*N* = 8) choose to keep the loan but had not spent it.

Although the EIDL grant advance counting toward the PPP loan was rescinded in December 2020 as part of the Consolidated Appropriations Act (and retroactively applied to all EIDL grant advances), this change was eight months after the pandemic closures began. That was long past the time when arts and culture organizations needed financial support in the form of grants, not loans.

Virtual Pivot/Continued Service

Many nonprofit organizations continued their work virtually as a form of mission-based public service. **This digital pivot was substantial at a nearly 750% increase.** Only 15 organizations offered virtual programming before the pandemic but that rose to 111 offering virtual programming by January 2021. These programs were often free to the public but came at a tangible cost to the organization. **For those offering virtual programming, 47 (31%) reported that they incurred substantial expenditure to add the virtual programming.**[41] Expenditures ranged from software licensing to setting up full virtual programming facilities, including video production. **There were also expansions in artist-in-education virtual programming or Cultural After School Adventures (CASA). Only five offered this type of programming before the shutdown but that jumped to 43 organizations (860% increase) by January 2021.** The arts and culture sector, true to its essence, responded to the closures to assert their creative missions.

Staten Island Arts was also able to bring geographic participation into programming that would not have been possible otherwise stating, "In the new arts education series that we've created once a month. The last time that we held it we had people from Texas and Boston and Washington DC who were attending our program, they wouldn't have had that access otherwise."

41. Note: We did not ask participants to report the exact dollar amount invested in virtual pivoting, rather the question in the survey asks if they invested a "substantial expenditure."

David Freundenthal, Director of Government Relations at Carnegie Hall, spoke about their commitment to continued service:

"And then the incredibly challenging work around the nonprofit sector of having continued service. I think it's extraordinary what the sector did, the digital pivot, to ensure that even if the public we serve couldn't come to places like ours, that they could still experience what we have to offer, and the value of that work, of that content in this time.

I'll give an example of one program that Carnegie Hall does called NeON Arts, which is a partnership with the NYC Department of Probation. There are seven community based probation centers—which was the Department of Probation's innovation to change its practice for individuals on probation from a punitive to an opportunity-based model—which are located in the seven neighborhoods in New York with the highest levels of people who are justice involved which, not surprisingly aligns directly with the lowest income, highest needs neighborhoods. So we for years had an arts program where the stakeholders in those neighborhoods select arts projects for the NeON Arts participants and community members. A great program, super successful, and the question for us was what can we do if the NeONs are closed because the need continues. Young people have nothing to do.

So we invested deeply in moving that program to a digital platform. We focused on areas of highest need in terms of our continued service and that program flourished. In the summer, we were able to increase the number of digital arts workshops and our city partners offered stipends for participation. We had over 650 participants because some of the barriers to entry were taken away, massive participation, with kids that were eager for the activity, it was a such a positive thing."

Analysis

The resounding good news is that the federal funding was beneficial for arts and culture nonprofit organizations and that for most it met their needs. That is not to say that the PPP and EIDL met all needs; it is noteworthy that organizations that closed due to the COVID-19 shutdown or were suffering extreme staff shortages, were unlikely to respond to the survey and therefore were not captured. Given that limitation, there may be additional negative experiences yet to be identified. The organizations that did reply, however, had overwhelmingly positive feedback for the PPP loans once the funds were received. The overall positive findings must now be understood in the broader context of the organizations' experiences with the PPP and EIDL within the NYC arts and culture ecological system.

It is well known that the PPP rollout was bumpy. **From April 2, 2020 to April 19, 2021, the SBA and federal agencies released 31 interim rules, each with multiple iterations, all of which went into effect without advance notice as per section 1114 of the CARES Act.** This left applicants and, importantly, lenders scrambling for clarity. The SBA clarified rules by posting Frequently Asked Questions but with 29 released in that period, it was a dizzying challenge to keep up. Our research indicates that because the SBA rules kept changing there was widespread confusion and applicant uncertainty in its first few months. This is captured by our survey results and qualitative comments.

> **"They were certainly flying it as they were as they were building it, there's no question about that."**

The PPP Round 1 process was characterized by confusion, attrition, and unequal access based on banking relationships. **The SBA did not adapt its form for nonprofit organizations** and that meant that answering the first question about the business owner created a barrier. Without owners, nonprofit organizations had to figure out how to answer a question that did not apply to them. **The main reasons for not applying were the lack of clarity from the SBA on PPP loan forgiveness** and confusion over program rules. Without forgiveness, taking a loan was a risk for some organizations. Those that accepted loans were "extremely" or "very confident" that the loan would be forgiven. **However, if the loan was not forgiven 67% of the organizations would have experienced major impacts.** This may reveal an inhibitory effect of the terms of the PPP applications if organizations that were not confident in the program's likelihood of forgiveness chose not to apply.

The choice to limit lenders to SBA-approved lenders in Round 1 created inequality in access. Those organizations with a pre-existing banking relationship or with board leadership with a relationship were privileged in Round 1. This was corrected in Round 2 and a broader array of organizations gained access to the PPP.

Analysis

The PPP Round 2 improved successful applications and broader access. This time all who applied were approved and accepted the loan. The program was opened up to a wide array of lenders and that increased access to organizations that did not have access or found it difficult to gain access, to the limited list of SBA-approved banks in Round 1. In the middle of Round 2, the PPPFA made several changes that better matched organizations' needs especially extending the payout length from eight to 24 weeks.

The barriers to applications improved from Round 1 to Round 2; however, our results are mixed indicating that this was not an across-the-board finding. In both rounds, there were complaints about dealing with lenders, the SBA website, and confusing rules. Given the number of changes to the program, SBA had to change rules to reflect each change, and that introduced potential confusion throughout the period and that may have contributed to mixed responses on barriers.

The EIDL program, which was accessed less than PPP, also contributed to cash flow problems at the beginning of the pandemic with slow processing times of up to two months. **The Government Accountability Office (GAO) reported that between March to August the cumulative average processing time for EIDL loan applications ranged from about five to 55 days** for those approved for loans. For loans that were declined, some organizations had to wait up to a month to receive notice.[42] These were crucial months when organizations needed those funds.

42. U.S. Government Accountability Office, "COVID-19 Federal Efforts Could Be Strengthened by Timely and Concerted Actions."

While all eyes were on the federal pandemic relief programs, the shutdowns led New York State and NYC to delay funding contracts, which exacerbated pandemic impacts on the arts and culture sector. NYC government's fiscal year runs July 1 - June 30. DCLA contracts are generally awarded in the fall with grant funding delivered in installments: 80% upon contract execution, and a 20% final payment upon completion and approval of a final program report which takes place in the subsequent fiscal year.

In March 2020, many organizations were still waiting for the first 80% payment on multiple city-administered arts grants programs. Due to cash flow uncertainty and the pandemic's immediate impact on tax revenues, both city and state arts funding agencies halted payments to grant recipients at the beginning of the pandemic leaving organizations in limbo and waiting for payments on services and programs already provided. This impacted direct grantees of DCLA and regrantees at local arts councils alike.

Figure 8. Timeline of NYC grant contracting process

The NYC grant contracting process takes well over a year from start to finish.

FEBRUARY	JULY 1	FALL	FALL/ WINTER	JUNE 30	AUGUST 1	FALL
DCLA Community Development Applications Due	NYC Fiscal Year Begins	Award Notices	80% Award Contract Payment	NYC Fiscal Year Ends	Final Reports Due	20% Final Payments

Analysis

"Also at the time the city started to slow down the payments on contracts, because there was a lot of uncertainty as to how much money the city had and all the losses that they were experiencing so we also borrowed a non-interest loan to bridge money... to cover those expenses until the city determined whether the contract was going to be honored or not."

Cash flow was a pressing need compounded by the cancellation of annual spring galas and fundraisers due to the pandemic. Seventy-eight percent of NYS contracts with nonprofits were considered late in 2020, up dramatically from 50% in 2019.[43] **A staggering 87% of NYSCA contracts were late in 2020,[44]** placing enormous stresses on grant recipients while they continued providing services.

"I think from a financial perspective it's important to remember that at this time, at the time of the year that we're talking about which is March, we've already spent a lot of the money for the year. We haven't raised all the money but we've spent a lot of the money. We've spent more money than we've raised and usually by the end of the year that evens out with our spring benefit, and the end of the year fundraising that we do, a lot of the money comes in May and June. So [the pandemic closures] came at a really bad time because this crisis came at the moment when we had just spent most of the money, but we were on the cusp of recouping that money and we were not going to. We ended up not having a Gala as we usually do."

The pandemic closures and confusing and uncertain government resources led the arts and culture community to use Zoom videoconferencing to communicate. The chair of the CIGs, Taryn Sacramone, started a daily call to share information. **This expanded into Culture@3, was open to the sector at large, and evolved into working groups around Human Resources, Advocacy, and Insurance** to support each other through the complex and fast-changing pandemic landscape. While Culture@3 provided a place for many, not all were not able to join due to knowledge or capacity constraints. Qualitative interviews indicated the concern that small organizations did not know about the call or their ability to join, and/or unable due to their strained and limited administrative capacity. For the 200-300 cultural leaders and "friends in government" including DCLA who participated in the Monday through Thursday 3pm Zoom sessions, Culture@3 provided a vital place to information share, talk about challenges, and problem-solve solutions.

"Taryn Sacramone, who is the chair of the CIG started this Culture@3 call, and she made the decision to put CIG resources behind creating a resource that is for the whole cultural community. ... her making that statement was a big disruption, good disruption... it's not just about the CIGs, especially in this moment, it really is an ecosystem and we have to make sure that ecosystem remains strong and unified and coordinated."

"It's the small organizations that are concerned, but it's also the ones I'm hearing that are able to join the Culture@3 call or join these other circles. They have the bandwidth or the knowledge to do so, already. There are so many organizations that don't have staff that are able to do that because they're already figuring out HR, creative direction, figuring out next steps for potentially doing outdoor performance ... they're not on those calls or in those spaces to make their voice heard in the same way ... the space at Culture@3 call has been really helpful, but you can't necessarily rely on that because it's not an end all be all, it doesn't catch everybody."

43. Thomas DiNapoli, "Not-For-Profit Prompt Contracting Annual Report, 2020 Calendar Year." (Office of the New York State Comptroller, May 2021), https://www.osc.state.ny.us/files/state-agencies/contracts/2020/pdf/prompt-contracting-report-2020.pdf.

44. "Not-For-Profit Prompt Contracting Annual Report, 2020 Calendar Year, State Agency Provided Contracting Information.," May 2021, https://www.osc.state.ny.us/files/state-agencies/contracts/2020/pdf/pcl-state-agency-data-A1-2020.pdf.

Recommendations

Recommendation 1:
Increase agency knowledge of nonprofit business models and common practices, and adapt federal forms to accommodate nonprofit organizations

The COVID-19 pandemic and the sustained closures were unprecedented. The SBA was designed for small business loan programs, not grants, or organizations without owners. Its unfamiliarity with nonprofit organizations in general, and arts and culture specifically, led to avoidable confusion in the application questions and forms. Increased understanding of how nonprofits operate including the sector's revenue streams (earned vs unearned income), accounting (fiscal vs, calendar), and business structure (ownership vs board of directors) is needed. Federal forms and processing must adapt for organizations that are governed by a volunteer board of directors, not owners.

Recommendation 2:
Invest in government agency capacity

The SBA was a relatively small agency that suddenly had to administer billions of dollars in CARES Act funding. **The GAO reported that as early as June 2020 the PPP lending, 4.6 million loans totaling $512 billion, greatly exceeded all of SBA's lending under the 7(a) small business lending program in fiscal years 1990–2019 combined.**[45] The chaotic rollout of the PPP with over 20 rule changes created a fast-changing and expanding crisis rife with confusion. The lack of clarity for loan forgiveness criteria was especially problematic for organizations that would nothave the financial capacity to pay it back if unforgiven. In the end, the loans were extremely beneficial and met the organizations' needs BUT if those loans had not been forgiven, the economic impacts would have caused harm to the sector.

Efficiency has been a prime policy goal for many years resulting in systemic underinvestment in government agency infrastructure including human infrastructure. The pandemic and its pressing urgency and scope brought many operational systems to their collective knees as was witnessed from hospitals to educational internet access. The result of this systemic lack of investment in agency infrastructure and administrative capacity created roadblocks when applying for PPP and EIDL programs. The SBA's challenges to effectively or efficiently implement the PPP calls attention to the need to invest in government. The SBA did not have the administrative capacity to handle the implementation of the CARES Act.

45. U.S. Government Accountability Office, "COVID-19 Opportunities to Improve Federal Response and Recovery Efforts."

Recommendation 3:
Create an administrative structure for crises able to contract with both nonprofit and for-profit

The arts and culture sector is a true ecosystem bridging across tax status, budget size, and artistic discipline. Individual artists often work for many different organizations at the same time rendering the ecosystem simultaneously interdependent and competitive. Artists and organizations inspire each other and drive the collective to new artistic visions. The ecosystem needs all segments to be vibrant and healthy to in turn be vibrant and healthy itself. We saw this push-pull of priority and value demonstrated clearly in the access to both federal and state aid. New York State segmented the ecosystem by tax status and then further parsed access to nonprofit relief funds by grant status and organizational size. At the federal level, SBA is built to manage and distribute business loans, primarily through third-party lenders, and agencies such as the NEA cannot make grants to for-profit entities. There needs to be an administrative structure for crises capable of effectively and efficiently administering relief aid to nonprofits and for-profits alike.

The federal government also chose SBA to implement the Shuttered Venue Operators Grant and, similar to the PPP, it was a bumpy rollout. The federal government continues to rely on the SBA to implement pandemic programs, despite its limited administrative capacity and familiarity with grants. It is time to reconsider how the federal government administers funding programs for the arts and culture sector. The SBA either has to expand its capacity and its expertise in administering grants or the programs should be moved to an agency with the required expertise.

Recommendation 4:
Include general operating support in government funding programs

The NYC funding for nonprofit arts and culture organizations is an investment in the sector that should be emulated and expanded. DCLA funds CIG operating expenses by hosting the organizations in city-owned buildings, providing general operating support, and subsidizing their energy bills. Support amounts change but some level of support is guaranteed each year providing institutional certainty and stability. This provided breathing space for CIGs that cushioned the pandemic effects, which is not to say that these organizations were not severely impacted by the pandemic.

While, the CIGs receive operating support, grants for other organizations are solely program-related. **The takeaway message is that all nonprofit organizations need more support for operational expenses, not just program funding.** When the pandemic closures led to canceled performances and programming, the artists hired for that programming lost their jobs. The front-facing workers also lost their jobs. Tragic as that was, for the organization to survive it had to continue to pay some administrative staff to manage the organization, which required non-programmatic funding. This was a mismatch. The PPP met the needs of most organizations that participated, but that is not to say that there were no unmet needs. Operating support is crucial for nonprofit organizations to effectively run their organizations and pay administrative salaries, rent, utilities, insurance, etc. This needs to be recognized by other city, state, and federal agencies as well as private foundations. The CIGs were able to survive the pandemic closures, in part, because of city financial support for operating expenses but it remains to be seen how many organizations permanently close, especially after New York State lifts the commercial rent moratorium on small businesses after January 15, 2022.[46]

46. Kavanagh, "Chapter 417 of the Laws of 2021. Amd Part BB Subpart A §§3, 6, 8, 9 & 11, Add §9-a, Chap 56 of 2021; Amd §§1 & 2, Chap 127 of 2020," S50001 § (2021), https://www.nysenate.gov/legislation/bills/2021/S50001.

Recommendation 5:
The sector needed multi-year grants, not loans.

The federal government's pandemic relief programs were loans, not grants. The EIDL provided 30-year loans at 2.75 percent to nonprofits. The PPP are loans were forgivable if organizations met the criteria. The only targeted relief for the arts and culture sector in the CARES Act was $200 million to the NEA, NEH, and IMLS. **The confusion over the EIDL grant advance and PPP forgiveness could have been avoided if the federal government recognized that the arts and culture sector needed grants, not loans.** Further, respondents repeatedly expressed their need for multi-year grants to provide organizational stability and certainty.

In December 2021, the federal government passed a targeted relief program, the Shuttered Venue Operators Grant (SVOG). In contrast to PPP and EIDL, this is a grant program, not a loan, but also administered by the SBA with numerous rules changes, slow implementation, technical glitches, and struggles to understand the business models of nonprofit organizations. Its slow implementation left most applicants without relief funding six months after the legislation was signed and may be too late for some organizations, particularly those that have remained closed since March 2020.

While SVOG was a grant, it was a one-time infusion of support with little Congressional appetite to replicate the program's model in the long-term. The program's unprecedented structure of supporting the performing arts field across tax status warrants further examination to inform future approaches to arts and culture funding.

Recommendation 6: Equity within the sector

The arts and cultural sector in NYC is diverse and comprised of individual artists, small and grassroots and/or BIPOC-led organizations to some of the largest arts institutions in the world. NYC invests in arts and culture through the programs administered by DCLA. The CreateNYC 2017 Cultural Plan[47] was an interactive planning strategy with input from 200,000 residents across the city. Pipeline support, primarily through the local arts councils, was determined to be a critical infrastructure piece to reach individual artists and cultural workers in need of greater investment. Still there is a lack of equity in funding allocation mechanisms. Additional research is needed to understand how equity impacts access to funding streams both governmental and philanthropic.

47. NYC Department of Cultural Affairs, "CreateNYC: A Cultural Plan for All New Yorkers," 2017, https://createnyc.cityofnewyork.us/the-cultural-plan/main/.

Implications Going Forward

At the time of writing this report, NYC was reopening. On June 7, 2021, Governor Cuomo announced that COVID-19 restrictions would be lifted when 70% of adult New York residents had received at least one vaccination dose. That goal was reached on June 15, 2021.[48] While a tremendous step towards a return to normalcy, many arts and culture performing arts organizations need months of ramp-up time to plan, rehearse, book tours and sell tickets. As such, Broadway and many other organizations have scheduled their reopening for Fall 2021. **Many are financially planning for a two or three-year pandemic.**

There is a hopefulness that the sector will recover its vibrancy but it remains to be seen which organizations will emerge and the extent of closures. Our study period did not allow us to capture data on the number of organizations that closed before our November 2020 survey. Additionally, we aimed to oversample CIGs and BIPOC-led organizations but did not receive a high number of replies from these groups. The interviews also demonstrated many moments of improved resilience within the arts community, specifically a concentrated effort to ensure that BIPOC-led organizations were not disproportionately affected by the pandemic, that was not captured by our research methods. More research is needed to fully understand the range of experiences of BIPOC-led organizations experiences. Qualitative research would more effectively illuminate the nuances of how the pandemic differentially affected minoritized racial, ethnic, and also LGBTQIA-led within the NYC arts and culture ecosystem.

The federal government relief programs helped the sector but they also reinforced inequalities within the sector. Larger organizations were able to access funds more rapidly than smaller ones. Smaller organizations used a larger proportion of their PPP loans on operating expenses, which indicates that larger organizations could draw from other sources for supporting their operations. Later iterations of the PPP rules tried to correct access issues but the solvency clock was ticking for nonprofit organizations facing ongoing closure.

The assumption that philanthropy would be able to "save" everyone, proved false. **The previous private philanthropic investment was often limited by geography and personal connections, existing systemic inequalities brought to bright light by the pandemic.** As stated by one cultural leader, **"There are now foundations that are interested in the work because they know they've missed the mark. They know that they're not reaching many people of color, they know they're not reaching geographically."** Robust and equitable government response was needed.

The silver lining of the pandemic may be how the arts sector pulled together, shared information, advocated, and problem-solved in concert. Videoconferencing facilitated participation in the Culture@3 Zoom meetings for any organization with internet access or a phone. The borough arts councils regularly met virtually, something that was difficult to coordinate when in person due to travel time. A cultural leader stated the need for this group support clearly, "[At] Culture@3 you could always identify yourself with someone who has gone through your process. But if that wouldn't have been there, I don't want to think about it." A second silver lining is how organizations pivoted toward virtual programming. **Programs ranging from virtual immersive theater experiences to involving seniors in internet-based**

48. New York State, "Governor Cuomo Announces COVID-19 Restriction Lifted as 70% of Adult New Yorkers Have Received First Dose of COVID-19 Vaccine," June 15, 2021, https://www.governor.ny.gov/news/governor-cuomo-announces-covid-19-restrictions-lifted-70-adult-new-yorkers-have-received-first.

Implications Going Forward

programs, such as SU-CASA, creatively provided content, often free of charge. Nonprofit organizations are mission-driven and the NYC arts and culture sector rose to the challenge of continuing service. The lessons learned may prove to be a catalyst for the continued development of virtual programming far beyond the pandemic.

The COVID-19 pandemic and closures were an unprecedented tsunami that will change the NYC arts and culture sector in ways that we cannot yet fully document. Adding the differential impacts of the pandemic on minoritized groups and the potential implications for the BIPOC-led organizations, **the impacts on the sector will be deep and far-reaching.** Future research needs to assess the accessibility and impacts of SVOG, assess to whom the government is consulting during program implementation, the employment needs and residency trends of artists and cultural workers post-pandemic, and the effect of rent moratoriums and the cost of real estate for arts and cultural organizations.

To conclude, as one cultural leader stated, "The crisis we faced was deep [with] a myriad of financial, operational, and health safety issues simultaneously. And in addition to the main immediate decisions about retaining staff, and what happens to their healthcare, how do you make payroll, these very, very short term considerations, even as you're trying to navigate and understand, I mean, you know it was an evolving crisis right?"

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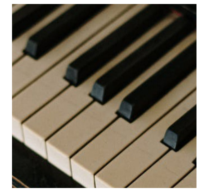
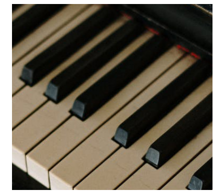
Appendices

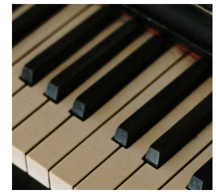


Appendix A
ACRONYMS



ARPA	American Rescue Plan Act
BIPOC	Black, Indigenous, or Person of Color
CARES	Coronavirus Aid, Relief, and Economic Security Act
CASA	New York City Cultural After School Adventures
CDF	New York City Cultural Development Fund
CFI	Community Financial Institution
CIG	New York City Cultural Institutions Group
DCLA	New York City Department of Cultural Affairs
ED	Executive Director
EIDL	Economic Injury Disaster Loan
FAQ	Frequently Asked Questions
FDIC	Federal Deposit Insurance Corporation
FTE	Full Time Equivalent
FY	Fiscal Year
GAO	Government Accountability Office
IFR	Interim Final Rule
IMLS	Institute of Museum and Library Services
LGBTQ+	Lesbian, Gay, Bisexual, Transgender, Queer or Questioning
NAICS	North American Industry Classification System
NEA	National Endowment for the Arts
NEH	National Endowment for the Humanities
NYC	New York City
NYS	New York State
NYSCA	New York State Council on the Arts
PPP	Paycheck Protection Program
PPPFA	Paycheck Protection Program Flexibility Act
PPPFL	Paycheck Protection Program Liquidity Facility
SBA	United States Small Business Administration
SU-CASA	New York City arts program for seniors
SVOG	Shuttered Venue Operators Grant (formerly known as Save our Stages)

Appendix B
TIMELINE OF FEDERAL LEGISLATIVE RELIEF AID



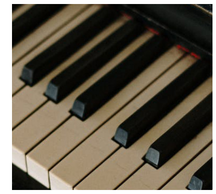
This timeline summarizes federal relief as relevant to this study.

2020

March 27	CARES Act
April 3	SBA begins PPP program
April 13	SBA limits EIDL grant advances to $1,000 per employee with a maximum amount of $10,000
April 15	SBA stops accepting EIDL applications
April 16	PPP funds exhausted
April 24	Paycheck Protection Program and Health Care Enhancement Act
April 27	SBA resumes accepting PPP applications
May 4	SBA resumes accepting and processing EIDL applications
June 5	PPP Flexibility Act
July 4	Public Law 116-147 (PPP Extension Act)
July 11	SBA announced $20 billion in EIDL grant advances were fully allocated No grant advances will be made to new applicants.
August 8	PPP closed to new applicants As of 8/8/2020 over 5.2 million PPP loans were made totaling more than $525 billion.
Dec. 27	Consolidated Appropriations Act

2021

Jan. 13	Second Draw PPP opens
Feb. 4	14-day exclusive application period for businesses and nonprofits with fewer than 20 employees begins
March 11	American Rescue Plan Act
March 30	PPP Extension Act of 2021
March 31	PPP program due to expire
April 8	SVOG portal opens but is closed same day due to multiple technical glitches
April 26	SVOG Application Portal opens for the second time
May 31	PPP 2021 funds depleted. SBA closes PPP applications.



Appendix C

FEDERAL RELIEF AID PROGRAM LEGISLATION

The following includes the programs as outlined in the statute text.

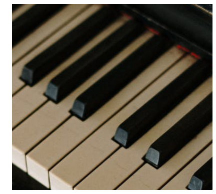
CARES Act March 27, 2020

Paycheck Protection Program:

- $349 Billion
- Forgivable, SBA guaranteed loans
- Loan amount: 2.5 times average monthly payroll costs incurred during the 1 year period before the date on which the loan was made with a maximum of $10 million
- Interest rate not to exceed 4%
- Eligibility: businesses, veterans associations, tribal business concerns, independent contractors, self-employed, nonprofits
- Employ not more than 500 employees
- Employ not more than 500 employees per physical location
- A business concern is assigned a NAICS code that starts with 72
- Independent contractors did not count as employees
- Loan payment deferment for up to one year.
- Non Recourse clause: NONRECOURSE: .—Notwithstanding the waiver of the personal guarantee requirement or collateral under subparagraph (J), the Administrator shall have no recourse against any individual shareholder, member, or partner of an eligible recipient of a covered loan for nonpayment of any covered loan, except to the extent that such shareholder, member, or partner uses the covered loan proceeds for a purpose not authorized under clause.
- Maximum loan maturity of 10 years
- To be forgivable monies had to:
  - Amount equal to the sum of payroll costs and any payments of mortgage interest, rent, and utilities.
  - Be used during an 8 week project period beginning on the loan origination date
  - Compensation for any individual could not exceed $100,000
  - Loan forgiveness would be reduced if there was a reduction in the number of employees with the reduction eliminated by June 30, 2020
  - Loan forgiveness would be reduced by the amount of any reduction in total salary or wages of any employee during the covered period

Economic Injury Disaster Loan:

- $10 billion
- Temporary program expansion to help businesses and nonprofits impacted by COVID-19
- Eligibility:
  - A business with not more than 500 employees
  - Sole proprietorship
  - Independent contractor
  - Cooperative with not more than 500 employees
- Eligible Entities:
  - Small Business
  - Private nonprofit organizations
  - Small agricultural cooperatives
- Grant Advance not more than $10,000



Paycheck Protection Program and Health Care Enhancement Act April 24, 2020

- PPP program recapitalized with an additional $321 billion
- EIDL recapitalized with an additional $50 billion for disaster loans
- EIDL Grant Advances recapitalized with an additional $10 billion
- Set asides for insured depository institutions, credit unions, and community financial institutions

PPP Flexibility Act June 5, 2020

Amended the CARES Act to modify certain provisions related to the forgiveness of loans under the PPP program, to allow recipients of loan forgiveness under the PPP to defer payroll taxes, and for other purposes.

- Increased minimum PPP lean maturity to 5 years
- Changed the covered period from 8 weeks to 24 weeks or December 31, 2020
- Created a safe harbor clause that allowed employers two paths to loan forgiveness regarding number of employees:
    - An inability to rehire individuals who were employees on February 15, 2020; and an inability to hire similarly qualified employees on or before December 31, 2020
    - Is able to document an inability to return to the same level of business activity as such business was operating at before February 15, 2020 due to compliance with requirements or guidelines issued by Health and Human Services or the Centers for Disease Control and Prevention, or the Occupational Safety and Health Administration.
- Lowered the requirement for PPP forgiveness from 75% expended on payroll to 60%.

Public Law 116-147 July 4, 2020

- Extended the PPP application deadline from June 30, 2020 to August 8, 2020

Consolidated Appropriations Act, H.R. 133 December 27, 2020

- Continued PPP via the Additional Coronavirus Response and Relief (ACRR) provisions
- Extended the covered periods for all new loan through March 31, 2021
- Simplified the forgiveness application for loans up to $150,000
- Created PPP Second Draw Loans
- Allowed borrowers to request an increase in loan amount due to updated regulations
- Allows borrowers to choose the covered period end date between 8 and 24 weeks after origination
- Recapitalized PPP with an additional $147.45 billion
- Repealed the EIDL grant advances deduction from PPP loan forgiveness, retroactive.
- Created the Shuttered Venue Operators Grant program, $15 billion
- Created the Targeted EIDL Advance with $20 billion

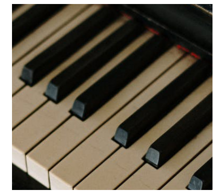
American Rescue Plan Act March 11, 2021

- Added an additional $7.25 Billion to the PPP
- Added an additional $1.25 billion to SVOG
- Allowed entities that receive a PPP after December 27, 2020 to apply for SVOG and have the PPP amount subtracted from the amount of the SVOG.

PPP Extension Act of 2021

- Extended the PPP application deadline to June 30, 2021
- Extended the PPP covered period to June 30, 2021

Appendix D



TIMELINE OF PPP INTERIM FINAL RULES (IFR) AND FAQs April 2, 2020 – April 19, 2021

Table 8. PPP Rules Changes, Revisions, IFRs, Guidance, and FAQs by Federal Agency

	Application Forms/ Revised Forms	FAQs	IFR	Guidance	Form Instructions	Procedural Notices	Question-naires	Documents
SBA	10	10	26	4	1	9	2	1
SBA & Treasury	1	17	2	1				
IRS				1				
Interagency			2					
Federal Reserve	1	2		1				
FDIC			1					
TOTAL	**12**	**29**	**31**	**7**	**1**	**9**	**2**	**1**

2020

April 2 SBA releases Lender Application Form PPP

April 3 SBA & Treasury release 1st PPP FAQs

April 3 SBA begins PPP program

April 2 Interim First Rules published in Federal Register PPP

- SBA rules that not more than 25% of the loan forgiveness amount may be attributable to non-payroll costs.
- Established a two year loan term
(as opposed to the legislation which allowed up to a maximum maturity date of up to 10 years)
- Set the loan interest rate at 1%
- Set loan deferment period at 6 months during which interest would accrue

April 3 SBA releases second IFR supplementing initial IFR with additional guidance PPP

April 6 SBA releases second FAQs PPP (Questions 2-18)

April 8 SBA release third PPP FAQs (Questions 19-20)

April 9 Interagency IFR released to neutralize capital effects for participating in PPP

April 10 SBA and Treasury release PPP FAQs (Question 21)

April 13 SBA and Treasury release PPP FAQs (Questions 22-25)

April 14 SBA releases PPP FAQs (Questions 26-28)

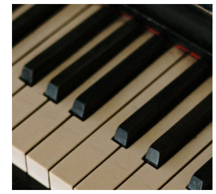
April 14 SBA releases IFR

April 15 SBA and Treasury release PPP FAQs (Question 29)

April 15 SBA and Treasury release PPP FAQs (faith-based organizations)

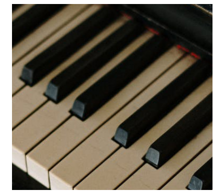
April 16 PPP funds exhausted

Appendix D TIMELINE OF PPP INTERIM FINAL RULES (IFR) AND FAQs continued

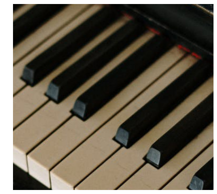


April 17	SBA and Treasury release PPP FAQs (Question 30)
April 23	SBA and Treasury release PPP FAQs (Question 31)
April 24	SBA and Treasury release PPP FAQs (Questions 32-35)
April 24	PPP program recapitalized
April 24	SBA releases IFR (promissory notes, authorizations, affiliation, and borrower eligibility)
April 24	SBA releases IFR (calculating loan amounts for seasonal businesses)
April 24	SBA releases guidance (calculating maximum loan amounts by business type)
April 24	SBA and Treasury release PPP FAQs (Question 36)
April 28	SBA and Treasury announce audits of all PPP loans exceeding $2 million
April 28	SBA and Treasury release PPP FAQs (Question 37)
April 28	SBA releases IFR on disbursement requirements
April 29	SBA and Treasury release PPP FAQs (Questions 38-39)
April 30	SBA releases IFR (maximum loan amount for corporate groups)
May 1	SBA releases guidance (Whole Sale of loans)
May 1	IRS issues guidance (forgiven portion of PPP loan is not included in borrowers' gross income and that otherwise deductible expenses paid with a forgiven may not be deducted)
May 3	SBA and Treasury release PPP FAQs (Questions 40-42)
May 5	SBA and Treasury release PPP FAQs (Question 43)
May 5	SBA releases IFR (nondiscrimination, religious exemptions, and additional eligibility criteria)
May 5	Interagency IFR (modified the Liquidity Coverage Ratio rule to support financial institutions participating in the Paycheck Protection Program Liquidity Facility (PPPFL))
May 6	SBA and Treasury release PPP FAQs (Question 44)
May 8	IFR on extension of Limited Safe Harbor with respect to certification concerning need for PPP loan request
May 13	SBA and Treasury release PPP FAQs (Question 46)
May 13	SBA releases IFR (authorized lenders to increase existing PPP loans to partnerships or seasonal employers)
May 14	SBA releases IFR (expanded eligibility to electric cooperatives 501(c)12s))
May 15	SBA and Treasury release PPP Loan Forgiveness Application
May 18	SBA releases IFR (treatment of entities with foreign affiliates)
May 19	SBA and Treasury release PPP FAQs (Question 48)
May 20	SBA releases IFR (extension of limited safe harbor clause with respect to certification concerning need for PPP loan and lender reporting)
May 21	SBA releases Procedural Notice (lender reporting process)

Appendix D TIMELINE OF PPP INTERIM FINAL RULES (IFR) AND FAQs continued



May 22	SBA releases IFR (loan review procedures and related borrower and lender responsibilities)
May 22	SBA releases IFR (loan forgiveness)
May 22	SBA releases IFR (eligibility of certain phone cooperatives)
June 8	Federal Reserve updates FAQs for PPPFL
June 10	SBA releases IFR (revisions to first interim final rule)
June 12	SBA releases revised Lender Application Form
June 12	SBA releases revised Borrower Application Form
June 12	SBA releases IFR (additional revisions to first interim final rule)
June 17	SBA releases revised standard Loan Forgiveness Application Form
June 17	SBA releases Loan Forgiveness Application Form EZ
June 17	SBA releases Loan Forgiveness Application Form EZ instructions
June 17	SBA releases IFR (revisions to third and sixth interim final rules)
June 22	SBA releases guidance on refinancing of EIDL loans
June 22	FDIC issues IFR (mitigating effect of participation in the PPP and PPFL on an insured depository institution's assessment rate)
June 25	SBA releases IFR (eligible payroll costs for fishing boat owners)
June 25	SBA releases FAQ (clarifying maturity date of loan receiving a SBA loan number on or after June 5, 2020)
June 25	SBA releases IFR (revisions to first interim final rule regarding felony convictions)
June 26	SBA updates document on calculating maximum PPP loan amounts by business type with information on self-employed borrowers
July 20	SBA releases new Lender Application Form for Non-Bank and Non-Insured Depository Institution Lenders
Aug. 4	SBA and Treasury releases new FAQs on loan forgiveness
Aug. 11	SBA and Treasury releases new FAQs on EIDL
Aug. 11	SBA issues IFR (process for borrowers to appeal adverse SBA decisions regarding borrower eligibility)
Aug. 11	SBA releases FAQ (loan forgiveness)
Aug. 24	SBA issues IFR (treatment of owner-employees and forgiveness of certain non-payroll expenses)
Sept. 17	Federal Reserve releases updated PPPFL individual loan reduction report form.
Sept. 21	Federal Reserve releases new guide for pledging PPP loans with modified maturities.
Oct. 2	SBA releases guidance on changes of ownership for borrowers with outstanding PPP loans.
Oct. 7	SBA releases new FAQ (extension of deferral period under PPP Flexibility Act)
Oct. 8	SBA issues new streamlined PPP forgiveness application for loans of $50,000 or less



Oct. 30 SBA releases PPP Loan Necessity Questionnaires (Forms 3509 and 3510) for loans for $2 million or more

Nov.18 SBA and Treasury release guidance on PPP loans and deductibility of expenses.

Dec. 9 SBA releases revised Loan Necessity Questionnaires for non-profit and for-profit borrowers.

Dec. 9 SBA releases FAQ on revised Loan Necessity Questionnaires

Dec. 27 Federal Reserve releases updated FAQ for PPP Liquidity Facility

2021

Jan. 6 SBA issues guidance on accessing capital for minority, underserved, veteran and woman-owned business concerns

Jan. 6 SBA and Treasury issues IFR on Second Draw PPP loans.

Jan. 6 SBA and Treasury issues IFR consolidating all previous IFRs.

Jan. 8 SBA issues Procedural Notice 5000-20075 on repeal of EIDL grant advance deduction from forgiveness amounts

Jan. 13 SBA issues Procedural Notice 5000-20076 on PPP loan increases

Jan. 15 SBA issues Procedural Notice 5000-20077 on resubmission of loan forgiveness applications

Jan. 15 SBA issues Procedural Notice 5000-20078 on PPP excess loan amount errors.

Jan. 19 SBA issues new IFR on loan forgiveness requirements and loan review procedures.

Jan. 26 SBA issues Procedural Notice 5000-20083 providing guidance on procedures for addressing unresolved issues on first draw PPP loans

Feb. 8 SBA issues Procedural Notice 5000-20091 providing information on PPP lender processing fee payment and reporting

Feb. 10 SBA issues Procedural Notice 5000-20092 revising Procedural Notice 5000-20083

March 3 SBA issues revised second draw borrower application form

March 3 SBA issues revised first time borrower application form

March 3 SBA issues new second borrower application for Schedule C filers using gross income

March 3 SBA issues FAQ (outlining various eligibility considerations for first and second time PPP borrowers)

March 3 SBA issues new IFR (loan amount calculation and eligibility)

March 18 SBA releases new IFR (implementing changes to PPP in accordance with ARPA)

March 29 SBA releases new Procedural Notice 5000-808216 (revised procedures for addressing hold codes and compliance error messages on PPP loans)

April 6 SBA releases new FAQ (Schedule C filers that did not use newly permissible gross income calculation)

April 6 SBA releases new FAQ (eligibility for owners that have applied for bankruptcy protection in the past)

April 19 SBA issues new Procedural Notice 5000-809630 (first draw PPP loan increases)