BEYOND SURVIVAL: FINANCIAL SUSTAINABILITY AMIDST CORONA

RULES OF THE ONLINE SEMINAR:
• All microphones and video will be muted for first part of session
• There will be a short online survey in this session (www.menti.com), so please have a laptop/cell with an internet browser window open
• If you have questions during session, please post to “chat” to Daniel privately and we’ll address when time permits.
• After the session, there will be an open session for Q&A’s
• In response to questions, please make use of “raise hand” function if you want to answer
• Remember to unmute when talking and return to mute when finished talking
• PowerPoint will be distributed to attendee mailing list (If you want to receive it and other resources, please send your email address via chat to Daniel or Lisa privately).

SHORT SERIES

Session 1 (COMPLETED): Beyond Survival: Repositioning for Relevance
Session 2 (June 3rd): Financial Sustainability Amidst Corona
• Fundraising considerations
• Running a “lean” organization (i.e. cutting out excess)
• Government incentives and how to capitalize thereon
• Value exchange

Session 3: (June 10th) The Board’s Role Amidst Corona
• The board’s responsibility to the organization amidst Corona
• Regulatory / fiduciary responsibilities
• Ambassadorial roles
• Advisory roles
• Stewardship

This three-part series for Non-Profits aims to address key challenges faced by NPO’s amidst the Covid-19 crisis, with a focus on financial sustainability and operational efficiency whilst ensuring maximum community impact.
PRESENTERS

CA (SA), FCA (UK), MBA (Stell). He is particularly passionate about development in Africa. He consults NPO’s all over South Africa with regards to Financial Integrity and Sustainability and serves as Trustee and Non-Executive director on various NPO’s.

Founder/Director of the Sustainable Development Network. She has a Master’s degree in Sustainable Development from Stellenbosch University, and honours degrees in social sciences and sustainable development. She has 25 years’ experience in the NGO sector in South Africa.

CHECK-IN

Please go to www.menti.com and type in the Code.... / ALL ANSWERS ARE ANONYMOUS

What is your biggest financial concern at the moment?

Consider:
- Loss of donors
- Unable to pay staff
- Unable to pay suppliers
- Complexity of government incentives
- Loss of staff which impacts outputs
- Impact to integrity of organization
- Other
FOUNDATION OF FINANCIAL HEALTH OF YOUR ORGANISATION?

- Defined strategic objectives
- Clear execution plan
- Measures of output vs cost (ROI)
- Efficient operations (i.e. no wastage / functionable policies & procedures)
- Up to date financial reporting (clear & simple)
- Code of ethics
- “Rainy day fund”
- Staff who “exceeds expectations”
- Strong volunteer base
- Leadership
- Public Perception

REVIEW OF FINANCIAL DRIVERS

Above the line: Donations and Income
- Individual donations: Changing landscape of donor focus or access to funds
- Corporate donations: Reduced profit. Looking after staff first. But BEE / SCI still in place
- International donations: Weak currency but international crisis
- Rental income: Industry under pressure
- Trading income: General decline in economy
- Foundational support: Pressure on cash flow
- Grants: Impact on grant focus and funding still uncertain
- Other Sources (to be discussed later)
RUNNING A LEAN ORGANISATION

Considerations re Cost Drivers:

• Are we focused on core projects & locations?
• How can we innovate operations to reduce costs?
• Do we need all infrastructure & assets (consider rental agreements, motor-vehicles (all have monthly costs and hidden maintenance costs)
• Payroll costs
  • Is staff cost aligned to outputs?
  • Retrenchment (might be costly but a time to clean house)
  • Outsourcing services vs payroll?
• Debt – finance cost (could be good or expensive)
• Operational costs – Can you work smarter / more efficiently
• Partnerships – can you cost-share whilst maximizing impact?
• Policies & Control Environment – are you good stewards / risk & wastage

COST DRIVERS

Below the line:

• Operational costs
  • Direct – linked to specific projects / outputs
  • Indirect – overall operational costs
• Payroll
• Material fixed costs (e.g. rental)
• New increased costs due to Covid19?
GOVERNMENT INCENTIVES

PAYE DEFERRAL:
• Relief provided for payroll period April – July -> 35% of PAYE liability
• Full PAYE liability must be declared on EMP201 but only 65% paid
• Can still implement for May payroll on 7 June EMP201
• Deferred amount due from 7 Sept over 6 months

Example:
- PAYE is R100k, thus only R65k now due
- R35k Saving over 4 months = R140k
- Payable in 6 months = R23.3k / month

GOVERNMENT INCENTIVES

EMPLOYEE TAX INCENTIVE Expansion:
• Effective from 1 April – 31 July 2020
• Who qualifies:
  • Staff who earn less than R6,500 per month
  • Between ages of 18 – 29
• Maximum amount of ETI per employee has increased by R500 to R1,500/month (Yr1) and R1,000 (Yr 2)
• Additional ETI
  • For staff who are no longer eligible as ETI has already been claimed for 24 months
  • Who are between the ages of 30 - 65
• ETI payments accelerated from being paid out twice per year to monthly
• Take note: Formula applies, based on remuneration of staff.
GOVERNMENT INCENTIVES

Temporary Employee / Employer Relief Scheme (TERS):

Who can claim:
• Contributors, i.e. employers and employees who contribute to the UIF
• The employer must have closed its operations, or part of its operations, as a direct result of the COVID-19 pandemic, for a period of three months or less.
• The size of the employer’s workforce does not matter. Special provisions of the Memorandum of Agreement apply to employers with fewer than 10 employees.
• The employee must have been in the employer’s employ on 27 March 2020, and must have suffered, or will suffer, a loss of income as a result of the closure.
• The benefit may only cover the cost of salaries during the closure – it may not be used for other purposes.

(Recognition: Bowmanslaw for content)

GOVERNMENT INCENTIVES

TERS:

What is the benefit:
• Employees may get a percentage of their salary (between 38% and 60%).
• Capped at R6,730 (Salary of R17k)
• Employers may supplement these benefits, but employees may not get their full salary PLUS the benefit. The maximum that an employee may accordingly receive (from the UIF and their employer) is 100% of her/ his salary.
• TERS payment is not taxable in hand of employee

(Recognition: Bowmanslaw for content)
GOVERNMENT INCENTIVES

FAST-TRACKING VAT REFUNDS:
• Small vendors, who are in a net-refund position, are temporarily permitted to file returns on a monthly basis (instead of every 2nd month), thereby unlocking the input tax faster which will help with cash-flow.

OTHER:
• Tax incentives for Corporates to donate to Government Funds
• Ease of BEE audit

FUNDRAISING DURING COVID-19 (AND AFTER...)

Solidarity Fund: https://solidarityfund.co.za Set up by the SA government, this fund, brings relief to those hardest hit by the Covid-19 pandemic (disease detection, prevention, care and support for those in need.)
Gift of the Givers is Africa’s largest disaster response NGO. They also work with hunger alleviation, water provision, drought relief, healthcare, education and social upliftment. They have partnered with Vula Mobile – SA’s network of over 11,000 health professionals – to help identify areas in need of support and are providing support during the COVID-19 crisis.

**FUNDs AVAILABLE**

- **Lottery:** [https://www.nlcsa.org.za](https://www.nlcsa.org.za) – R150 million COVID relief (R50 million of this to the Solidarity Fund)
- **Mergon Foundation’s Gap Fund:** [https://mergon.co.za/gapfund/](https://mergon.co.za/gapfund/) – Etienne Piek - Regional Manager Mergon Foundation
- **Charities Aid Foundation Southern Africa (CAFSA):** [https://www.cafsouthernafrica.org](https://www.cafsouthernafrica.org) a member of the Global Alliance of the Charities Aid Foundation, headquartered in London. They function as bridge between the Corporate and NGO Sectors, promoting and facilitating giving, volunteering and partnerships. They’ve launched an emergency fund to support local Non-Profit Organisations (NPOs) during this challenging period.
- **Gray Philanthropy** [https://www.allangray.co.za](https://www.allangray.co.za) R180 million R50m to the Solidarity Fund; R50m to support small businesses suffering under Covid-19; R20m to Covid-19 Innovation & Response Fund – funding innovative, essential businesses and start-ups fighting against Covid-19.
  R10m to fund a Coronavirus Rapid Mobile Survey (CRAM) - a survey of a nationally representative sample of 10,000 South African individuals every month over the next six months, helping to create a six-wave panel survey to track changes in social and economic outcomes over the period.
  
  ... AND MANY MORE
World Bank estimates that the value of African crowdfunding will reach an estimated $2.5 billion (and over $300 billion globally) by 2025. South Africa dominates the African crowdfunding industry, has the most operational platforms and has raised over 90% of the total funds raised by Africa-based platforms.

Social media has made it easier for non-profits, activists, individuals, social entrepreneurs, students and visionaries to reach out for finance across large online communities through crowdfunding.

NGOs in South Africa are in a fortunate position that 13 locally-based crowdfunding platforms and programmes support their fundraising efforts. These include BackaBuddy, Brownie Points, Candystick, Click ‘n Donate, Different.org, Doit4Charity, Feenix, forgood, GivenGain, Jumpstarter, MySchool MyVillage MyPlanet Pledge-a-Portion, and WeBenefit.

OTHER RESOURCES

- www.ngopulse.org
- www.inyathelo.org.za
- www.ngoassist.co.za
- www.saifundraising.org.za
- www.fundsforngos.org
- www.fundraisingthatworks.co.za
- Cape Town Together
- Gauteng Together
- NPO Collaboration Dialogue (Cape Town & Gauteng)
Many NPOs are seeing their funds decrease at this time, whilst the need for their services is growing exponentially. This leaves those on the frontline, caring for thousands of vulnerable people, under increasingly crippling funding pressures.

The Gap Fund is set up as a distribution platform for small grants to financially support indispensable NPOs in the midst of our global pandemic.

Mergon Foundation has allocated R500K per month for the next 12 months. Added to this it is an aggregated Fund from various givers around the world.

Details are as follows:
Our order of allocation priority is
1. Existing partners & alumni
2. Ministries and NPOs who are doing great work during these crisis times.
GAP FUND: HOW TO APPLY

STEP 1: To apply click on the ‘Apply’ link on the Gap Fund page www.mergon.co.za/gapfund

STEP 2: Complete this form and send.

Note: An allocation team will meet every week to decide on who to allocate funds to.

Allocation criteria:
A) Ministries/NGO’s whose operational sustainability is in jeopardy due to the financial implications of the crisis.
B) Ministries/NGO’s that are serving the most vulnerable in communities affected by COVID-19 – children, unemployed, aged, homeless and infected etc.

Please note:
You need to be a government registered NPO, NGO or equivalent organisation
Fall within the two types of beneficiaries as set out above
Able to provide proof of bank account

Funding is a minimum of R10 000 to a maximum of R50 000, either once off or for a maximum of 3 months in total. Allocation decisions are at the sole discretion of an allocation committee and no discussion will be entered into.

NEXT STEPS

- Talk to your auditor / tax advisor
- Rethink focus – i.e. what is your core business
- Rethink material operational cost drivers
- Rethink staff….outputs vs costs
- Innovative fund-raising

SCHEDULE OF UPCOMING EVENTS

<table>
<thead>
<tr>
<th>Date</th>
<th>Session Title</th>
<th>Time</th>
<th>Platform</th>
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<tbody>
<tr>
<td>June 10th</td>
<td>The Board’s Role Amidst Corona</td>
<td>10h00 - 11h00</td>
<td>Zoom (link to be provided)</td>
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<tr>
<td>June 17th</td>
<td>Branding &amp; Marketing: Keeping Your Story Alive During and Post COVID</td>
<td>10h00 – 11h00</td>
<td>Zoom (link to be provided)</td>
</tr>
<tr>
<td>July 1st</td>
<td>Resource Mobilisation &amp; Fundraising</td>
<td>10h00 – 15h00 (1 hour lunch break at 12h00)</td>
<td>Zoom (link to be provided)</td>
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FURTHER SESSIONS ARE BEING PLANNED

Email us: daniel@ascentgroup.co.za lisa@sdnafrica.org