

# Taking a fresh look at NPO finance

By [Soraya Joonas](#)

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Inyathelo, The South African Institute for Advancement, is dedicated to helping build a strong, stable civil society and democracy in South Africa by contributing to the development of sustainable organisations and institutions.



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In advisory sessions over the years, many non-profit organisations (NPOs) have faced growing challenges in covering core costs and have approached Inyathelo for guidance and support. Coupled with the reality of an economic downturn and a change in donor funding focus, many NPOs are operating under great financial constraints.

The fact that these NPOs are surviving, and are indeed resilient in integrating and implementing financial strategies, is commendable. In current times we know there is a dire need for good governance and accountability against fraud and corruption. NPOs play a crucial role in maintaining such standards, and also for some, advocating social justice causes. The work of NPOs is more relevant now than ever before.

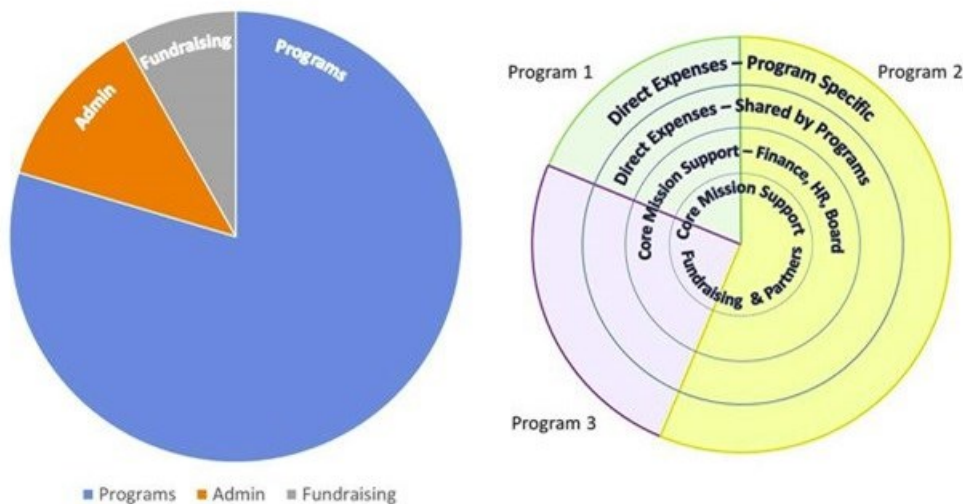
## Budgeting approach

A common theme around non-profit financial management practitioners is the method of integrating the core of the organisation into budgeting practice and making sure that each programme pays its way. This budgeting approach has been entrenched within Inyathelo since its inception and is something we advocate. However, this has become increasingly difficult and NPOs find that

they are having to contribute their own reserves to 'pay their way'.

We need a common language so that NPOs understand how to communicate true costs and, accordingly, align funding to support what is truly needed. This has been explored by non-profit expert Curtis Klotz, in

"<https://nonprofitquarterly.org/2016/08/16/graphic-re-visioning-nonprofit-overhead/> "A Graphic Re-visioning of Nonprofit Overhead"]]. Klotz presents an old view of an organisation versus a new, integrated and re-envisioned view, that pinpoints the organisation's mission as its nucleus in harnessing a comprehensive, financially sustainable approach, with funding partners.



The traditional organisation pie chart (left) vs a new image for core organisation support (right). Source: [Curtis Klotz](#)

## Bridging the finance gap

Another challenge we find NPOs struggling with is needing to bridge the gap when funding doesn't come through as committed. While donors are attracted to the financial sustainability of an organisation, too often these NPOs find themselves having to bridge cash flow gaps when funding tranches are delayed, due to no fault of their own.

The irony is not lost on us – Inyathelo is no different from the NPO clients it serves and faces some of the same challenges experienced in the sector. During these times of austerity, we are needing to find creative and transparent ways to make our rands stretch further in carrying out our mission and respecting our commitments. As such, with our strong belief in what we do, we have also championed and invested in our own services when there have been gaps in funding. We are only able to do this because of our strong historical financial sustainability strategy and our traditional four pillar approach: income generation, focusing on a diversified donor base, building a reserve, and investing wisely and prudently.

A deliberate strategy of income generation has enabled us to move towards a degree of self-sustainability and decrease the reliance on exclusive donor funding. Cost recoveries include consultancy projects, expanded workshops, rental income and conference space, to name a few.

## Passive income generation

In addition, passive interest income derived from our reserve investment and mindfully investing cash for maximum safe returns has provided leverage to allow us flexibility to pilot or invest in activities and programmes that are core to our mission and vision. It also makes us more viable and resilient.

We are committed to meeting our financial sustainability goals by continuing to put away any savings towards generating passive income, to give Inyathelo financial freedom to pursue new projects and to focus our energies on implementation, thereby delivering on our mission.

We and other NPOs must always be cognisant that we have been entrusted with a mission to deliver on the needs of civil society; thus our resources, both financial and others, belong to civil society. We strive to build financial systems that guide planning, fundraising and implementation to deliver both efficiently and effectively, but also with value and care.

## ABOUT THE AUTHOR

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