



**AN INVESTIGATION OF FUNDING MODELS THAT INFLUENCE THE
SUSTAINABILITY OF SELECTED NON- PROFIT ORGANISATIONS IN CAPE
TOWN**

by

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DECLARATION

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Signature:

A handwritten signature in black ink, appearing to be 'E. Ayinkamiye', written over a horizontal line.

Date: June 2021

ABSTRACT

While the concept of funding models is well developed for profit making organisations, it is not as well developed in the non-profit sector. The aim of this study was to explore different funding models used by non-profit organisations and how these funding models influenced the financial sustainability of organisations. The study objectives were to determine the funding models applied in human rights-based organisations, to establish how chosen funding models influence the financial sustainability and to identify the constraints and stimulators for implementing viable funding models. Qualitative research methodology was employed, conducted on five human rights non-profit organisations located in the City of Cape Town. Data were collected through face-to-face interviews and documents (annual budgets, audited financial statements and funders' dashboards) obtained from the selected organisations. The data were analysed using content analysis, which groups data into themes, similar data into topics and developing the most descriptive analysis for each topic. Document analysis was done using financial statement analysis tools, being ratio analysis and comparative financial statement analysis.

The study found that the most used model was the *big bettor*, used by all five organisations. The second most-used models were public provider, beneficiary builder and member motivator, each used by two organisations. Regarding the relationship with funding models adopted and financial sustainability, this study suggests that the more diverse sources of funding an organisation has, the more financially self-sufficient and sustainable it will be. This study found that the organisation that managed to diversify its sources of funds was financially sustainable and this organisation mixed the five different funding models of the big bettor, the public provider, beneficiary builder, member motivator and resource recycler.

The study identified four main constraints faced by non-profit organisations in their efforts to develop funding models. These constraints are no dedicated person responsible for fundraising, non-standardised reporting templates, restricted funds and high competition among non-profit organisations for the same funders and a limited number of funders for South African non-profit organisations. These constraints exist despite non-profit organisations being favoured by policies that enable them to work freely and by the State using non-profit organisations to provide a variety of services to a society, which stimulates non-profit organisations as it provides a reliable source of income.

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LIST OF ACRONYMS AND ABBREVIATIONS

CAFSA	Charities Aid Foundation Southern Africa
CBO	Community-based organisations
CSI	Corporate social investment
DSD	Department of Social Development
FBO	Faith-based organisation
FPA	Funding Practice Alliance
FSA	Financial Statements Analysis
LGBTIQ	Lesbian, gay, bisexual, transgender, intersex and queer
NDA	National Development Agency
NGO	Non-government organisation
NLDTF	National Lotteries Distribution Trust Fund
NPI	Non-profit institution
NPO	Non-profit organisation
SADC	Southern African Development Community
SDG	Sustainable development goals
SOGIE	Sexual Orientation, Gender Identity and Expression
UBPL	Upper-bound poverty line
UNDP	United Nations Development Programme

CHAPTER 1:

INTRODUCTION TO THE RESEARCH

1.1 Introduction

Human rights non-profit organisations (NPOs) are an important feature of society worldwide. A human rights NPO is an organisation that advocates for the elevation or defence of human rights (Edwards, 2009:171-172) and is established to protect rights for members of the society (Murray, 2007:137). Des Rosiers (2014:893) asserts that human rights NPOs are needed as advocating bodies because many citizens do not recognise that they have suffered an injustice or that their rights as citizens have been breached. Dadić and Ribarić (2017:115) define NPOs as organisations of individuals who have similar interests and come together to solve social ills.

The NPO sector is expanding worldwide and about 10 million NPOs operate around the globe today (Ivanova, 2019:1). NPOs play a developmental role in both countries of the south and north divide. Countries of the north are represented by economically developed societies, while countries of the south are represented by the economically undeveloped countries (Odeh, 2010:338). While NPOs are crucial to every country, they face financial challenges (Harding, 2014:17). Funds that are established to support the NPO sector are usually not sufficient to enable NPOs to cope with the high demand for funds (Harding, 2014:4). For NPOs to overcome these financial challenges, Foster et al. (2009:32) and Kim et al. (2011:37) suggest that each organisation should have a well-defined funding model to ensure long-term sustainability.

This chapter presents the background to the study, the rationale and the research objectives. It also charts the significance of the study and presents a summary of the literature review. A précised indication of the study's research framework is presented, as well as the research design methodology applied. The chapter concludes by giving an outline of the structure of the dissertation and the main topics that are discussed in each chapter.

1.2 Background to the research problem

Ruhara and Moronge (2016:298) argue that NPOs exist to achieve their objectives, which are usually contained in their mission statements. The achievement of goals depends on several factors, "including resource availability, how well an organisation positions itself in its environment and the extent to which it can access funding".

NPOs are experiencing a decrease in the availability of grants and funding from both local and international donors (Anheier, 2009:1). Harding (2014:4) asserts that funds reserved by the South African Government to support NPOs such as the National Development Agency (NDA)

and the National Lotteries Distribution Trust Fund (NLDTF), are insufficient to meet the growing demand for funds made by NPOs. Gunnerson (2019:IV) reiterates that financial distress and vulnerability are common for many NPOs, with some closing because of these conditions.

The Charities Aid Foundation Southern Africa (CAFSA), a NPO which assists other NPOs to raise the funds needed for running their programmes, is concerned about the decline in local and international funding. The CAFSA stresses, “the decrease has been exacerbated by a decline in international funding and the government’s unwillingness to support the sector” (CAFSA, 2012:70). Smut’s (2005:353) research on 232 NPOs found that 68% of the participating NPOs were uncertain about their future and 75% highlighted an absence of funding as the cause for this concern.

As an NPO’s financial sustainability is subject to its ability to broaden income and acquire new funds (Hailey, 2014:1), the more diverse sources of funding the organisation has, the more financially self-sufficient and sustainable it will be. Iwu et al. (2015:9572) stress that the monetary factor is one of the most important conditions for an NPO’s effectiveness. NPOs are therefore commonly faced with the challenge of financial sustainability, which impacts negatively on the achievement of objectives. Because of the financial challenge, NPOs devote much time on fundraising and many NPOs are not aware of how they can acquire funds needed for the organisation’s sustainability (Kim et al., 2011:1). The problem is not unique to human rights organisations and NPOs who face the challenge of managing funds sustainably. All NPOs can therefore benefit from information on how to manage their funding sustainably.

1.3 Problem statement

Statistics provided by the state (South Africa. Department of Social Development [SA. DSD], 2016:4) reveals that, during the period between March 2015 and March 2016, the Department of Social Development registered 17,224 NPOs. During the same period, 241 NPOs stopped their activities, of which 35 were dissolved and 206 voluntarily deregistered (SA. DSD, 2016:18). This was due to difficulties in acquiring grants from the National Lottery (known as LOTTO) as well as corruption in the LOTTO payments. The consequences were that many NPOs stopped their activities, with some 30,000 deregistered by 2018 (Maboya & McKay, 2019:4).

The numbers of donors are decreasing while organisations with worthwhile causes needing support to sustain their institutions and programmes are increasing (Coalition on Civil Society Resource Mobilisation [CCSRM], 2012:22; Harding, 2014:66). Hailey (2014:2) asserts that:

- An NPO’s sustainability is not just about developing new fundraising campaigns or writing clever funding proposals, it is about ensuring that there has been sufficient investment in organisational systems and processes.

Iwu et al. (2015:9571) aver that “NPOs play a great role in providing social aid to a significant portion of the population in underdeveloped and developing countries.” Kilbey and Smit (2014:487) highlight that the post-apartheid South Africa is facing a “steady increase in social ills and the need to improve and expand services is escalating”. NPOs can clearly play an important role in addressing this developmental challenge the country is facing. However, the lack of funds for non-profits organisations limits the quantity and quality of the important work NPOs do and affects the organisation’s sustainability. As Hailey (2014:1) says, “financial sustainability is crucial for the long-term survival and effectiveness of all types of NPOs”.

To survive, non-profit organisations need innovative and effective funding models in place. However, the analysis of literature (see Literature Review in chapter 2) found that there is a lack of peer-reviewed studies on funding models, especially for NPOs. Therefore, this study investigated funding models used by human rights NPOs and the influence funding models have on financial sustainability, using a case study of Cape Town Human Rights organisations.

1.4 Aim and objectives of the study

The main aim of this study is to explore different funding models used by NPOs and how funding models influence organisations’ financial sustainability to fill the existing gaps in literature on funding models.

The research objectives that emanate from the aim of the study are:

- i) To determine the funding models applied in human rights-based organisations;
- ii) To establish how the chosen funding models influences the financial sustainability;
- iii) To identify the constraints and stimulators for implementing viable funding models.

1.5 Research questions

The research questions this study aims to answer are:

- i) What funding models are applied in human rights-based organisations?
- ii) How the chosen funding models influences the financial sustainability?
- iii) What are constraints and stimulators for implementing viable funding models?

1.6 Review of literature

A literature study, presented in detail in Chapter 2, was conducted to assist the researcher to achieve the objectives of this study. The review of sources consulted is presented in four themes.

Firstly, the role of NPOs on the community development. Under this theme, sources consulted include Salamon et al. (1999), Edwards (2009), Friedman and McKaiser (2012), Kilbey and Smit (2014) and Bukhala and Ganesh (2016).

Secondly, non-profit organisations' financial sustainability were analysed. To understand the financial distress that NPOs suffer, sources consulted include Sontag-Padilla et al. (2012), Hailey (2014), Ruhara and Moronge (2016) and Akintola et al. (2016).

Thirdly, funding models were investigated. Foster et al. (2009), Kim et al. (2011), Hailey (2014) and Lehohla (2016) were sources consulted.

Lastly, the state of South Africa's NPO sector was analysed from publications of Habib and Taylor (1999), Swilling and Russell (2002), SA. DSD (2009) and Lehohla (2016).

The main points that emerged from the literature review are:

- i) The concept of a funding model is new in the NPO sector.
- ii) Each NPO, irrespective of size, can develop a funding model.
- iii) The South African NPO sector needs innovative ideas and diverse funding strategies that can improve its financial sustainability.
- iv) There is a dearth of empirical studies on funding models, especially for NPOs.

1.7 Research methodology

Chapter 3 presents the research methodology applied to conduct this study successfully and realise its aim. Nachmias and Nachmias (1996:15) assert that methodology is "a system of explicit rules and procedures upon which research is based and against which claims for knowledge are evaluated". Igwenagu (2016:5) is of the view that research methodology is a set of systematic techniques used in research. The apt choice of research methodology will facilitate the achievement of the research objectives (Basias & Pollalis, 2018:91).

This study followed a qualitative research methodology as a method of data enquiry and applied an interpretivist paradigm. Kivunja and Kuyini (2017:33) assert that this paradigm emphasises:

- ...getting into the head of the subjects being studied, so to speak, and to understand and interpret what the subject is thinking or the meaning s/he is making of the context. This research was conducted on five NPOs located in the City of Cape Town. Data were collected using in-depth interviews and document analysis (A funder's dashboard, annual budgets and audited financial statements for each organization). Data from interviews were analysed using content analysis, which is recommended for qualitative data, while financial data were analysed through ratios, graphs and tables, as set out in Chapters 3 and 4.

1.8 Significance of the study

This research is of importance for the NPO community because it provides information that South African NPOs can use to identify alternative ways of raising the funds needed for financial sustainability. The findings of the study could also be used by funders to evaluate the

long-term sustainability of NPOs. Future researchers could benefit from this study by using its content and investigating any gaps identified. This study could contribute to the existing body of knowledge by proposing effective funding models that could lead to NPOs' financial sustainability in the Republic of South Africa.

1.9 Definition of key terms

This section explains the most common terms used in the study.

Non-profit Institution (NPI): Lehohla (2016:12) defines NPI as a “civil society organisations that range from faith- and community-based organisations, charities (welfare) and traditional organisations like social and sports clubs, to a host of other development and social forms of organisations working within the social fabric of society”.

Non-government Organisation (NGO): Swilling and Russell (2002:7) refer to NGOs as “private, self-governing, voluntary, non-profit distributing organisations operating, not for commercial purposes but in the public interest, for the promotion of social welfare and development, religion, charity, education and research”.

Non-profit Organisation (NPO): Non-profit organisations are described by the Department of Social Development as “voluntary, not-for-profit, non-partisan and independent organisations or associations engaged in serving the public good” (SA. DSD, 2009:10). “NPOs may be national as well as international; secular as well as faith-based and may fall into membership or non-membership categories. Voluntary denotes free will on the part of the NPO as well as community partners”. SA. DSD (2009:10) asserts that NPO means that this kind of organisation cannot distribute its assets, earnings or profits as such to any person but “there may be paid employees or activities generating revenue which will be used solely for the stated purposes of the organisation”.

Funding Model: Kim et al. (2011:37) define a funding model as a “methodical and institutionalized approach to build a reliable revenue base to support an organisation's core programmes and services”.

Funder: A funder is a source of revenue. These include individuals; a foundation; other organisations; government departments; foreign governments; or faith-based institutions. This income is regular, usually linked to contracts and contributes to organisations' costs either in part or as a whole. Funders may also focus on a specific project or a cost item such as salaries or a building (Harding 2014:14).

1.10 Outline and structure of the dissertation

The study is divided into five chapters.

Chapter 1 develops the idea for the study and its motivation. It introduces the background of the study and problem statement as well as objectives of the study. This chapter provides an outline of the study's research framework as well as research design and the methodology that was used.

Chapter 2 presents the literature reviewed. It concludes with an overview of the main points that emerged from the literature review.

Chapter 3 articulates the research questions, key concepts and variables. It discusses the research instruments and justifies why they were chosen. The chapter explains the sample design, sampling techniques used and the criteria for the choice of sample size. It also details the data collection processes, describes data editing and data coding procedures. Chapter 3 concludes with a discussion of the possible limitations and gaps in the data.

Chapter 4 describes the respondents' selection and their characteristics, describes and summarises the main findings and discusses the main trends, patterns and connections that emerged.

Chapter 5 consolidates the study's findings with the literature reviewed. It demonstrates how the study has achieved its objectives and presents recommendations to different stakeholders as well as future researchers.

1.11 Summary

This chapter presented the rationale for the study. It sketched the background to the study and stated the problem statement and the objectives of the study. The study's research framework was outlined, how the study would unfold and the main topics that would be discussed in each chapter.

The next chapter, Chapter 2, reviews the literature relevant to the study and identifies the gap that it tried to fulfil.

CHAPTER 2:

LITERATURE REVIEW

2.1 Introduction

The previous chapter developed the rationale for the study and its motivation. It introduced the background and problem statement and objectives of the study. This chapter presents a literature review of the important topics as highlighted in the study objectives. It follows a thematic analysis of literature pertaining to this study and is structured into themes. The themes are the state of South Africa's non-profit organisation sector, the role of NPOs in community development, the financial sustainability of NPOs, funding models and the research gaps that this study intends to fill.

2.2 Non-profit organisations in South Africa

The non-profit sector in South Africa has existed for a long time and "dates back over centuries. Under apartheid, there were an ever-increasing number of non-profit organisations concerned about challenging the South African state and furthering a non-racial democratic society" (Swilling & Russell, 2002:67). Harding (2014:57) notes that the era before 1984 was a favourable period for NPOs in South Africa, especially those that were fighting against the apartheid regime. Foreign funders chose these NPOs as authentic vehicles for channelling funds. Following the 1994 election, the South African Government managed to negotiate with the foremost NPOs on how state-civil society relations would be managed (Swilling, 2004:27). Since then, various types of NPOs have evolved, including ethnic organisations, religious organisations and educational organisations (Swilling & Russell, 2002:67).

Due to the increase in high levels of poverty, the need for and the development of, NPOs in post-apartheid South Africa is important (Habib & Taylor, 1999:76; Harding, 2014:39). A study conducted by Statistics South Africa (Stats SA) for the period of September 2008 to August 2009, indicates that "approximately 26.3% of the population was living below the food poverty line of R305.00 per day" (Lehohla, 2009:5). The website of StatsSA asserts that "Approximately half (49.2%) of the adult population were living below the upper-bound poverty line (UBPL) in 2015" (South Africa. Department of Statistics [SA. DoS], n.d.).

To regulate this fast-growing sector, the South African Government introduced the Non-profit Organisations Act (NPO Act) of 1997 to assist NPOs and other civil society organisations in their operations. It helped them to maintain appropriate standards of governance, transparency and accountability.

The following principle pieces of legislations govern civil society organisations. The NPO Act (1997) authorises the voluntary registration of NPOs (SA. DSD, 2009:29). The Companies Act of 2008 facilitates the registration of Non-Profit Companies (SA. DSD, 2009:29). The 1998

Trust Property Control Act enables organisations to register a Trust with the Master of the Court in their district, governed by the Department of Justice (SA. DSD, 2009:29). Concerning Common Law relating to Voluntary Associations, “In terms of common law, three or more unrelated or unconnected people can agree to establish a voluntary association either by written or verbal agreement” (SA. DSD, 2009:29).

In South Africa, NPOs depend on the State’s funds as well as funding from the international community to safeguard their sustainability (Harding, 2014:3). “Regarding the source of funding, the majority of the income of South African NPOs is derived from three core sources: government subsidies, local donations and membership subscriptions” (Lehohla, 2016:15; Maboya & McKay, 2019:4). Volunteers, as well as in-kind goods make a significant contribution to South African NPOs. The value of the time they donate to different NPOs may be more than the value of cash from households (Lehohla, 2016:15). Government funding sources include provincial departments of social development, the National Lottery Distribution Trust Fund and the National Development Agency (NDA) (South Africa. Department of High Education and Training [SA. DHET], 2018:206).

2.3 The role of non-profit organisations in community development

As an economic sector, Salamon et al. (1999:8-9) note that globally “the NPO sector is a major economic force valued at \$1.1 trillion, accounting for 19 million full-time equivalent paid workers and contributing 5% of non-agricultural employment”. NPOs play a major role in solving problems of the steady increase in social ills. Social ills include poverty, health and education and are a serious challenge to the country’s development (Kilbey & Smit, 2014:487-501). Human rights NPOs are established to protect the rights for members of society (Murray, 2007:137). Human rights NPOs advocate for the elevation or defence of human rights (Edwards, 2009:171-172). This is done by “identifying violations through collecting incident data, data analysis and publication, promotion of public awareness, while conducting institutional advocacy and lobbying to halt identified violations”. Human rights NPOs are needed as advocating bodies because many people do not recognise that they have suffered an injustice or that their rights have been breached (Des Rosiers, 2014:899).

NPOs play a central function in the societies they serve (Nikkhah & Redzuan, 2010:85). In agreement, Enyioko (2012:1) notes that these organisations assist in the implementation of government programmes aimed towards rural development.

Harding (2014:38) argues that the strengths of NPOs include:

- Strong grassroots links, field-based expertise, innovation and adaptability, process orientation approaches using participatory methodologies and tools, commitment to long-term involvement; and an emphasis on sustainability and cost effectiveness.

While Bukhala and Ganesh (2016:56) state that:

- In developing countries, NPOs are involved in improving of the community welfare, focusing on poverty alleviation programmes, facilitate the poor to have access to social service and advocacy for the protection of the environment.

In addition, in developing countries, NPOs link citizens with policy makers. Anheier et al. (1997:191) and Friedman and McKaiser (2012:13) argue that the provision of social services by NPOs, as a collective, often termed “civil society”, it is necessary to advocate for citizens interests with policy makers. However, for NPOs to play a significant role in solving the social ills that hamper different countries’ development, they need to be financially sound (Kilbey & Smit, 2014:487).

2.4 Financial sustainability of non-profit organisations

The financial sustainability of an NPO is its ability to endure financially and to increase services to its beneficiaries in the long term. Hailey (2014:1) defines a sustainable NPO as one that can accomplish its mandate over time and satisfy the necessities of its beneficiaries and funders. However, the capacity of NPO to be sustainable is often a challenge. This is why Ruhara and Moronge (2016:297) assert that:

- Most NPOs are faced with sustainability challenges which can be attributed to difficulties in the design, monitoring and implementation of project financing strategies which may impact negatively on overall sustainability.

Bukhala and Ganesh (2016:55) note that unpredictability of the non-profit sector is a fact and they argue that this uncertainty is a result of most of these organisations’ dependence on external funding which now and again ceases, leading to sustainability challenges. They further state that most implemented organisational projects require huge amounts of money to ensure the attainment of project goals and the cessation of external funding leads to sustainability challenges. Conradie (1999:1) sees financial sustainability as critical for NPOs to be able to sustain their organisations and programmes. Harding (2014:17) and CCSRM (2012:5) reveal that donors are decreasing while organisations with worthwhile causes needing more support to be able to sustain their organisations and programmes are increasing.

Akintola et al. (2016:307) observe that the main cause of underfunding of NPOs is the global financial crisis that began in 2008. NPOs face a phenomenon that Burkart et al. (2018:307) call the “Nonprofit Starvation Cycle”, which refers to the fact that donors prefer to allocate a big portion of their funds to beneficiaries. This principle could affect NPOs since they may not have sufficient funds to cover their overhead costs (Burkart et al., 2018:307).

Harding (2014:2) argues that “financial sustainability is a critical element for ensuring that NPOs continue to exist and offer their services beyond the current financial year or period.” In a similar vein, Hailey (2014:1) asserts that:

An NPO's sustainability is not just about developing new fundraising campaigns or writing clever funding proposals but is more about ensuring that there has been sufficient investment in organisational systems and processes.

For NPOs to overcome these financial challenges, Foster et al. (2009:32) and Kim et al. (2011:37) suggest that each organisation should have a well-defined funding model to ensure a long-term sustainability.

2.5 Performance measure of non-profit organisation financial sustainability

Harding (2014:45) asserts that "Financial sustainability continues to be a big concern to NPO leaders, current and potential funders and the communities that NPOs serve." Hence, a sustainable NPO is one that can continue to fulfil its mission over time and in so doing, meet the needs of its key stakeholders (Hailey 2014:1). Gajdová and Majdúchová (2018:33) argue that "a sustainable NPO must have the diversity of financial resource structures, ensuring their independence, financial stability and sustainability from both short-term and long-term perspectives". Sontag-Padilla et al. (2012:vi-vii) list the following as key challenges of financial sustainability for NPOs:

- Reliance on external funding sources and streams;
- Creating a non-profit brand, management of partnerships;
- Maximising impact with limited resources;
- Demonstrating value and accountability to funders
- Communicating the findings of regular evaluation; and
- Promoting community engagement and leadership while maintaining integrity.

Burkart et al. (2018:307) opine that performance measurement of NPOs is becoming of increasing importance for aid agencies, policy-makers and donors. Different tools are used to analyse the financial sustainability of an NPO, some of which are discussed in the following section.

2.5.1 Financial statements analysis tools

Sinha (2012:10) asserts that financial statements analysis (FSA) is the analysis of the financial statements by means of classifying its major components, establishing relations among them and interpreting those relations in the context of specific decision making. Froelich et al. (2000:235) argues that FSA deals with the deep study of financial statements of companies and how the information contained in these can be used by external and internal users.

2.5.2 Ratio analysis

Ratio analysis is commonly used for verifying the performance of an organisation (Sinha, 2012:49). Some ratios are discussed below.

Current ratio: This ratio indicates the ability of an organisation to meet its current obligations as and when they are due for payment. A higher current ratio is favourable with short-term creditors whereas a low ratio causes concerns to them (Henry et al., 2011:300). A good current ratio is between 1 and 2, which indicates the organisation has double its current assets to cover its expenses and/or debts. A current ratio of less than 1 means that the organisation does not have enough liquid assets (cash and cash convertibles) to cover its short-term obligations. A ratio of 1:1 shows that current assets are equal to current liabilities and the organisation is breaking even and just able to cover all of its short-term obligations. However, a higher ratio may also indicate that the cash resources are not being used efficiently since they could be invested in profitable investments and earn interest.

Reserves to capital: Henry et al. (2011:324) describe it as:

- The reserve to capital ratio establishes relationship between reserves and capital. Higher proportion of reserves shows financial soundness because organisation will be able to meet future losses as and when suffered.

Programme expense ratio: This ratio clearly illustrates how much of an organisation's expenses are being spent on programmes versus supporting services, such as management, general, or fundraising expenses (Holman et al., n.d.:18). Donors generally view higher values of programme expense ratios as desirable since this represents resources that are being directed to mission-related programmes (Holman et al., nd:18).

Solvency ratio: Kenton (2020:1) asserts that the solvency ratio is used to:

...measure a company's "actual cash flow rather than income by adding back depreciation and other non-cash expenses to assess the company's capacity to stay afloat. It helps to know how the company will repay its long-term debt as well as its interest on the debt. If the solvency ratio is more than 20%, it means the organisation is financially sound.

2.5.3 Monitoring and evaluation.

The University of Namibia (2012:3) defines monitoring as "the routine checking of information on progress to confirm that progress is occurring against the defined direction" (United Nations Development Programme [UNDP], 2009:5). Harding (2014:125) states that even if some funders require NPOs to come up with qualitative and quantitative indicators, many funders leave the handling of monitoring and evaluation activities to the organisation.

2.5.4 Level of operating reserves

Grizzle et al. (2015:69) define operating reserves as “the portion of unrestricted net assets available for use in an emergency”. They can help in stabilizing the NPO’s finances “against unexpected events, loss of funding and large unbudgeted expenses (Grizzle et al., 2015:74). Similarly, Calabrese (2013:281) agrees that operating reserves allow NPOs “to maintain programme output in the presence of fiscal shocks”.

2.6 Funding models

Clearly, each NPO should have a funding model. However, the funding model concept is new to the NPO sector, as it was developed in for-profits organisations, where there is, comparatively, more clarity on financial issues (Foster et al., 2009: 32). Kim et al. (2011:37) note that a funding model is a “methodical and institutionalized approach to build a reliable revenue base to support an organisation’s core programmes and services.”

Foster et al. (2009:34) state that standard business models do not work well with NPOs because they do not have paying customers, who are willing and able to pay for a value proposition, NPOs have beneficiaries who are usually not able to pay for the value proposition. NPOs face challenges related to the achievement of adequate levels of financial sustainability (Hailey, 2014:2) the effective use of funding models has the potential to create sustainability. Foster et al. (2009:35-39) identify 10 funding models that are mostly used in NPOs, which are:

2.6.1 Heartfelt Connector model

Foster et al. (2009:35) state that:

- This funding model focuses on causes that resonate with the existing concerns of large numbers of people at all income levels and by creating a structured way for these people to connect where none had previously existed.

This model is characterised by “a broad mission, benefits often touch the lives of the funder’s family and friends. Lastly NPO connects donors to the cause through volunteerism or other means” (Foster et al., 2009:37).

2.6.2 Beneficiary Builder model

This model refers to NPOs that are reimbursed for services that they provide to specific individuals. This kind of NPO relies on people who have benefited in the past from these services for additional donations (Foster et al., 2009:35). The model is characterised by “a mission that initially attracts individuals pursuing and paying for, specific individual benefits in, for example, spending four years on campus or having one’s life saved” (Foster et al., 2009:37).

2.6.3 Member Motivator model

Member motivator refers to NPOs relying on individual donations. These individuals donate money because the issue is integral to their everyday life and is something from which they draw a collective benefit (Foster et al., 2009:36). The characteristics of this model are “Firstly, most of the benefits have a group orientation in, for example, religious services or hiking. Secondly, it creates an inherent collective community to tap into for fundraising. Lastly, it uses a rich mixture of tactical tools to raise money” (Foster et al., 2009:37).

2.6.4 Big Bettor model

This model refers to NPOs that “rely on major grants from a few individuals or foundations to fund their operations” (Foster et al., 2009:36). It is characterised by “building the majority of its support from a small number of individuals or family foundations. Its mission may be fulfilled within a limited number of decades by, for example, finding a cure to a certain disease” (Foster et al., 2009:37).

2.6.5 Public Provider model

This model refers to NPOs who “work with government agencies to provide essential social services, such as housing, human services and education, which the government has previously defined and allocated funding” (Foster et al., 2009:36). It is characterised by “providing services that are perceived as core government responsibility, for example, foster care” (Foster et al., 2009:37).

2.6.6 Policy Innovator model

Foster et al. (2009:37-38) explain this model as:

- ...some non-profits rely on government money and have developed novel methods to address social issues that are not clearly compatible with existing government funding programmes. They have convinced government funders to support these alternate methods, usually by presenting their solutions as more effective and less expensive than existing programmes. They are characterised by secured government funds for a new approach to problems or to address a problem not currently viewed as a core government responsibility. Furthermore, it succeeds when significant pressures exist on government as a result of a media crisis.

2.6.7 Beneficiary Broker model

Foster et al. (2009:37) describe this model as when NPOs “compete with one another to provide government-funded or backed services to beneficiaries, for instance, housing, employment services, health care and student loans”. In the Beneficiary Broker model, the beneficiaries decide how to spend the government benefit and it requires individual marketing capability to reach and service the end beneficiary.

2.6.8 Resource Recycler model

This model refers to NPOs that become large through receiving in-kind donations from companies and individuals and administer these goods to needy people who are unable to buy them in the market (Foster et al., 2009:38).

2.6.9 Market Maker model

This model refers to NPOs that give a service that fits the interest of the donor but which cannot be offered by a for-profit organisation. In this case, a donor with a willingness and the ability to fund an NPO to do the job, such as a blood donor or land donor (Foster et al., 2009:37-39).

2.6.10 Local Nationalizer model

The Local Nationalizer model is NPOs that become large through creating a national network of locally based activities. These NPOs capitalise on issues that are important to society, issues that the State alone cannot handle (Foster et al., 2009:39). For this model to succeed it must fulfil the three conditions suggested by Foster et al. (2009:37)—firstly, the issue is one of a few top priorities for improvement or success in a locality. Secondly, the issue is common enough to exist in many localities nationwide and thirdly, the level of funding available in any single geographic area is usually limited.

Kim et al. (2011:38) argue, “finding a funding model is indeed a journey, typically neither short nor linear”. They warn NPO managers that there is no guarantee that the best fit model will meet the non-profit’s funding aspirations. Kim et al. (2011:38-40) suggest three guidelines to develop a funding model that is right for the organisation. The first is “getting a sense of where you are, the second is to take inspiration from your peers, the third is to weigh revenue potential against associated costs”.

2.7 Business model for non-profit organisations

While NPOs are primarily viewed as mission-driven organisations, Propel Nonprofits (nd:1) see NPOs as “business enterprises built on an underlying business model that makes the programmes and organizations operate and succeed”. The preparation of business models for an NPO, according to Propel Nonprofits (n.d.:1), consists of four steps:

- i) Understand the current operating model;
- ii) Diagnose any critical weaknesses;
- iii) Forecast and plan a structure that will address the weaknesses and be effective in the short and midterm future; and
- iv) Implement the needed and possibly difficult, changes.

Kramer (2018:2) suggests that the business model reflects how a NPO identifies what matters most when examining finances. These models include:

Revenue reliability: According to Kramer (2018:2), this refers to “an organization’s track-record of bringing in recurring dollars on an unrestricted operating basis year after year”. Kramer further asserts that while revenue reliability can be reflected in numbers via historical trends, it is more fully understood through communication with the organization’s leadership in the context of relevant market dynamics.

Consistent surpluses: Kramer (2018:2) argues that an appropriate business model is one characterized by reliable revenue that covers operating expenses and contributes to surpluses—all in the service of mission. Regarding organisations that should develop funding models, Kim et al. (2011:38) assert that normally funding models should be developed only by NPOs that do not have short-term financial constraints and can therefore concentrate on designing funding strategies that will support the organisation in the long term. Furthermore, Kim et al. suggest that some of the associated concepts could provide helpful guidance to NPOs of a smaller size. Hailey (2014:12) believes that each size of NPO can develop a funding model for its financial sustainability.

While having reliable funders is important for financial sustainability, the relationship between the NPO and the funder may be challenging. Anheier et al. (1997:130) and Neumayr et al. (2015:297) state that NPOs are losing their distinct characteristics and qualities and are becoming more “state-like” in their organizational structure, orientation and behaviour. Guo’s (2007:458) study findings support this notion, suggesting that to some extent, reliance on government funding reduces the representativeness and influence of non-profit boards, the democratic function of NGOs may be seriously constrained.

Another challenge that NPOs face are donors setting the agenda. Harding (2014:59) reveals that this “varies from donors designing programmes and finding organisations to fund, to donors actually implementing programmes and possibly using NPOs as service providers”. Furthermore, some funding models may affect the quality of services NPOs provide to beneficiaries. Rutherford and Rabovsky (2014:185) analysed the effect of performance funding policies applied to institutions of higher learning. They found that these policies are not associated with higher levels of student performance and that these policies may in fact contribute to lower performance over a longer period.

It is no doubt that some NPOs in the City of Cape Town are suffering financial distress, which is affecting their operations. Furthermore, some NPO leaders are not aware of funding models which may help them to address the sustainability issues. Therefore, the main aim of this study is to explore different funding models used by NPOs and how funding models influence the

financial sustainability of organisations, using a case study of selected NPOs in the City of Cape Town.

2.8 Summary

This chapter explained different theories pertaining to NPOs, especially in South Africa. Literature was reviewed to identify gaps in the existing literature on the financial sustainability and funding models of NPOs. The main points that emerged from the literature review are that firstly, the scope of funding models is well developed in for-profit organisations where financial issues are clear (Foster et al., 2009:32), while the concept of funding models is new in the NPO sector. Furthermore, standard business models do not work well with NPOs because their natures are different. Secondly, each NPO, irrespective of its size, can develop a funding model. Thirdly, the South African NPO sector needs innovative ideas and diverse funding strategies that can improve their financial sustainability.

The analysis of the literature revealed a lack of peer-reviewed studies on funding models, especially for NPOs. Therefore, this study could contribute to the body of knowledge by shedding light on NPO funding models using a case study of Cape Town human rights NPOs.

The next chapter discusses the research methodology applied in this study.

CHAPTER 3:

RESEARCH METHODOLOGY

3.1 Introduction

Chapter 2 presented a review of literature related to this research. This chapter describes the research setting and methodology used to meet the objectives of the study, which were to determine the funding models applied in human rights NPOs, to establish how chosen funding models influence their financial sustainability and to identify the constraints and stimulators for implementing viable funding models.

3.2 An overview of a qualitative research approach

Nachmias and Nachmias (1996:15) state that methodology is “a system of explicit rules and procedures upon which research is based and against which claims for knowledge are evaluated”. This study adopted a qualitative strategy of data enquiry, and applied an interpretivist paradigm. “The challenge here is to enter the social world of our research subjects and understand their world from their point of view” (Saunders et al., 2008:116). Kivunja and Kuyini (2017:33) report that the emphasis of this paradigm is on discerning the unit of analysis and the interpretation of the world around them.

Saunders et al. (2008:116) argue that an interpretivist perspective is recommended for researchers focusing on business and management because business cases are complex and unique. Merriam (2009:5) states that “qualitative research is concerned with how people interpret their experiences, construct their worlds and what meanings they ascribe to their experiences”.

This study collected data using face-to-face interviews with the selected NPOs located in the City of Cape Town, as well as a review of financial statements. Data was analysed following qualitative research methodology. Interviews followed content analysis and documents were analysed using financial analysis tools, with the support of Microsoft Excel programme.

3.3 Respondents selection methods

The sites and participants of this study are human rights organisations in the City of Cape Town. Managers of five organisations were interviewed. Sites and participants were selected using a snowball sampling technique. Waters (2015:367) argues that this technique is an important tool for the investigation of mainly complex or private matters. Etikan et al. (2016:1) assert that during snowball sampling, an initial respondent is selected, who then recruits other respondents, whereafter the recruited subjects recruit further subjects. As a result, the sample expands “wave by wave like a snowball growing in size as it rolls down a hill” (Etikan et al., 2016:1).

During this process, a manager in the selected organisation was approached and the purpose of the research was explained to him. Once the manager agreed to be interviewed, he/she was asked to suggest another relevant person who was available to be interviewed.

3.4 Data collection method

This study employed two methods of data gathering under the qualitative umbrella, which were in-depth interviews and document review.

3.4.1 In-depth interviews

The study conducted in-depth interviews to overcome poor survey response rates. In addition, in-depth interviews are fruitful in this study because, as Boyce and Neale (2006:3) state, “it involves conducting intensive individual interviews with a small number of respondents to explore their perspectives on a particular idea, programme or situation”. Therefore, this study analysed the NPO sector and deals with matters around funding, which most organisations find difficult to discuss.

Interviews were conducted in five selected NPOs located in the City of Cape Town. Respondents to this research were persons involved in fundraising for the selected organisations and were at the level of executive directors and finance directors. During all interviews, data were collected using a digital audio recorder.

Each interview took approximately 45 minutes and was guided by the following interview schedule:

1. What is the name of our organisation and the year it was started?
2. What are the objectives of your organisation?
3. Tell me about the community or communities that the organisation serves?
4. What is the approximate annual budget during past three years?
5. Tell me about your funding and how is managed?
6. How effective is your organisation’s funding models and how are they used to contribute to the financial sustainability of your organisation?
7. Could you supply me with the following documents:
 - Founding documentation (mission, aim and objectives)
 - Strategic plans
 - Financial statements for three years
8. Is there anything else that you want to tell me about NPO funding?

3.4.2 Document review

Bowen (2009:33) argues that “document review is one of the methods that can be used to collect qualitative data”. Creswell (2013:84) observes that “document review involves a

researcher collecting and reviewing documents to obtain required data. Documents may be management or official reports, proceedings or minutes of meetings, or private documents". Silverman (2011:75) highlights the benefits of document reviews as "The use of document review saves time, especially when the required documents are readily available and freely and easily accessible".

For this study, documents related to income and funding information for each participating organisation were collected. This information helped the researcher to identify the funding models as well as how these funding models influenced the financial sustainability of organisation under study. Documents fulfilled a triangulation function by corroborating information supplied during interviews.

A funders' dashboard for each organisation was obtained and analysed to understand their funding flow and which projects are funded. Financial statements were obtained and analysed to see how funds were allocated and spent. This data were supplemented with a review of different literature. This section focused on the following areas:

- The budget analysis of participating organisations.

- Types and source of funding for each organisation.

- Funding models used in each organisation.

- Reserves for each organisation.

- The state of assets of organisations studied.

- Plans in place to increase financial sustainability.

3.5 Data analysis

This study utilised content analysis to determine the contents of interviews and thereafter thematic analysis for classification of contents and the identification of themes. Bowen (2009:32) argues that a thematic analysis approach involves looking at selected data and creating codes and categories based on the data's characteristics to uncover pertinent themes. In the thematic analysis approach, the researcher is expected to be objective and sensitive enough to identify subtle clues that illuminate the phenomenon being studied. Content analysis is "a technique used to analyse the informational contents of textual data" (Forman & Damschroder, 2007:39).

To meet this objective, guidelines for analysing qualitative data as suggested by Creswell (1994:155) were followed. The guidelines are the following:

- Reading through all the transcripts, then picking a single shortest or most interesting transcript and make a list of topics or clusters to identify similar topics.

- Writing quotes next to the appropriate segments of the text.

Developing the most descriptive wording for the topics and converting them into categories by grouping related topics.

Making a final decision on abbreviations for each category.

Assembling the data material belonging to each category in one place, performing a preliminary analysis and recording the existing data.

After data collection, the interview-transcription process followed to enable the researcher to analyse data. Following this process, the main themes that emerged were:

The description of organisations studied;

Sustainability challenges of NPOs studied;

Funding models adopted by organisation studied; and

Stimuli to the South African NPO sector

Documents were analysed using Financial Statements Analysis (FSA) tools. Sinha (2012:10) asserts that FSA is the analysis of financial statements by classifying the major components, establishing relations among them and interpreting those relations in the context of specific decision-making. Froelich et al. (2000:235) defines FSA in that it deals with the deep study of financial statements of companies and determining how the information contained in these can be used by the external and internal users. This study used two financial analytical tools suggested by (Sinha, 2012:49), one being Ratio Analysis which is commonly used for verifying the performance of an organisation and Comparative Financial Statements which help to compare an organisation with others in the same industry.

3.6 Ethical considerations

Ethical research principles were upheld during the conduct of this study. Ethical clearance was obtained from the Ethics Committee of the Faculty of Business and Management Sciences at the Cape Peninsula University of Technology (see Appendix A).

Respondents were fully informed about the nature of the study to dispel any possible misconceptions or anxieties. They were informed that their participation in the study was voluntary and that they were free to withdraw at any time and to refrain from answering any question if they so wished. They were also informed that their responses would remain confidential and that their anonymity was assured. The researcher obtained informed consent from the participants prior to the start of the study (see Appendix D). Respondents were treated with respect during interviews and the researcher did not manipulate them in any way.

Data obtained were used only for the purpose of this research and stored by the researcher in a safe place

3.7 Summary

This chapter described the research methodology and design used to meet the objectives of the study. It presented respondent selection techniques, data collection and data analysis. The data collection instrument was discussed, as well as ethical considerations applied in the study.

CHAPTER 4:

DATA ANALYSIS AND DISCUSSION OF FINDINGS

4.1 Introduction

The previous chapter presented the research methodology followed in this study. It discussed the site and the respondent selection process, data collection process as well as data analysis. This chapter analyses the data and discusses the findings in terms of achieving the objectives of the study.

During the data collection period, eight NPOs were approached. Six responded positively but one organisation dropped because it was not willing to share its financial statements. A snowball approach was followed in selecting sites and respondents. In this process, a meeting was held with the directors, at which they were asked to nominate the person who would participate in the interview. The most effective people to interview were those involved in fundraising for the organisation. Participants tended to be the executive director or the finance director.

The interview guide was prepared in English and a set of questions were used to guide the process. During the interviews, participants were encouraged to share their experience on how to manage and raise funds for the sustainability of their organisations. The research used semi-structured interviews due to its potential to overcome poor survey responses rates. "Semi-structured interviews provide a general direction for the conversation and ensure flexibility for the interviewee to direct part of the conversation" (Sanchez-Ayala, 2012:117). The interview guide is contained in Appendix C. Data from interviews were analysed using content analysis. In this process, recorded interviews were transcribed, then read through in an attempt to identify the main themes and sub-themes.

The study also reviewed financial statements of the selected organisations. These documents were requested after conducting interviews with the NPO managers. Financial statements as analysis tools were used in the analysis of documents, including ratios, graphs and tables.

This process of analysis contributed towards reaching the study's objectives, which were to determine the funding models applied in human rights-based organisations, to establish how chosen funding models influence the financial sustainability of the NPOs and to identify the constraints and stimulators for implementing viable funding models. This chapter starts by presenting an overview of research process, then describes organisations studied. Thirdly, it summarises the stimulus of the South African Government towards the NPOs. Fourthly, it discusses the sustainability challenges of NPOs and lastly it addresses the funding models.

4.2 Introduction to the organisations involved in this study

Five NPOs based in the Cape Town area were participants in the study, all with the main objective of advocating for human rights. The focus of these organisations, is among others, advocacy, capacity building, gender equality, health and education, social economic, integration of immigrants, promotion of social cohesion among people from different background and monitoring development commitments, delivery as well as the impact on grassroots communities.

Table 4.1: Date of creation and registration

Organisation	Date of Creation	Date of Registration
Organisation A	2006	2006
Organisation B	2005	2006
Organisation C	2002	2005
Organisation D	2001	2004
Organisation E	2012	2013

As can be seen in Table 4.1, the oldest organisation (D) was established in 2001 and registered in 2004; the second oldest organisation (C) established in 2002 and registered in 2005, while the youngest organisation (Organisation E) was established in 2012 and registered in 2013.

Organisational profiles were compiled based on answers to the following questions:

- a) What is the name of your organisation and the year it was started?
- b) What are the objectives of your organisation?
- c) Tell me about the community or communities that the organisation serves?

Table 4.2: Description of Organisation A

Name of the organisation	A
Year of creation	2006
Year of registration	2006
Main objectives	To monitor development commitments, delivery as well as the impact on grassroots communities. To work towards bringing strong additional African voices to the development agenda
Communities it serves	Grassroots communities on the African Continent Youth organisations and networks that are working on Agenda 2030 in 7 African Countries(Botswana, Burkina Faso, Ghana, Kenya, South Africa, Uganda and Zambia) to enable youth involvement in the implementation of the Sustainable Development Goals

As Table 4.2 depicts, organisation A was established in 2006 and registered as an NPO in the same year. Its objectives are to monitor development commitments, delivery as well as the impact on grassroots communities. The organisation also works towards bringing strong additional African voices to the development agenda, by making sure that citizens have the capacity, platform and opportunity to participate in the decision-making processes.

Organisation A serves grassroots communities on the African continent, currently working in Ghana, Kenya, Tanzania, Uganda and others. It works with the youth with the aim of developing youth champions and helping to take the message of Sustainable Development Goals (SDGs) 1 to the grassroots community and empowering them with knowledge on SGDs so that they can hold their governments accountable.

Table 4.3: Description of Organisation B

Name of the organisation	B
Date of creation	2005
Date of registration	2006
Main objectives	to focus on issues related to legal reform, inclusive education and access to gender affirming healthcare supports the emergence of nascent trans-led and trans-specific organisations whilst also supporting LGBTIQ organisations
Communities it serves	Transgender and gender diverse community.

Table 4.3 presents information about Organisation B, which started in 2005 and was registered as an NPO in 2006. It operates mainly in South Africa and across southern Africa. Its aim is to advocate on issues related to legal reform, inclusive education and access to gender affirming healthcare. Organisation B focuses on transgender and gender-diverse communities. It invests in and supports the emergence of nascent trans-led and trans-specific organisations whilst also supporting diverse lesbian, gay, bisexual, transgender, intersex and queer (LGBTIQ) organisations and stakeholders in the Southern African Development Community (SADC) region through ‘Trans 101’ sensitisation training and education workshops in the context of Sexual Orientation, Gender Identity and Expression (SOGIE). Its main activities are:

- Advocacy and research, access to gender-affirming health care and inclusive education; Capacity enhancement to transfer knowledge to community so that they can be able to advocate for themselves, to be able to access services;
- Facilitating access to direct access; and Building capacity of merging organisations.

Table 4.4: Description of Organisation C

Name of the organisation	C
Date of creation	2002
Date of registration	2005
Main objectives	to take care of the needs of immigrants and refugees and to insure social economic integration of refugees and immigrants.
Communities it serves	Refugees and immigrants Local citizens

Table 4.4 describes Organisation C, which was established in 2002 and registered as an NPO in 2005. Its objective is to take care of the needs of immigrants and refugees and ensure their social and economic integration. Organisation C has 58 staff, excluding volunteers who do a huge amount of work receiving no payment. This organisation has over 200 projects around the world and has seven main projects in Cape Town— a home for unaccompanied minors, a welfare desk, an English school, employment access programme, high school project, paralegal and high level advocacy, a woman’s platform and four profitable guest houses.

Table 4.5: Description of Organisation D

Name of the organisation	D
Date of creation	2001
Date of registration	2004
Main objective	To promote social cohesion and promote social economic development among people from different backgrounds.
Communities it serves	Young people

As Table 4.5 depicts, Organisation D was established in 2001 and registered in 2004. Its objective is to promote social cohesion among people from different backgrounds. This organisation started in Cape Town and has offices in Cape Town and Kwa-Zulu Natal. In Johannesburg, it liaises with other organisations and has started working with other SADC countries. This organisation focuses on the youth as it aims to make them agents of change. Once a year, it trains young people from different backgrounds about human rights. After finishing training, these people go out into their respective communities and train others.

Table 4.6: Description of Organisation E

Name of the organisation	E
Date of Creation	2012
Date of Registration	2013
Main objective	To strengthen the voice, visibility and collective organising power of women to create a just, sustainable world for all.
Communities it serves	Women

According to Table 4.6, Organisation E is an organisation dedicated to a feminist vision of social and political transformation where all people live with freedom, dignity, respect and wellbeing. It was established in 2012 and was registered in 2013. It operates in South Africa and southern Africa at large. Its objectives are strengthening the voice, visibility and collective organising power of women to create a just and sustainable world for all. Regarding the community that it serves, the organisation focuses on women, equipping them individually and collectively by structuring and sustaining safe spaces where women can:

- Deepen their analysis of power and injustice in their lives and their world;
- Gain and generate new tools, information and strategic skills;
- Renew energy and spirit;

- Spark and deepen their organizing;
- Practice and innovate new forms of power, leadership and organization;
- Strengthen political relationships of trust;
- Develop common agendas to address needs, rights and safety; and
- Build vertical and horizontal links across identities, sectors, issue silos and locations.

4.3 Data collection and analysis

To substantiate as well as crosscheck data gained through the face-to-face interviews, the researcher requested documents such as founding documentation, strategic plans and financial statements. These documents were analysed using different analytical tools, which included ratios, graphs and tables. The document review helped the researcher to understand the financial state of the selected organisations.

4.3.1 Data collection

This study employed face-to-face interviews and document analysis. Each interview took approximately 45 minutes. Before starting the interview, each respondent was required to sign an informed consent form, in which all aspects of the study were clearly explained to them.

The interview was guided by an interview schedule. All respondents were comfortable in welcomed all questions, except one organisation that was reluctant to disclose some information to the researcher. A summary of responses appears below.

Q1. What is the name of your organisation and the year it was created?

All participants responded to this question. They could all recall the year their organisations were created and the year of registration of the NPO.

Q2. What are the objectives of your organisation?

Participants understood this question and all responded to it.

Q3. Tell me about the community or communities that the organisation serves?

All participants responded to this question without any problem.

Q4. What is the approximate annual budget over the past three years?

Respondents could estimate the budgets of their organisations for the past three years and annual financial statements were used to verify the information found in section 4.4. (see Figure 4.2)

Q5. What are the sources of your funding?

Respondents responded by giving the main sources of funding of their organisations and annual financial statements were used to verify information which is found in section 4.5.2. (see Figure 4.5)

Q6. How effective are your organisation's funding models and how are they used to contribute to the financial sustainability of your organisation?

Participants responded to this question by indicating that they had an established source of funding to finance their programmes. Some organisations were confident in responding to this question while others indicated that they are struggling financially and could not define which funding models are contributing to their financial sustainability, which is found in section 4.5.

Q7. Could you supply me with the following documents?

To substantiate the information gained through the face-to-face interviews, the researcher requested respondents to provide founding documentation, strategic plans and financial statements for the past three years. Of the six participating organisations, five cooperated with the researcher but one would not supply these documents as they indicated their financial situation is confidential. This organisation was then eliminated from the research process (see section 4.1).

Q8. Is there anything else that you want to tell me about NPO funding?

For this question, respondents were allowed to indicate any issue that they thought was important and should be considered for this study. The question helped the researcher to obtain additional information. Most responses to this question were related to challenges NPOs face with funders, for example, different reporting templates, relationship with funders and capacity issue due to limited funds (see section 4.3.2.1).

4.3.2 Data analysis

This study concurs with past studies such as those of Enyioko (2012:1), Harding (2014:38) and Bukhala and Ganesh (2016:56), which highlighted the contribution of NPOs in alleviating social ills through implementing government programmes or their own initiatives. Harding (2014:38) asserts that "NPOs are very prominent in effective implementation of government's pro-poor programmes." Bukhala and Ganesh (2016:56) echoed the views expressed by Enyioko (2012) and Harding (2014), arguing that NPOs themselves undertake community development that is oriented towards the promotion of the interests of the poor people, pursue activities meant to relieve suffering, ensure the provision of easy access to social services and to advocate for the protection of mother nature.

4.3.2.1 Challenges faced by non-profit organisations

This study identified many challenges NPOs are facing which are threatening their sustainability. Table 4.8 below lists these challenges.

Table 4.7: List of challenges faced by respondent non-profit organisations

Organisations	Challenges
Organisation A	Lack of a dedicated staff responsible for the fundraising Forms for fund application and reporting Restricted funds
Organisation B	Lack of a dedicated staff responsible for the fundraising High competition among NPOs
Organisation C	None
Organisation D	Lack of a dedicated staff responsible for the fundraising Less funders for South African NPOs
Organisation E	Lack of dedicated staff responsible for the fundraising Restricted funds

As can be seen from Table 4.7, the main challenge facing the organisations is the lack of a dedicated person responsible for fundraising. This important task is left to staff over and above the other responsibilities they have, meaning fundraising is last on the list of priorities. Organisation A explained this problem as follows:

- The director and staff are supposed to fundraise but sometimes we want to do well on our programme and administration, fundraising is not our strong point and this affects the sustainability of the organisation”.

Organisation E echoed the need of staff in charge of the fundraising process:

- “We need a dedicated team of fundraiser (sic) because most of the work is done by the project team who have even more work and are not able to dedicate more time on fundraising.”

The second challenge is the issue of funds application and reporting forms. Respondents indicated that each funder has his own form to complete when reporting and all require time and attention. This leads to some NPOs failing to comply with their funders requirements. Organisation A suggests a standardised funding system as well as trust between funders and NPOs. It suggested also that NPOs need to take their job seriously and increase their skills in financial intelligence. Organisation A stated:

- Funders need to standardize their template to make it easy for organisations. Funders need to start believing in us but also NPO need to act as they are in business and have systems in place. We need to be able to analyse financial information and take it forward in our strategic planning. In NPO sector, the capacity is a big issue with too much to do and less people.

The third issue is funds which are not flexible. Most of the funds received are dedicated to projects and less is given for operations and personnel. This causes the organisations to struggle to attract competent employees due to limited resources. Most donors would not see it necessary to provide funds for the organisations so that they could accumulate assets, which could assist them in producing extra income. Organisations A, E and D noted the following:

- The funders change their focus from time to time, the flavour of the period and they fund some areas of the work and this leave the organisation in a straitening situation. Some funders give some % (sic) toward administration but they are not willing to give more than 10-12% and that is challenging on how to absorb those expenses. [Organisation A]
- Our funds are used according to the approved budget and the agreement we have with the funders. Most funds are projects based and do not support core so it is difficult to be able to implement projects which are not in the agreement with the funders. [Organisation E]
- Most of the funders allow only 10% for administration and overheads costs, most of funders do not want to pay salaries, so it is difficult to raise money for salaries and overheads. [Organisation D]

The fifth challenge is the competition among NPOs for funds. Organisation B stated:

- Fundraising is not an easy task especially in NPO sector where there is a tough competition. Our organisation has been fortunate to attract funders like Global Fund and other funders who have been loyal over the years.

The study found that South Africa was excluded from some important funds which made it difficult for some NPOs. Organisation D stated:

- Most funders don't want to fund South African NPOs, which makes it difficult to raise funds. We depend on donor funding for almost everything. We only have small reserves which we have been accumulating throughout the years from interest.

The findings of this study align with the findings of other researchers. Hailey (2014:2) reports that NPOs face a significant challenge to achieve an adequate level of financial sustainability. Harding (2014:6) supports this notion, asserting that during the post-apartheid era, NPOs faced increasing challenges in raising funds, which was exacerbated by cut-backs and reductions in staff and resources, such as buildings, vehicles and equipment. The NPOs under study are also facing a "Non-profit Starvation Cycle", since some donors favour a lower

overhead cost ratio as it ensures that more money reaches beneficiaries directly. This leaves some organisations with less funds to cover administrative expenses and to procure materials needed to improve their services (Burkart et al., 2018:307).

4.3.2.2 Stimuli to the non-profit sector

During the apartheid era, the environment was not favourable for the growth of the NPO sector. The state was selective in supporting NPOs. Inyathelo (2009:3) reports that the organisations that aimed to challenge the regime are the ones that suffered most, as laws that emerged from the state focused on political control. Contrary to the apartheid regime, the democratic government focused on facilitating the NPO sector as a plan to support transformation in South Africa. In addition, the central as well provincial governments were instructed to allocate some funds from their budgets to NPOs, to support them in accomplishing their mandates as per the provision made by the NPO Act of 1997. In short, favourable policies and legislations were stimulators to the NPOs sector since the state provided a framework for NPO operations and allocated funds to deserving NPOs.

4.4 Financial sustainability

This section presents the analysis of financial sustainability of the NPO participants. It uses different financial indicators to identify the organisations at financial risk and those which are financially stable.

4.4.1 The state of assets

There are two types of assets—current assets and non-current assets. Nickolas (2020:1) defines current assets as assets which can be converted to cash within a firm's fiscal year and are the resources that a company needs to run its day-to-day operations and pay its current expenses. He defines noncurrent assets as a company's investments that have a useful life of more than one year and cannot be converted to cash easily (Nickolas, 2020:1).

Figure 4.1 below illustrates the state of non-current and current assets of the NPOs under study during 2018.

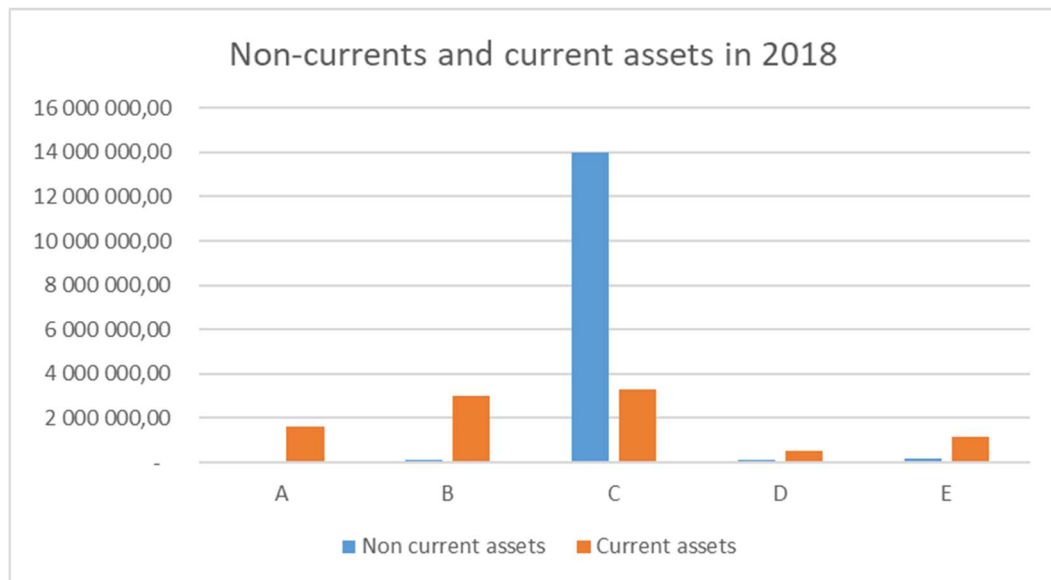


Figure 4.1: Non-current and current assets in 2018

The X-axis in Figure 4.1 represents the organisations involved in this study (organisations A, B, C, D and E) and the Y-axis represents the value of the assets the organisations have. The blue column represents non-current assets and the orange column represents current assets. The graph indicates that Organisations A, B, D and E have limited non-current assets. Their big contributor is the current assets and most of the time, current assets are committed funds for the projects which are deferred for the following year. Only Organisation C has solid assets as indicated by the blue column, one of which is a building that brings in rental income on a monthly basis and contributes to its financial sustainability.

Harding (2014:92) avers that reserves must come from funds from donors to a specific project or capital expenditure. Thomas (2012:7) states that “long-term assets are not expected to be converted to cash within a year”. Examples are buildings, furniture, equipment and vehicles, all of which are expected to serve the needs of the organization over a number of years. The findings of this study indicate that only Organisation C has a significant reserve in the form of long-term assets.

4.4.2 The budget analysis of participating organisations

The figure below presents the approximate annual budget of participating organisations for the past three years.

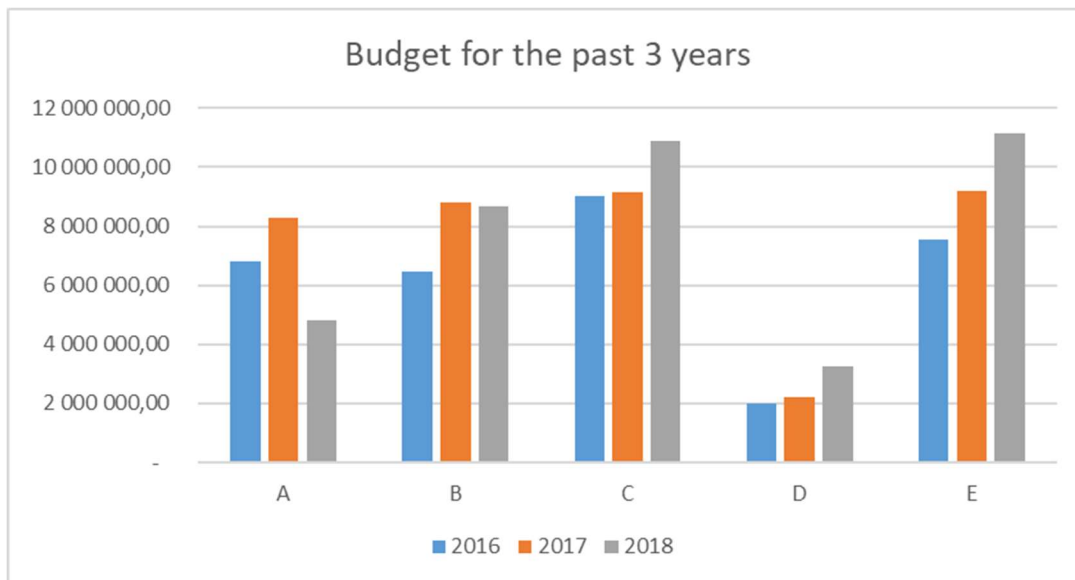


Figure 4.2: Budget for the past three years

As can be seen in Figure 4.2 above, the X-axis represents the organisations interviewed and the Y-axis represents the budgeted amounts, from zero to R12 million. The blue columns represent the 2016 budget, the orange columns for 2017 and grey columns for 2018. In 2016, Organisation A had a budget over R6 million. It increased in 2017 to over R8 million but experienced a reduction in 2018 by almost half of the previous year. This was caused by the decreased funding received in 2018 which affected operations and programme activities. It also resulted in retrenchment of staff so that the organisation could survive.

There was an increase in the budget of B from 2016 to 2017, from R6 million to R8 million, with a small reduction in budget in 2018. Organisation C is a good example of increases in budgets each year (from Figure 4.1, it was noted that their interest-bearing non-current assets are high compared to other organisations). Organisation D is the only organisation with a budget below R5 million for the three years but even though they had small budgets, there was no reduction in the three years. There was an increase in the budgets of Organisation E for the three years. The budget grew from approximately R7 million in 2016 to R11 million in 2018.

The majority of the budgets comprise income from donors, which indicates a reliance on donor funding for their existence. In addition, not all organisations managed to increase their annual budgets as shown in Figure 4.2, which shows that some organisations are struggling to raise more funds and their budgets remained the same or decreased over the years.

Organisation C has a variety of sources of funds which makes it financially stable. These sources are self-generating funds like assets, funds delivered from successful grant writings, a variety of donors, including different governments and international and local funding agencies. Organisation C has a strong monitoring and evaluation system which boosts the trust of donors. Organisation C indicates:

- Self-generating funds with the guesthouses with 12 on-suite rooms which generate around 12 million (sic) per annum, skills training which we charge R 300 per person for registration and we serve around 7000 people per year and we generate around 4 m (sic) per annum. We also diversify our donors between faith-based donors, governments. Because our projects are diversifying, we also get funds from grant writing by projects. We have wide range of projects from Welfare, paralegal and advocacy, women's platform, Child and youth care centre support. The governments that are supporting us are US state department, UNHCR, DSD, USAID to name the few. Philanthropy we have anonymous donors who have been supporting us for few years, we have also funding from National Lottery and they come and go according to their cycle. We have a good monitoring and evaluation programme and our funds are managed properly and according to the approved projects.

Beside monetary assistance, Organisation C has a team of volunteers who perform a huge amount of work for free. This contributes to its financial sustainability. Organisation C states:

- We have a powerful team of volunteers and they assist with our sustainability and they do a huge amount of work. We don't offer any financial assistance to our volunteers they look after themselves and they are very effective and work very hard.

As these findings reveal, only Organisation C is financially sustainable while four rely heavily on outside resources from donors. These findings align with a past study which reveals that "most NPOs are faced with sustainability challenges which can be attributed to difficulties in the design, monitoring and implementation of project financing strategies which may impact negatively on overall sustainability" (Ruhara & Moronge, 2016:297).

4.4.3 The current ratio (= current assets/current liabilities)

The current ratio indicates the ability of an organisation to meet its current obligations as and when they are due for payment. A higher current ratio is favourable with short-term creditors as it indicates the organisation's ability to meet its immediate debts, whereas a low ratio causes concerns to them (Henry et al., 2011:300). A good current ratio is greater than one, which indicates the organisation has twice (double) its current assets to cover its expenses/debts. A current ratio of less than 1 means that the organisation does not have enough liquid assets (cash and cash convertibles) to cover its short-term obligations. A ratio of 1:1 shows that current assets are equal to current liabilities, the organisation is breaking even and is just able to cover all of its short-term obligations. However, a higher ratio may also indicate that the cash resources are not being used efficiently since they could be invested in profitable investments and earn interest.

Table 4.8: Current ratio

Organisations	A	B	C	D	E
Current ratio	4:1	1:1	6.8:1	46:1	0.99:1

Table 4.8 reveals the current ratio of the five organisations studied. A has a current ratio of 4:1 which means that its current assets are four times higher than its current liabilities and therefore it can meet its short-term obligations. However, the high ratio also indicates the organisation's cash resources are not being used efficiently and effectively. These could be invested in profitable investments and earn interest. This might also mean that they have many projects which are outstanding and need to be completed in a short period.

Organisation B has a current ratio of 1:1 which shows that they are just able to cover all of their current obligations. Although they are able to cover the current (short-term) obligations, this is risky and not recommendable.

Organisation C has a ratio of 6.8:1 which means that their current assets are six times higher than the current liabilities. They are in a good financial position as their non-current assets are also high. They are able to pay their current creditors but they should seek ways of investing some of the cash so that it can generate interest to support their operations or to put away in their reserves.

Organisation D's current ratio is 46 times higher than their current liabilities. Most of their cash is sitting in current assets and they are able to meet their current obligations. This also shows that they have few non-current assets and almost all their assets are sitting in current assets (cash and cash equivalents) which is not a good position financially, they should invest in non-current assets too. They should also explore ways of investing the cash for interest-bearing income which can contribute to the organisation's expenses or be put in their reserves.

Organisation E's current ratio is below 1 which is a concern as the organisation does not have enough liquidity (cash) to cover their current liabilities and this puts them in unstable situation.

Figure 4.2 depicts that organisation C has budget which show significant increases in three consecutive years. This organisation has a variety of sources of funds which make it financially stable. It has also a strong monitoring and evaluation system which boost donors' trust, while the budget analysis indicates that organisations D and E's budgets increased slightly and the remaining two organisations(A and B) are struggling to raise their budgets and to maintain them. The current ratio helps to identify the organisation that is struggling most. According to the current ratio analysis, Organisation E is in an undesirable situation, while other four are able to meet their short-term needs.

4.4.4 “Surplus/deficit for the past three years” as two organizations show a deficit

Figure 4.3 below compares the organisations studied in term of their surplus or deficits in relation to their budgets.

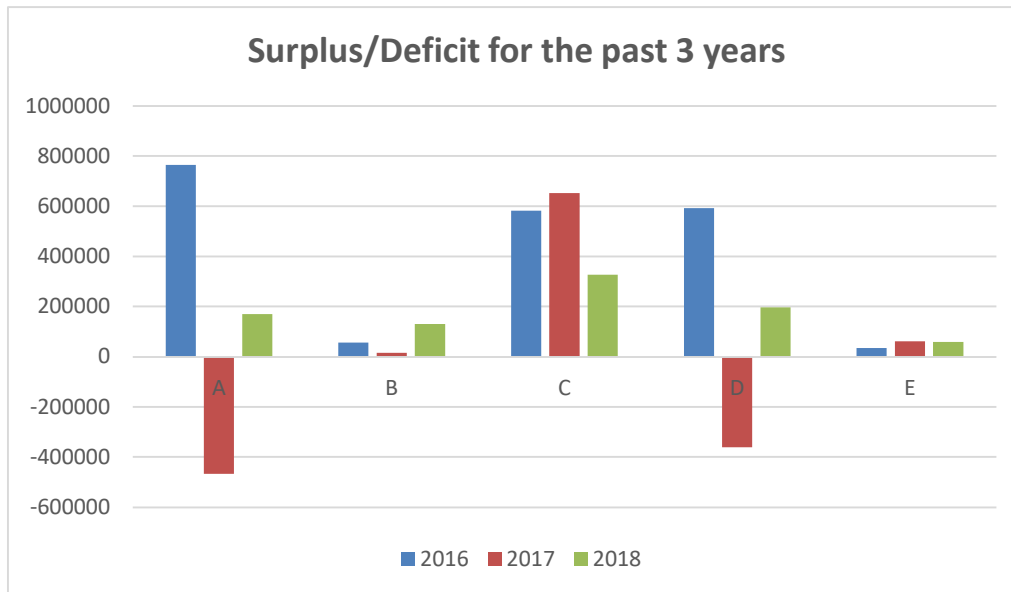


Figure 4.3: Surplus/deficit for the past three years

The X-axis in Figure 4.3 represents the organisations studied and Y-axis represents the surplus or deficit value. The blue column represents the year 2016, orange for 2017 and grey for 2018. Organisation A had a surplus of almost R800,000 in 2016 but in 2017 it showed a deficit of almost R500,000, which indicates that expenses were more than income. In 2018, they had a surplus of almost R200,000. Organisation B shows a surplus which is less than R100,000 for over two years (2016 and 2017) and in 2018 they had a surplus of over R100,000, which is encouraging. Organisation C shows a surplus of over R 5 million over two years (2016 and 2017) and in 2018 the surplus was below that but they were still the best-performing organisation of the five organisations studied.

Of the five NPO participants, Organisation C satisfies the profitability ratio as it is able to realise a surplus after all expenses and costs are paid. Organisation B and Organisation E realised a profit after covering all costs but they need to find ways of increasing their reserves for future sustainability of their organisations. Both Organisation A and Organisation D realised a big loss in 2017, which is a concern for the sustainability of both organisations as they are not able to contribute to their reserves. In 2018, they managed to have a small surplus, which is not enough to sustain them for a few months if donors stop funding their organisations or delay the funding. This will force them to close their doors as they do not have the reserves to carry their mission into the future. Deficits are unsustainable over a period and this puts the organisations in an unstable state.

Bukhala and Ganesh (2016:55) similarly note that:

- In the non-profit sector, unpredictability is a fact. Most implemented organisational projects require huge amounts of money to ensure the attainment of project goals, however, when external funding ceases it leads to sustainability challenges.

To further analyse the surplus or deficit of the organisations, the programme service expense ratio was used, as discussed below.

4.4.5 Programme service expense ratio (programme services expenses/total expenses)

Holman et al. (n.d.:18) assert that the programme expense ratio allows the organisation to know what amount of resources are spent on programmes versus overheads. Donors generally view higher values of programme expense ratio as desirable since this represents resources that are being directed to mission-related programmes.

Table 4.9: Programme service expense ratio

Organisations	A	B	C	D	E
Programme expense ratio	87%	39%	35%	85%	71%

Table 4.9 shows the programme service expense ratio of the five organisations that participated in this study. For Organisations A, D and E the findings indicate that a high percentage of funds is put into the programme and a lower percentage into the operation of the organisation. Some donors prefer to see that their funds are put into the programme but a higher percentage can also indicate that the organisation may not be investing in its infrastructure to help sustain itself. The organisation should find ways to continue investing in its mission and programme and at the same time in growth.

Organisations B and C have a lower percentage which indicates that a higher proportion of funds are spent on operations than on the programme. They need to find a balance between the programme and operations and to source other funding which can support their operations so that they can do more to accomplish their mission.

This study concurs with Harding (2014:ii) who asserts, “NPOs are perceived to be critical to the wellbeing of the society but the sector is under pressure, with many showing a financial deficit.”

4.4.6 Non-profit organisations' reserves analysis

Figure 4.4 below depicts the situation of the organisations in term of their reserves.

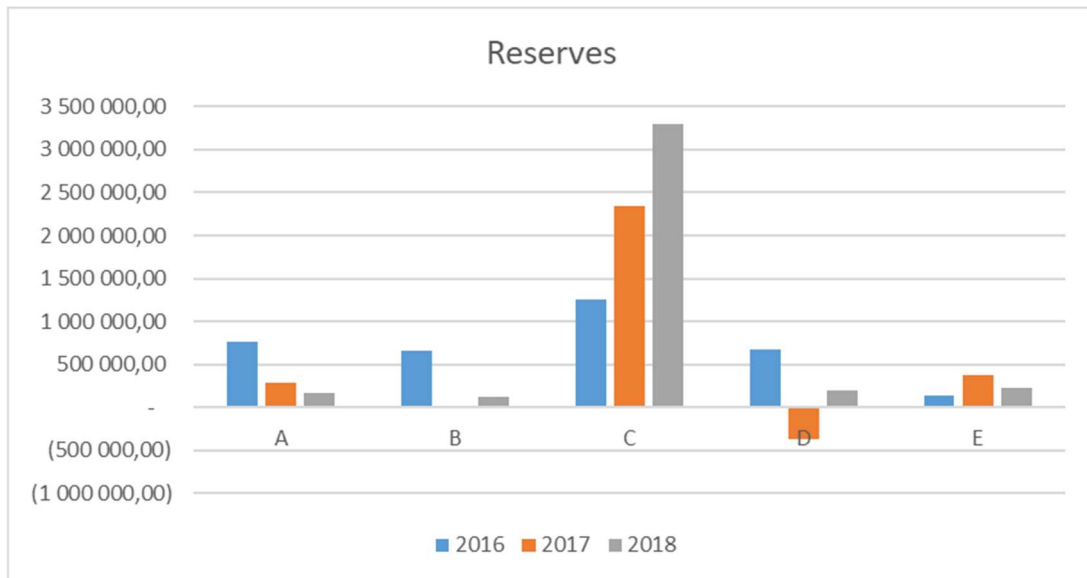


Figure 4.4: Reserves of organisations

In Figure 4.4, the X-axis represents the organisations studied and the Y-axis represents the amounts of their reserves. Organisation C shows increases in their reserves over the period of three years from over R1 million in 2016 to over R3 million in 2018. This means the financial health of C is good, the organisation can survive in the short term and can sustain itself in the long term.

Organisation A had a reserve of over R700,000 in 2016 and it decreased to under R200,000 in 2018. This means that they were not able to contribute to their reserve in 2017 and 2018 but had to tap into their reserves to be able to sustain their operations. Organisation B had a reserve of over R600,000 in 2016, but this had been reduced to under R20,000 in 2017, which means that they were not able to contribute to their reserves but had to use their reserves to contribute to their operations. In 2018, they managed to increase their reserves to over R100,000. Organisation D had a reserve of over R0.5 million in 2016 but in 2017 they exhausted all their reserves and realised a deficit of over R300,000, as shown in Figure 4.4. However, they managed to raise their reserves to almost R200,000 in 2018. If their donor funding ceases, they will not be able to carry on their activities and fulfil their mission as they rely heavily on donor funding and have no self-generating income. Organisation E managed to keep their reserves positive over the period of three years. In 2016 their reserves were over R100,000, in 2017 it was over R300,000 but in 2018 it decreased to under R300,000. Their surplus decreased too as they experienced an increase in their expenses. Even though Organisations A, B and E managed to sustain positive reserves, they were not consistent in

contributing to their reserves and in some instances, they had to tap into their reserves. Out of the five organisations, Organisation C shows consistency in contributing to their reserves and managed to increase their reserve from R1 million to over R3 million for a period of three years and their budgets and assets increased simultaneously. This is a good indication of financial sustainability as they are able to support their operations and mission for some time even if their donors stopped their contributions. The reserves of the other three organisations (A, B and D) have shown a decrease from 2016 to 2018, which is an indication that the organisations are digging into their reserves to cover unfunded budgets. As time passes, their financial sustainability is being reduced.

Table 4.10 below indicates the source of funds that the NPO participants used to build their reserves.

Table 4.10: Contributors to the reserve funds

Organisations	Skills Training	Rental income	Interest income	Exchange gain
A			√	√
B			√	√
C	√	√	√	√
D	√		√	√
E			√	

Table 4.10 shows that the most common contributor to the reserve funds of all five organisations is interest income and exchange gains. Due to the exchange rate fluctuation (weak Rand), the organisations benefit as they receive most of their funds in foreign currency. With the funds placed in investment accounts, these funds accumulate interest, which is beneficial to the organisation. Organisation C has rental income monthly from its guesthouse with 12 rooms. It also has a skills training programme with a once-off registration fee of R300 per person and a minimum of 700 people trained per annum.

Figure 4.4 indicates that Organisation C has reserves that can sustain it in the long run. The other four organisations depend on donor funding and most of their reserves are built from interest income and exchange gains only. The picture painted by Figure 4.4 raises a concern and reveals a high risk for the sustainability of the other four organisations as they are dependent on outsiders to supporting their projects.

4.4.7 Reserves to capital ratio (reserves/capital)

Henry et al. (2011:324) report that the reserve to capital ratio is the link between reserves and capital. A high reserves ratio indicates the organisation's finance is in good order and that the organisation is able to cope with future financial losses.

Table 4.11: Reserves capital ratio for 2018

Organisations	A	B	C	D	E
Reserves capital ratio	13%	16%	34%	38%	2%

Table 4.11 shows the reserves to capital ratio for 2018. According to this ratio, Organisation A has a ratio of 13% of reserves to its capital. This indicates that Organisation A can survive only for a few months if funding from donors stops. In the event that it does not get funding, it risks not being able to continue with its operations with its available reserves. Organisation A needs to find ways of creating activities which can bring in cash to establish reserves to sustain the organisation in case there is no further funding from donors.

Organisation B's reserves are 16% of its capital. Organisation B is able to continue with operations for a few months but will have challenges in continuing to operate in the event that it does not receive funding beyond one year.

Organisation C has a very high proportion of reserves of 34% of its capital and is able to continue with its operations in the event of short-term future losses in grant income. With this high reserve, they can grow operations and invest as they wish, which is a good sign of financial soundness.

Organisation D has a good reserve of 38% of its capital and they are able to operate for a few months in the event of future losses or have limited funds coming in.

Organisation E has the lowest proportion of reserves at 2% of its capital, which means it will not be able to meet any potential future losses. In the event that it does not get funding it risks not being able to continue with its operations with the available reserves.

These findings support previous findings that highlighted the importance of operating reserves. Grizzle et al. (2015:74) assert that operating reserves:

- ...may not only have the ability to aid Non-Profit Organizations (NPOs) in navigating periods of fiscal stress but also have the potential to stabilize an NPO's finances by providing a cushion against unexpected events, loss of funding and large unbudgeted expenses.

Gebreselassie-Hagos and Smit (2013:114) report that “61% of organisations would have to close if regular funding ceased, as they have no reserves to cover future operations”. Therefore, Harding (2014:90) suggests that NPOs have to build up financial reserves to manage a deficit during an economic crisis. Hailey (2014:3) reiterates that “sustainable NPOs have built sufficient financial reserves and strategically manage and finance all organisational costs and overheads”.

4.4.8 Solvency ratio (total liabilities/total equity)

Kenton (2020:1) asserts that the solvency ratio is used to measure a company’s “actual cash flow rather than income by adding back depreciation and other non-cash expenses to assess the company’s capacity to stay afloat. It helps in identifying how much an organisation is funded by debt compared to equity (the organisation’s own capital) contribution. This ratio helps to determine the financial position of the organisation from a long-term solvency point of view. It ascertains the organisation’s ability to meet its long-term financial obligations.

Organisations whose ratio is greater than 1.0 use more debt than equity in financing their operations. If the ratio is less than 1.0, they use more equity than debt. Organisation A has a ratio higher than 1 which indicates greater risk and lower safety to the owners. It also makes the organisation vulnerable to business cycles and its solvency becomes suspect.

Table 4.12: Solvency ratio

Organisations	A	B	C	D	E
Solvency ratio	.33:1	2.84:1	.03:1	.02:1	3.7:1

As seen in Table 4.12, Organisations B and E have ratios which are higher than 1, which means that they use more debt to finance their operations and their liabilities exceed equity, so they are not in a position to cover their operations easily. They rely heavily on donors and once the funding has dried up, they will be forced to close the doors if the financial situation does not improve. The analysis done on the source of income also indicated that most of their funding comes from donors. Both organisations need to increase their (own) equity so that the ratio becomes much lower to put them in a safer position.

Organisations A, C and D show favourable ratios, which are lower than 1. They could operate for a few months if they did not get further funding and are able to honour their obligations without relying on any outsider. Organisations are advised to have reserves in place for their sustainability.

4.5 Analysis of funding models

This section discusses the funding models employed by the selected organisations. To analyse them, the research used data from financial reports gained from each participant organisation. The analysis was supplemented with data from face-to-face interviews to depict a complete picture of funding models used by organisations. The analysis focused on the sources of funding, the awareness of funding models and future plans to increase financial sustainability for the selected organisations.

4.5.1 Awareness of funding models

Respondents were asked if they were aware of funding models and if they applied them in their fundraising endeavours. The table below depicts their responses to this question.

Table 4.13: The knowledge and application of funding models

Organisations	Know about funding models	Apply funding models
Organisation A	No	No
Organisation B	No	No
Organisation C	Yes	Yes
Organisation D	No	No
Organisation E	No	No

Table 4.13 shows that of five organisations interviewed, only Organisation C was aware of the funding models and was active in their fundraising initiatives. This organisation has a dedicated team responsible for its fundraising. Organisation C is financially sustainable with a building valued at over R10 million, which generates income annually. With funding from different sources and the training programme which brings in training fees, it puts the organisation in a very secure position financially. On the other hand, the other four organisations were not aware of funding models. This finding concurs with Foster et al. (2009:32) who suggest that a funding model concept is new to the NPO sector, as it was developed for for-profit organisations, where there is comparatively more clarity on financial issues.

4.5.2 Sources of funding of the non-profit organisations studied

The figure below illustrates the sources of funds for participating NPOs.

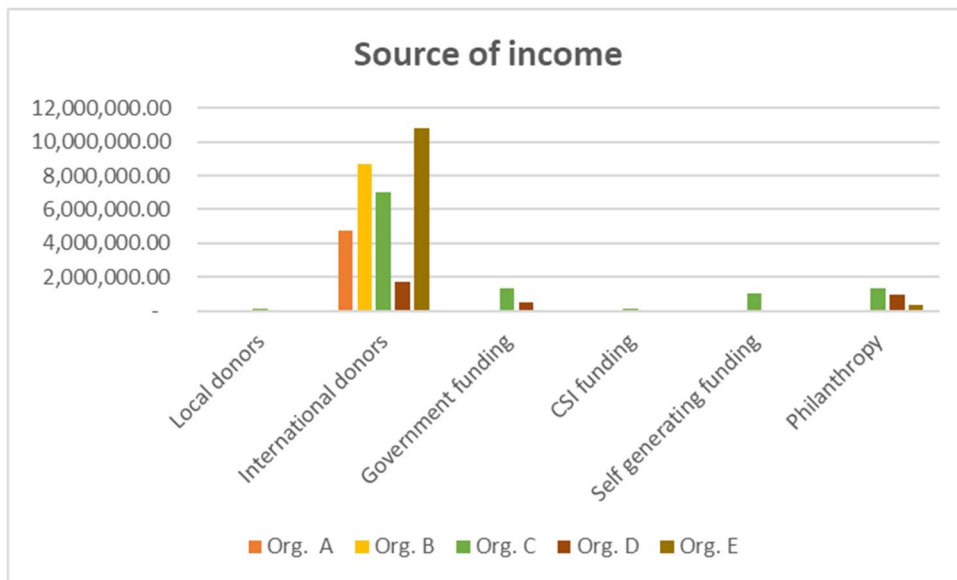


Figure 4.5: Source of income

In Figure 4.5, the X-axis represents the source of income and the Y-axis represents the amount of income received. The orange column represents organisation A and as per the graph, more than R4,000,000 million comes from international donors and they rely heavily on them. The yellow colour represents Organisation B and as per the graph, most of their funding is from international donors and other sources of income are minimal.

The green column represents Organisation C. Their source of income is diversified, being from international donors, local government, corporate social investment (CSI), philanthropy and self-generating funding. This is a good example of how well their funding models are used and working for them as their financial situation is stable. Organisation D is shown by the red column. More than half of their funding comes from international donors and other funding is from philanthropy, government and a bit of self-generating funding. Organisation E is represented by the brown column. Most of their funding comes from international donors as shown by the graph and a small part of their funding comes from philanthropy and self-generating funding, which is mostly from interest income and exchange gains.

Figure 4.5 illustrates that organisations A, B, D and E depends more on international donors than on local and government funding. Self-generating funding is minimal. This raises a big concern and reveals a high risk for the sustainability of these four organisations as they are heavily dependent on outside sources for supporting their projects. If the international donors pull out, it will mean closing of doors for most organisations or a reduction in their activities.

In South Africa, NPOs depend on State funds as well as funding from the international community to safeguard their sustainability (Harding, 2014:3). “Regarding the source of funding, the majority of the income of South African NPOs is derived from three core sources—government subsidies, local donations and membership subscriptions” (Lehohla, 2016:15).

Voluntary funding as well as in-kind goods make a significant contribution to South African NPOs.

4.5.3 Plans to increase financial sustainability

Some of the organisations under study adopted strategies to increase their sources of funds or are looking to introduce new sources of funding. For example, Organisation A is planning to allow its employees to do consulting work in its interest. It intends also to collaborate with big business for mutual benefits.

- We are looking on allowing individual in the organisation with lot of experience to consult with high level organisation and bring those funds in the organisation. We are only starting now; this might be the other way of getting income for the organisation. We are also thinking of collaborating with businesses and see how we can work together because most of the issues we are raising are social issues which are affecting businesses and they need to recognise them. They could possibly consult with them so that we give them access to the community and then charge them for those services. [Organisation A]

Organisation B is trying to build reserves so that it can survive in case funds are reduced.

- We are trying to build up the reserves for the organisation so that if the worse comes we will be able to survive two or three years through exchange gain and interests gain. We are also trying to charge small fees for the training we are offering. [Organisation B and E].

Organisation D asserts that

- Since last year, we also have the paypal system which those who want to donate can use, we also do fundraising activities where we get little money like R5,000. [Organisation D]

4.5.4 Funding models used by non-profit participant organisations

Funding models used by the participant organisations were identified using documentary analysis as well as interviews with managers. The table below indicates the funding models that are used by the participant organisations, even though the table indicates that Organisations A, B, D and E seem to be using some of the funding models unknowingly.

Table 4.14: Different funding models used

Organisations	Beneficiary Builder	Member Motivator	Big Bettor	Public Provider	Resource Recycler
Organisation A			√		
Organisation B			√		
Organisation C	√	√	√	√	√
Organisation D	√		√	√	
Organisation E		√	√		

Funding models are described by Kim et al. (2011:37) as a “methodical and institutionalized approach to build a reliable revenue base to support an organisation’s core programmes and services”. The effective use of funding models has the potential to create NPO sustainability (Hailey, 2014:2). They can help the NPO to secure the funds that they could need for future use.

The South Africa Statistics report of 2014 reveals that of 120,227 NPOs operating in South Africa, 44.3% of them receive their funding from the central government (Lehohla, 2016:16). This demonstrates that the Big Bettor model is prevalent in South Africa’s NPO sector funding. The report further reveals that donations from foundations and individual philanthropists is the second largest contributor at 25.4% in 2014, which points to the use of the Public Provider model as the second most prevalent model in South Africa.

Table 4.14 reveals that the funding model which is most used is the Big Bettor, used by all five organisations. This model refers to “when NPOs rely on major grants from individuals or foundations to fund their operations and from the fundings from the research” (Foster et al., 2009:38).

Funding models used by three organisations are:

- The Public Provider used by two organisations. This model refers to when NPOs “work with government agencies to provide essential social services for which the government has previously defined and allocated funding” (Foster et al., 2009:36). Some organisations work with government agencies like the Department of Social Development to provide essential social services such as housing, human services and education for which government has previously defined and allocated funding.
- Member Motivator used by two organisations. This model refers to non-profit organisations that rely on individual donations. These individuals donate money because the issue is integral to their everyday life and is something from which they draw a collective benefit (Foster et al., 2009:36).

- The funding model that is used by one organisation only is the Resource Recycler. This model refers to some non-profit businesses that have grown by collecting in-kind donations from corporations and individuals and then distributing these donated goods to needy recipients who could not have purchased them on the open market (Foster et al., 2009:38).

Of the five organisations interviewed, only Organisation C is well positioned and has secured funding from different sources—the guest house-income which has twelve rooms, government funding, philanthropy, local donors and international donors and thus making it financially stable. Contrary to this, the remaining four organisations are very much reliant on donor funding and face the risk of being shut down should their funding be cut off. Hailey (2014:1) suggests that the more diverse the sources of funding the organisation has, the more financially self-sufficient and sustainable it will be. Many NPOs are not aware of how they can acquire funds necessary for the organisation's sustainability (Kim et al., 2011:1) and NPOs are therefore commonly faced with the challenge of financial sustainability, which impacts negatively on the achievement of their objectives.

The study's findings indicate that though all five organisations have implemented some kind of funding model, Organisation C has managed to diversify funding models, which has made it financially sustainable.

4.6 Summary

This chapter described the organisations under study and summarised the main findings of this study. It addressed challenges and stimuli, financial sustainability and the funding models each organisation has applied. The study found that of the participants, only one organisation was aware of funding models, while others were applying some of the funding models unknowingly. After analysing the interviews and financial statements, the study concluded that an organisation that used a variety of funding models was able to build its financial sustainability. This study concurs with past studies on funding models, such as Foster et al. (2009) and Kim et al. (2011) that predicted the importance of funding models in NPO sector financial performance.

The next chapter consolidates the study's findings. It demonstrates how the study reached its objectives and suggests recommendations to different stakeholders.

CHAPTER 5:

CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The previous chapter analysed the data and discussed the findings. This chapter concludes the study. It demonstrates how the research objectives were achieved and suggests recommendations for NPOs, the Department of Social Development, funders, as well as future researchers.

5.2 Summary of the study

The main aim of this study was to explore different funding models used by NPOs and how funding models influenced the financial sustainability of the selected NPOs. The specific objectives of the study were to identify the funding models applied in the selected human rights-based NPOs, to establish how the chosen funding models influenced their financial sustainability and to identify the constraints and stimulators for implementing viable funding models.

This study followed a qualitative research methodology, with face-to-face interviews as well as a document analysis. Data were collected on five NPOs located in the City of Cape Town. Financial data were analysed using financial analysis tools and interviews were analysed through content analysis. The study investigated the financial sustainability of the organisations by analysing the financial statements, the funding models used to raise funds and the sources of income. The findings measured the level of sustainability of the organisations by looking at indicators such as their assets, surplus/deficit per annum, funding models used, their reserve funds, sources of income and the budgets.

The first study objective was to identify the funding models applied in the selected NPOs. The findings reveal that five funding models are used. The most commonly used model is the Big Bettor model, as it is used by all five organisations. This refers to organisations that “rely on major grants from a few individuals or foundations to fund their operations” (Foster et al., 2009:36). All organisations studied are in partnership with a number of individuals or foundations that fund them. The second-most used models are Public Provider, Beneficiary Builder and Member Motivator, each one used by two organisations.

The second objective was to establish how the chosen funding models influence the financial sustainability of an organisation. The findings of this study reveal that in terms of financial sustainability, only one organisation is financially sustainable. Organisation C is the second oldest organisation, formed in 2002 and registered in 2005. Organisation C is the only organisation that is aware of funding models and applies them in their operations. Organisation

C also applies five different models, the: Beneficiary Builder, Member Motivator, Big Better, Public Provider and Resource Recycler. Because of this, it managed to increase its budget over three years (2016, 2017 and 2018). The financial sustainability of Organisation C is shown by its increasing reserves on a yearly basis, which increased from R1,200,000 in 2016 to R2,300,000 in 2017 and to R3,300,000 in 2018. The other four NPOs' reserves are decreasing each year, which is an indication that the organisations are digging into their reserves to cover unfunded budgets. Organisation C is the only organisation which has solid assets, one of which is in the form of a building which brings in rental income on a monthly basis and contributes to the sustainability of the organisation. The other organisations rely on current assets, which are in the form of funds from donors, dedicated to support projects according to donor agreements. In some cases, if the organisation fails to comply with the donor agreements, they risk losing or having to repay the funds at the end of the contract.

The findings show that the one organisation that uses most of funding models is very stable and satisfied with the outcome. The recommendation is that other organisations should explore implementing funding models for the sustainability of their organisations and to achieve their goals. Foster (2011:37) suggests that each organisation should have a well-defined funding model to ensure long-term sustainability. Hailey (2014:1) echoes that financial sustainability is crucial for the long-term survival and effectiveness of all types of NPOs, where financial sustainability means its ability to broaden income and acquire new funds (Hailey, 2014:1). This suggests that the more diverse sources of funding the organisation has, the more financially self-sufficient and sustainable it will be.

The third objective was to identify the constraints and stimulators for implementing viable funding models. The study findings indicate that there are many stumbling blocks the NPOs face in their effort to develop their funding models. It is important to indicate that among the organisations studied, only four organisations (A, B, D and E) indicated challenges in their fundraising processes, as listed below:

- No dedicated person responsible for fundraising;
- Non-standardised reporting templates;
- Restricted funds;
- High competition among NPOs for the same funders; and
- A limited number of funders for South African NGOs.

Stimulators for implementing effective funding models are indicated by the situation of Organisation C. This organisation is the only one that has a good budget and does not have any challenge in raising funds. This organisation has a variety of sources that make it financially stable. The sources are:

- Self-generating funds such as solid assets and grant writing for projects;
- A variety of donors, including different governments, international and local funding agencies;
- A powerful team of volunteers that do a huge amount of work at no charge; and
- A strong monitoring and evaluation system that promotes the trust of donors.

The South African Government also established two main stimulators for NPOs. The first one is a policy environment. The South African Government introduced the Non-Profit Organisations Act (NPO Act), 71 of 1997 with the intention of creating an enabling environment that would allow NPOs and other civil society organisations to maintain adequate standards of governance, transparency and public accountability, while at the same time enjoying a wide degree of freedom and autonomy (South Africa, 1997).

The South African government further promulgated other pieces of legislations that have a bearing on the activities of the NPO sector, such as the Companies Act, No. 71 of 2008 (South Africa. Department of Trade and Industry [SA. DTI], 2008) and the Trust Property Control Act, 1998 (South Africa. Department of Justice [SA. DoJ], 1998).

The second stimulator is government funding to NPOs. NPOs have relied heavily on funding from the South African government through government subsidies and the international community to ensure their sustainability (Harding, 2014:3; Lehohla, 2016:15). Other stimulators are local donations, membership subscriptions, voluntary workers, in-kind goods and personal resources donated to NPOs (Lehohla, 2016:15).

5.3 Recommendations

The following are recommendations emanating from this study.

5.3.1 Recommendations to South African non-profit organisations

Most organisations are not aware of funding models and are surviving only from donors' funding. This raises a big concern because if the donors withdraw, then four of five organisations under study will close down eventually. Nevertheless, past researchers such as Hailey (2014:1) and Foster et al. (2011:37), as well as the findings of this study revealed that the more diverse sources of funding the organisations have the more financially self-sufficient and sustainable they would be. There is a need for NPOs to diversify funding sources and not rely on only one or two sources of income as this shows the poor level of sustainability in the NPO sector. Therefore, NPOs are encouraged to explore different methods of raising funds and building solid relationships with their funders so that they can discuss with them ways to improve the financial sustainability of their organisations and how donors can contribute to it.

Volunteers are a source of income for NPOs since they help organisations in cutting costs by performing different duties at no charge. Therefore, South African NPOs should develop programmes that volunteers can support.

The study findings show that an organisation with fixed assets that generate extra income are more financially sustainable than others are. Therefore, all NPOs should strive to have some fixed assets that can generate income.

NPOs should build their reserves since they may help them in times of distress.

5.3.2 Recommendations for funders

The study reveals that there is no conformity in terms of funding application forms. Each funder has their own form to fill when enquiring about funding, which leads to some NPOs' failure to comply with funders' requirements. Therefore, there is a need for funders to standardise their forms and make them easy to understand and complete.

5.3.3 Recommendations for policy makers

This study reveals that the main challenges facing the organisations studied are the lack of a dedicated personnel responsible for fundraising. Therefore, the Department of Social Development, in collaboration with the Department of Education, should establish training courses for NPO staff with the aim to boost their fundraising skills.

The study findings indicate that South African NPOs are excluded from some international funding. Therefore, the Department of Social Development should intervene and negotiate with those funders so that they could open their doors to South African NPOs.

5.3.4 Recommendations for future research

Due to time and resource constraints, this study investigated only five NPOs located in the City of Cape Town. These places a limitation on acquiring knowledge on funding models and their role in boosting the sustainability of NPOs.

Future research could replicate this study in other provinces of South Africa or other NPO sub-sectors.

Future research could conduct a longitudinal study that would analyse the application and evolution of funding models over time.

5.4 Summary

This chapter summarised the study. It revisited the research objectives of the study and demonstrated clearly how they were met. Firstly, it determined the funding models applied in human rights-based organisations. Secondly, it established how chosen funding models

influence the NPO's financial sustainability. Lastly, it identified different constraints and stimulators for implementing viable funding models.

As a way forward, this chapter presented a number of recommendations to different stakeholders, including South Africans NPOs, funders, policy makers and future researchers.

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LIST OF APPENDIXES

A: CPUT ETHICAL CLEARANCE



P.O. Box 1906 • Bellville 7535 South Africa • Tel: +27 21 4603291 • Email: fbmsethics@cput.ac.za
Symphony Road Bellville 7535


Office of the Chairperson Research Ethics Committee	Faculty: BUSINESS AND MANAGEMENT SCIENCES
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At a meeting of the Faculty's Research Ethics Committee on **21 August 2018**, Ethics **Approval** was granted to **Esperance Ayinkamiye (207147850)** for research activities of **MTech: Business Administration** at Cape Peninsula University of Technology.

Title of dissertation/thesis/project:	FUNDING MODELS USED BY NON- PROFIT ORGANIZATIONS AND THEIR IMPACT ON FINANCIAL SUSTAINABILITY Lead Researcher/Supervisor: Dr A Van Bijl
---------------------------------------	--

Comments:

Decision: Approved

 Signed: Chairperson: Research Ethics Committee	28 August 2018 Date
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Clearance Certificate No | 2018FBREC568

APPENDIX B: MEMORANDUM OF UNDERSTANDING



MEMORANDUM OF UNDERSTANDING BETWEEN POSTGRADUATE STUDENT AND SUPERVISOR

We, the undersigned, have read and agree to the general terms of the CPUT Memorandum of Understanding (MoU)* between research students and supervisors, and submit the following additional points of agreement in relation to the details of the intended work.

**Notes on MoU provided on page 5 of this document*

Research programme:

Post-doctoral	Doctoral	100% Masters	50% Masters
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1. STUDENT DETAILS:

Full name of student:	Esperance Ayinkamiye		
Student number:	207147850		
Full-time or part-time:	Part time		
Dissertation/ thesis title:	Funding Models Used by Non- Profit Organizations and their impact on Financial Sustainability.		
Email:	esperance1803@yahoo.co.uk		
Telephone no:	0725434237		
Faculty:	Business and Management Sciences		

2. SUPERVISOR DETAILS:

Title, Initials, Surname:	Dr Andre Van Bijl
Staff no:	30016598
Telephone no:	021 680 1500
Faculty:	Education
Department or Unit:	Teacher Professional Development

3. SUPERVISOR'S EXPECTATIONS AND ARRANGEMENTS

Supervisor's expectations:
After discussion, the supervisor should set out what he/she expects of the student in terms of reaching certain milestones or goals during the course of the research.
Expected date of submission of HDC 1.2 to FRC which should be <u>within 6 months</u> of initial registration: September 2018
Other expected milestones or goals: Completion by December 2020

Supervisor's plans and commitments:
The supervisor should record his/her plans for providing supervision, including the pattern and intended frequency of meetings, contributions from other researchers etc:
Meetings at least monthly, with electronic communication every two weeks.
Supervision arrangements:
(a) Expected absence of supervisor(s) on leave/sabbaticals/ conferences (giving arrangements for supervision if away for more than 2 months in any one year)
None planned
(b) Field work: Outline arrangements for field work:
NA
(c) Laboratory work:
NA
(d) Outline lab arrangements (if any) and supervision arrangements for lab work:
NA
(e) Estimated timing of formal seminars:
NA
(f) Access to computers and software:
Student to use own computer and software. Student currently plans to do data analysis off hard copies. Should appropriate software become available, a decision on its use will then be made.
(g) Responsibility for payment of costs (printing, stationary, copying, etc):
Student
(h) Any departmental commitments by the student and details of remuneration:
None
(i) Courses and classes: List any class, workshop or course that the student must attend as a pre-requisite and costs associated with this. Clarify the responsibility for costs associated with these (if any).
None

<p>Co-Supervisory roles (if applicable): The role of co-supervisors should be clarified. It should be noted that any co-supervisory suggestions and proposals by the student should be discussed with the supervisor.</p>
NA

<p>Funding plans: Specify any approved financial assistance to be provided, or organized, by the supervisor(s) to support this study (e.g. bursaries, teaching allowance etc.)</p>
NA
<p>If, on withdrawing or being refused re-registration, the student becomes contractually obliged to repay any of the above, this should be noted. Funding from external agencies may stipulate such a provision.</p>
NA

4. EXPECTATIONS AND PLANS OF THE STUDENT

<p>After discussion, the student should set out any expectations and requests to the supervisor and the department</p>	
<ul style="list-style-type: none"> • Holding of monthly meetings • Accurate and speedy feedback • Liaise with Department on student behalf, if needed • Student will give organisations involved with the project the supervisors details, if requested 	
<p>Comment by the supervisor on this:</p>	
Accepted	
<p>The student and supervisor should record their agreed plan and broad timetable for the completion of the thesis/ dissertation. The candidate should be informed on the Faculty's maximum time limits for completion:</p>	
<p>Candidate is aware of the maximum time for completion.</p> <p>Broad timeline:</p> <p>Chapter 1 – February 2019 Chapter 2 – April 2019 Chapter 3 – July 2019 Chapter 4 – October 2019 First final draft – March 2020 Final draft – June 2020</p>	
<p>Agreed-intended date of completion:</p>	December 2020

5. INTELLECTUAL PROPERTY ISSUES AND ETHICS

<p>Intellectual property: CPUT policy on intellectual property (IP) is available on request. Students and supervisors should make themselves aware of University policies relating to both ethics and IP.</p>	
<p>(a) Authorship: Points on authorship must be noted here by the supervisor, including arrangements about the order of listing of co-authors.</p>	
<p>At least one publication de be produced from the research project. Student's name will appear first.</p>	
<p>(b) Ownership of intellectual property rights developed in the course of the research: The IP emanating from research conducted at CPUT is (in general) owned by the University but additional points on this to be noted below:</p>	
<p>NA</p>	
<p>(c) Patents: Should any patents emanate from this study, in whose name(s) will this be registered.</p>	
<p>NA</p>	

<p>Assessment of ethics in research: The supervisor and student should discuss the ethical issues involved in the research project and record their conclusions here. The student should confirm here that she/ he is aware of the requirement to complete and submit an ethics form prior to collecting or analysing data.</p>	
<p>Issues related to ethics and permission has been covered in detail in the proposal. The proposal's content will be used as the basis of ethics and permission procedures.</p>	

6. SIGNATURES:

Student signature:		Date: 27 August 2018
Supervisor signature:		Date: 27 August 2018

7. CONFIRMATION BY THE HoD

<p>I have reviewed this completed MoU and am satisfied that it reflects the shared understanding of the supervisor and the student and that the department is able to meet the obligations to candidates set out in this MoU:</p>	
<i>Name:</i>	
<i>Signed:</i>	
<i>Date:</i>	

NOTES ON MEMORANDUM OF UNDERSTANDING

INTRODUCTION

The purpose of this MoU is:

- to provide a clear outline of what each party to the student-supervisor relationship may expect from the other,
- to clarify, from the start, the agreed roles and responsibilities of both candidate and supervisor, and
- to ensure that the supervision experience is as mutually productive as possible.

It is intended to promote the development and maintenance of a sound and productive relationship between the two parties. The resolution of any disputes that might arise between postgraduate students and their supervisors will be strongly informed by the content of this document.

For this reason, this document *extends* – and does not replace – any other agreements between the University and its students or staff, and should therefore be read in conjunction with the general rules governing enrolment of students and the conditions of employment for staff.

INSTRUCTIONS:

The MoU must be completed and signed by master and doctoral students within three (3) weeks of initial registration (or within the first three (3) weeks of the term in which the student starts the dissertation/ project in 50 % masters degrees).

Both supervisor and student are strongly urged to read the guidelines in the booklet *Postgraduate Studies @ CPUT* prior to completing this agreement.

Three (3) copies of the MoU should be made: one for the supervisor, one for the student and one for the HoD.

CODE OF PRACTICE

This section defines the expected behaviour and attitude of all members of the university involved in postgraduate education and research. Students and staff should uphold the highest standards of professional and ethical conduct, in particular, relating to:

Academic standards: All parties must be committed to the relevant study and research programmes, striving for excellence. For students this requires attendance at, and contribution to, all the forms of learning (lectures, tutorials, laboratories, seminars, field trips etc) which make up their programme. Staff, in turn, must be committed to creating learning and research environments that encourage such scholarship.

Interpersonal Behaviour: All individuals should treat others with respect and no-one should be subjected to unfair discrimination.

University Rules and Guidelines: All individuals should commit themselves to obeying all University rules and regulations.

Safety and Security: Staff and students must commit themselves to acting responsibly, safely, and with consideration for the welfare of all others with whom they come in contact, and to ensuring that security, both of people and property, is not compromised by their actions or inattentiveness.

Assessment and Examinations: Staff have the responsibility to treat all students fairly and impartially when assessing their work. Students must behave with integrity and absolute honesty. Incidents of plagiarism or cheating must be reported and dealt with appropriately.

Use of Resources: All parties must use institutional resources responsibly and diligently, accepting the necessity for accountability.

GUIDELINES FOR SUPERVISOR-STUDENT WORKING RELATIONSHIPS

Students and supervisors working together:

The completion of the research is primarily the responsibility of the student. The supervisor should ensure that the necessary facilities to carry out the project are made available to the student for a reasonable time, such time being sufficient to enable the project to be completed. Any changes to the research programme must be agreed between the student and the supervisor

The supervisor and the student must agree to meet regularly, with an agreed programme of meeting times (which may be flexible), and the supervisor will give timely feedback on the student's progress and will return any work submitted by the student within a reasonable time, normally three (3) weeks.

Research outputs and intellectual property:

Intellectual property (IP) generated in the course of postgraduate study belongs to the University. It may also be subject to confidentiality based on contracts and agreements pertaining to the research. The student must be made aware of such conditions by the supervisor and both must adhere to them.

The research project may produce novel outcomes and the student may be required to assign IP generated in the course of the project to the University or, if requested by the University to do so, to a third party designated by the University, including but not limited to a research sponsor. The student and supervisor will be entitled to share in any financial benefits which may accrue to the University and/ or the Department as a result of exploitation of project IP by the University, according to guidelines specified in CPUT policies.

The student must undertake not to enter into any agreement with a third party concerning the project (including but not limited to IP agreements and/ or secrecy agreements), without obtaining prior consent from the supervisor and, where necessary, the university authorities.

Bearing in mind such issues of IP or confidentiality, the student must discuss any proposed publication or presentation on the project with the supervisor prior to submission or presentation, and the supervisor will in turn discuss any proposed publication or presentation with the student.

APPENDIX C: INTERVIEW GUIDE



An Investigation Into Funding Models Used by Non- Profit Organisations and the Influence Models Have on Financial Sustainability

Place.....Time.....Date.....of the interview

The respondent's position in the organisation.....

Length of employment at the organisation and posts filled.

.....

1. The name of the organisation and the year it started?
2. What are the objectives of your organisation?
3. Tell me about the community or communities that the organisation serves?
4. What is the approximate annual budget in over the past three years?
5. Tell me about your funding and how is managed?
6. How effective your organisation's funding models and how are they used to contribute to the financial sustainability of your organisation?
7. Could you supply me with the following documents?

Founding documentation (mission, aim and objectives)

Strategic plans

Financial statements for three years

8. Is there anything else that you want to tell me about NPO funding?

APPENDIX D: INFORMED CONSENT FORM

The thesis is titled:

An Investigation of Funding Models that Influence the Sustainability of Selected Non-Profit Organisations in Cape Town

Thank you for agreeing to participate in this study, which started in February (2018) and will finish in December 2019. This form details the purpose of this study, a description of the involvement required and your rights as a participant.

The purpose of this study:

The main purpose of this research project is to explore different funding models that are able to enhance the sustainability of Non-Profit Organisations in Cape Town.

The methods that will be used to meet this purpose include:

Face-to-face interviews

Documents review

You are encouraged to ask questions or advance concerns at any time about the nature of the study or the methods I am using. Please contact me at any time at the e-mail address: **esperance1803@yahoo.co.uk** or telephone number: 0725434237

Our conversation will be audio taped to help me precisely capture your understandings in your own words. The tapes will only be heard by me for the purpose of this study. If you feel uncomfortable with the recorder, you may ask that it be turned off at any time.

You have the right to withdraw at any phase of the discussion if you don't feel comfortable of the content, the identity will be kept in confidentiality and your names will be replaced by code.

By signing this consent form I certify that I (Print full names) agree to the terms of this agreement.

(Signature) (Date)

APPENDIX E: GRAMMARIAN CERTIFICATE

22 Krag Street

Napier

7270

Overberg

Western Cape

07th July 2021

LANGUAGE & TECHNICAL EDITING

Cheryl M. Thomson

AN INVESTIGATION OF FUNDING MODELS THAT INFLUENCE THE SUSTAINABILITY OF SELECTED NON-PROFIT ORGANISATIONS IN CAPE TOWN.

Supervisors: Dr Andre van der Bijl and Prof J P Spencer

This is to confirm that I, Cheryl Thomson, executed the language and technical editing of the above-titled Master's of **ESPERANCE AYINKAMIYE**, at the CAPE PENINSULA UNIVERSITY OF TECHNOLOGY in preparation for submission of this for assessment.

Yours faithfully



CHERYL M. THOMSON

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