

Solidarity Fund Integrated Annual Report and Update Media Briefing - Presentation Script

Zanele Ngwepe – Chief Financial Officer

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ZANELE NGWEPE • AFS and Integrated Annual Report (10 MINS)

Slide 1 (1min) – Financial Overview

- It gives me great pleasure to present this maiden set of the Solidarity Fund's financial statements, which cover the period from date of incorporation of 25 March 2020 to our year-end of 28 February 2021, and which were approved by the ARC and Board on 16 September 2021.
- The Fund is a Non-Profit Company and the financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), and on a historical cost and going concern basis. The choice to apply IFRSS was precedent setting for an NPO such ourselves; we are indeed proud to be reporting to the golden standard used by large listed corporates across the globe.
- At a very high level, the primary statements of the balance sheet, profit and loss, changes in equity and cash flow, reflect funds received as donations of R3.2bn, operating expenditure of R1.9bn and a bank balance at year-end of R1.2bn.

STATEMENT OF FINANCIAL POSITION AS AT 28 FEBRUARY 2021			STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		
	Notes	Rand R'000		Notes	Rand R'000
ASSETS					
<i>Non-Current Assets</i>					
Intellectual Property	3	-	Revenue		
<i>Current Assets</i>			- Donations	8	3 233 187
- Inventories	4	108 687			
- Other receivables	5	89 028	Operating expenditure	9	(1 905 780)
- Cash and cash equivalents	6	1 246 732	Operating surplus		1 327 407
TOTAL ASSETS		1 444 447	Interest income	10	54 660
FUNDS AND LIABILITIES			Bank charges		(4)
<i>Funds</i>			Foreign exchange loss on cash and cash equivalents	11	(8 099)
- Accumulated funds		1 373 964	Profit and total comprehensive income for the period		1 373 964
<i>Current Liabilities</i>					
- Trade and Other Payables	7	70 483			
TOTAL FUNDS AND LIABILITIES		1 444 447			

Slide 2 (2min) – Audit Process & Audit Opinion

- Given the Public Interest nature of the entity, together with the fact that these are the Fund's first set of financial statements, PWC, our external auditors conducted a very thorough and robust year-end audit hence the delay in the release of our financial statements.
- The Audit was protracted due to:
 - The Fund being a rapid start-up relying entirely on volunteers,
 - The low materiality threshold was set due to the public interest nature of the Fund
 - Therefore a mainly substantive audit approach was taken and a high volumes of transactions were audited.
 - There was also a rigorous review of the financials with a special focus on accounting policies for revenue and operating expenditure. Please refer to the key audit matters in the auditor's report on page 19-25.
- We are proud to present to you today the audited financial statements of the Fund, marred only by a common technical qualification for donation dependent organisations such as ourselves, in respect of donations received that are dependent on collection by third party agents which represents less than 1% of the R3.2bn donations received.
- As we documented on page 3 of the financials, in the Directors' Responsibilities and Approval section, there are no controls that could be implemented to ensure completeness of donations received through these third- party agents.
- In addition, the external auditors, on page 19 – 25 of the AFS, provide further detail regarding their audit of revenue recognition and operating expenditure considerations in the Key Audit Matters section of their report.
- Mr. Raj Dhanlall, the PWC audit partner, has kindly agreed to join us today and you are welcome to ask more about the audit process and audit opinion during the Q&A.

Slide 3 (2min) – Donations received – R3.2bn

- Regarding revenue, the Fundraising sub-committee of the Board helped to lead and guide the raising of R3.2bn in donations.
- As disclosed in note 8 on page 57 of the financials
 - 88% of donations received were sourced from corporates and trusts
 - 6% from public sector; and

- 6% from individuals
- In addition:
 - 98% was domestically sourced, as opposed to
 - 2% from foreign sources.

In-kind donations

- With respect to “in-kind” donations received, I would like to bring to your attention to the somewhat precedent setting nature of our conclusion to NOT include "in-kind" donations received in revenue.
- IFRS does not deal with the receipt of in-kind goods and services that are non-exchange in nature, meaning that in transactions where goods and services are not exchanged for any money, in other words donated, which is the characteristic of almost all of the Fund’s activities, IFRS provides no specific guidance. Thus, we developed an accounting policy that was informed by the business model of the Fund.
- In-kind donations received by the Fund include either goods (eg equipment or inventory) or services (eg: administrative support, transport, audit or legal services etc), which the Fund does not pay for as it has been set up to operate entirely through volunteerism.
- The reason for this policy is that we were faced with significant estimation uncertainty and an inability to measure reliably the fair value of these in-kind donations received and, as a result, after taking guidance from IAS 16 *Property and Plant Equipment*, IAS 20 *Government Grants* , and IPSAS 23 *Revenue from Non-Exchange Transactions*, we decided to not recognise these in-kind donations received or, to put it another way, to recognise them at nil value.
- Please refer to Notes 2.3 and 2.4 on page 33 – 38 of the financials for further details.

Slide 4 (1,5min) – Operating Expenditure – R1,9bn

- Turning our attention now on how we spent the R1.9bn of the R3.2bn donations raised.
- It is useful to show the split of operating expenditure between the three strategic pillars of the Fund as shown in note 9 on page 58 of the financials, wherein our health response accounted for 80% of all expenditure while the humanitarian aid accounted for 14% and the Solidarity Fund campaigns 6%.
- If we look at the R1.5bn spent on the health response, we see that PPE accounted for 41% of the health related spend, Covid test kits, testing and research 20%,

vaccinations related spend (ie COVAX) 18%, critical care equipment and ventilators 15% and logistics at 6%

- The Disbursements Committee played a pivotal role in assisting the Board in discharging its responsibilities relating to the disbursement and deployment of funds, in fulfillment of the Funds mandate.
- I draw your attention to notes 2.3 (page 37) and 2.5 (page 39-40) for a detailed explanation in relation to operational expenditure regarding how we applied judgement, the underlying reasons and also the basis of the accounting policy we adopted.
- As stated earlier, the detail contained in the Key Audit Matters of the Independent Auditor's report provide very useful context to and results of their audit of operational expenditure.

Slide 5 (2 min) – Going Concern

- I would also like to bring to your attention the Going Concern basis of preparation of the financial statements and the inherent and material uncertainty created by the Memorandum of Incorporation of the Fund, which PwC also refer to in their Independent Auditor's report on page 17 of the financials.
- As disclosed in note 16 page 61-62 of the financial statements, the MOI of the Fund states that the Fund does NOT have a specified period of existence and the Fund's termination will be determined by the directors having regard to whether it is still necessary to maintain the Fund in existence so as to enable the ongoing fulfillment of its objectives.
- This MOI statement introduces an inherent and material uncertainty with respect to whether or not the Fund should be regarded as a Going Concern.
- The Board is of the opinion that, in fulfilling its rapid response mandate, the continued involvement of the Fund in the inherently complex National Vaccine Rollout Programme, together with the setting up of a humanitarian crisis relief fund in response to the KZN and Gauteng unrest, necessitate the continued existence of the Fund at least to 30 September 2022.
- In addition to this continued rapid response necessity, the Board considered (per note 16) the R1.2bn of committed and approved expenditure, and also the R1.2bn of cash on hand at 28 February 2021 concluded that, in all probability, the Fund will be in existence in a year's time – hence the conclusion that the Fund should prepare its financial statements on a going concern basis.

Slide 6 (1,5min) – Governance, Risk and Control

- Finally, I would like to draw your attention to the Audit and Risk Committee report, the Corporate Governance report and the Directors' report included in the front part of the financial statements (pages 5 – 15).
- These reports talk to the rapid start-up nature of the Fund, the complexity of the accounting and internal control environment, the reliance on the combined assurance of Sekela Xabiso Protiviti our Internal Auditors and PwC our external auditors and the somewhat unique 100% volunteer-based nature of this not-for-profit entity.
- Not to mention the relentless focus of the Funds management, the ARC and the Board on transparency, sound financial management and good corporate governance in order to ensure robust systems of internal, financial and accounting control and risk management.
- As a final comment, it is worth noting that 22 ARC meetings were held in the financial period ended 28 February 2021.
- In my opinion, this bears testimony to the fact that these financial statements have been approved by a robust audit committee, and I would like to take this opportunity to thank the ARC chair and the ARC members for their guidance and unwavering support.
- I would also like to give special mention to our former CFOs Michael Eater and Andrew Mashifane for their contribution to the Fund.
- Finally, I would also like to thank my finance support team, who were invaluable in the production of this comprehensive maiden set of the SF audited financial statements.
- I thank you!

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