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This story is presented with the intention to raise awareness and provide information about ELEM's work.

Budget stoppage, less donors and avoiding bids: The nonprofits are working more - and receiving less

The activities of the social organizations changed as a result of the war - some provide services to many more people, and others changed their activities ■ However, many of them now suffer from a cash flow problem, and the compensation outline will not provide an answer to most of them ■ “With nonprofits, there’s no such thing as deficit. When you have no budget, you have no money.”

Written by Yarden Ben Gal Hirschhorn

The October 7th attack directly affected ELEM, which works with at-risk youth. The NGO has been operating for years designated spaces in outdoor rave parties that were meant to minimize the risk for people who've been exposed to psychedelic drugs. At the party in Re'im, three of the nine organization's team members – Lior Atias, Sigal Levy, and Yonatan Richter – were murdered. “Our team worked at the party with people who were under the influence of drugs and didn't understand what was going on,” Tali Erez, ELEM-Israel CEO, shares. “The staff got on the van and began driving, but those who were sitting in the front were hit first, and the rest had to escape.”

At the end of December the nonprofit was supposed to hold a big fundraiser, where Erez expected to raise 2 million NIS. The venue was booked, the singer Hanan Ben-Ari was already warming up, but the event was cancelled in light of the situation. Instead, the NGO is currently trying to assist all the teenage boys and girls who found themselves as refugees in their own country adjust to a new reality.

“Our activity is also relevant during wartimes. If we usually work with issues of prostitution, drugs, and broken homes, today, the risk is youth with trauma,” Erez says. “We need to treat this youth, that was uprooted from their homes, and will need to be integrated in schools at the centers [evacuation centers –ELEM USA). We need to be here on the day after and provide services to all these youths.”

However, despite all this, ELEM - like many social organizations - is currently in a real cash flow problem. The nonprofit recently withdrew its candidacy for a bid because ELEM is not certain that it will be able to meet the bid's conditions next year, and although a lot of donations are currently being poured into Israel from around the world, such organizations -

which are in the third-fourth circle of the fighting - have difficulty taking advantage of this wave. "The social organizations are a derivative of the business sector, and it is clear to everyone that the business sector is headed in a bad direction in the near future," she says. "Public companies will also be hurt, there will be fewer bids. If solidarity is now at its peak - it will decrease. Companies will tell us, 'You are really important, but we will not be able to donate to you this year.'"

Bulletproof Vest Instead of Culture

Indeed, solidarity is truly at its peak. As of October 7, it was the citizens of Israel who quickly mobilized to provide an initial response. Amidst this mobilization, the civil emergency initiatives emerged, at the same time as the social organizations and nonprofit organizations adapted their regular activities into activities that support the fighting. According to a report compiled by the Hebrew University's Institute for the Study of Civil Society and Philanthropy in Israel, more than a 1,000 private initiatives, those that are not registered as formal registered organizations, were created in the first two weeks of the fighting. They came about quickly, provided a versatile solution to a variety of problems that emerged from the field, managed to recruit tens of thousands of volunteers, and changed as frequently as needed. According to the report, 48% of the Israeli population volunteered in the first two weeks of the war, and most of the volunteers are spontaneous volunteers - those who did not volunteer during normal times.

"The social organizations have been suffering financially for two main reasons," explains Ron Barkai, CEO of the Civic Leadership Organization. "The first is that there is the new kid in town - the civil emergency initiatives, and there is a tendency to follow the hottest trend. The second reason is the diversion of philanthropy funds, which in the past contributed to fields such as education or culture, to the war effort - such as the purchase of ceramic vests for the soldiers. The third reason is that in the first week of the fighting, the government stopped all budget expenditures, support, and communications regarding bids, and now they are assessing what is related to the war, and what is not".

There are 25,000 nonprofit organizations operating in Israel, and many of them expanded their activities following the state of emergency. Some of them deal with food security, others with mental health assistance, the exercising of rights, or educational activities. According to the Ministry of Finance's compensation outline, not all nonprofits that were financially hurt will be entitled to compensation, even if their activities have been expanded, because only nonprofits that are supported by the government by at least 30% are entitled to reimbursement.

In addition to the suspension of budgets and the difficulty of cultivating donors in the current period, the nonprofits also suffer from a shortage of employees (due to the reserve service), and the shortage of employees also makes it difficult for them to recruit more volunteers. They are also subject to a 7.5% payroll tax. According to an examination conducted by Dr. Osnat Hazan from the Institute of Law and Philanthropy, the Buchman Faculty of Law at Tel Aviv University, as long as the outline is not amended, only 30% of nonprofits will be entitled to compensation - most of which are large nonprofits. Only 23% of the welfare nonprofits will be entitled to compensation, despite the great need for them these days. Now, the organizations demand that the compensation outline be adapted to their needs as well.

"In the business outline, the amount of compensation is determined according to the degree of damage, and there is no discriminations between the businesses. Whoever has proven financial damage, will receive it," says Orli Silvinger, CEO of the Beterem organization for Child Safety and a member of the executive committee in Civic Leadership [The umbrella organization for Israeli nonprofits – ELEM USA]. "But among the nonprofits, the outline does

distinguish between nonprofits that are supported by the state versus nonprofits that are not supported. We're not here to make a bank during the war, but to get what is needed so that we can continue doing what we know how. With nonprofits there's no such thing as deficit. When you have no budget, you have no money."

Activity Soared, But the Budget Did Not

Barkai explains that the impact of the war on social organizations varies from one to another, according to the type of activity. For example, there are organizations, such as food security organizations, that have increased their activity significantly, those that normally provide their services to hundreds of people a week, and now thousands of people contact them a day, but their budget has not changed. There are organizations that have adjusted the main part of their activities as a result of the situation, such as youth or education organizations, that instead of teaching classes in educational settings, have established branches in hotels to help the evacuees. Other organizations are all those that have no connection to the fighting at all, including organizations that deal with reducing social gaps in the periphery or entrepreneurship, and are forced to put workers on furlough and reduce the organizations' activity.

The importance of nonprofits heightens in light of the continuation of the state of emergency, and the unprecedented mobilization of Israelis as part of the civil effort. In the first two weeks of the war, the economy was almost completely shut down, so masses of people were free to volunteer. But eventually, these volunteers will have to return to their workplaces, and the main social effort will still be on the shoulders of the nonprofits on the day after.

"Now there is a surge in doing, and everyday issues are pushed aside," says Silvinger. "Our budgets are paused, and the population is given the message that these things are not important - even though they are. This creates significant damage over time.

"We were in discussions with major donors, which reached their peak on Rosh Hashanah, but since the outbreak of the war we have received unequivocal messages from them that they appreciate what we are doing, but they are shifting the donations to deal with direct damages of the war," she adds. "Government ministries cannot hold talks with us about new engagements, and engagements that have already been agreed upon are also in question. We are really worried about our budgets, and in my estimation, we may close this year with a budget that is 40% less than what we planned for.