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Udruga Slijepih Association of the Blind

Providing Employment for the Organization's Target Group While Obtaining Organizational Sustainability

Udruga Slijepih, the Association of the Blind was established in 1955 with the aim of supporting the education, employment and inclusion of blind persons in the Sisak area in central Croatia. Aware of the necessity to diversify its funding base in order to decrease its reliance on governmental funds, and at the same time looking for ways to more effectively achieve its mission, the Association started its first profit-making activity in 2001. The Association established cooperation with a small family business and started the production of wooden toys and accessories which are marketed to the general public. This has enabled the organization to hire four of its beneficiaries who were previously unemployed and belong to the socially most disadvantaged group. The products were very well received by the market which has contributed to the CSO's greater visibility in the public and higher awareness of its work. In 2004, self-financing contributed almost 10% to the total budget. Given the growing demand, the Association is exploring various options for further development of the venture in line with its mission and aims.

This case was prepared by the Nonprofit Enterprise and Self-sustainability Team (NESsT), an international nonprofit organization with offices in Budapest, Hungary and Santiago, Chile. NESsT is committed to strengthening the financial sustainability of civil society organizations (CSOs) working for social change and development through the development of self-financing strategies that both generate additional income and further the missions of CSOs.

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1. Background

Founded five decades ago, the Association continues to pursue the aims of bringing together, organizing and providing assistance to the blind and visually impaired persons residing in the Sisak area, fostering dialogue and cooperation between the Association and other institutions, raising awareness on the need for the humane treatment of blind persons, and their better inclusion in the society. The Association's main activities include providing support to its members in the exercise of their legally guaranteed rights concerning healthcare and welfare entitlements; providing welfare assistance to disadvantaged members; organizing education and training activities for members and other stakeholders, as well as organizing cultural and recreational activities for its membership.

In 2001, the Association was re-registered in accordance with the Law on Associations as a non-profit organization (udruga). Its membership consists of 143 blind and visually-impaired persons of all ages. The Association is lead by an executive board. Its operations are managed by the president and implemented by a full-time secretary. The civil society organization (CSO) has a staff of two hired at full-time and part-time, respectively. It also relies on the voluntary work provided by conscientious objectors in civil service- those who refuse the military draft and in exchange perform community service.

2. Financial Information

2.1. Income

In 2004, the Association's budget amounted to HRK 410,000 (approximately USD 72,000). Self-financing activities¹ contributed nearly 10% to the total budget, the two principal sources of income being membership fees and product sales. Half the budget was secured through state grants, while grants from private corporations accounted for almost one-third of the revenue. At 11%, in-kind donations accounted for a significant portion of the budget. Main donors include different ministries, municipal governments, National Foundation for the Development of Civil Society and more than two dozen private firms.

It is planned that the 2005 budget will remain at the 2004 level. Government contributions are expected to drop to 39% which would be compensated by an increase in in-kind donations to 24%. With a share of 29%, corporate donations will remain at the 2004 level, while self-financing should contribute 7% to the total budget. The reason for the decrease in self-financing is expected because governmental support for the activity will not be given this year as the CSO did not apply for it. The primary concern in this respect has been not to increase the volume of revenue beyond the VAT registration threshold which would complicate the CSO's position.

¹ NESsT uses the term "self-financing" to refer to diverse strategies used by civil society organizations to generate their own revenues (sale of products, service fees, use of hard or soft assets, and dividends or investment income). NESsT uses the term "social enterprise" when these strategies are carefully assessed and planned to significantly strengthen the financial sustainability and the mission impact of the CSO.

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2.2. Expenses

In 2004, programs and activities accounted for 53% of total expenditures, a slight increase compared to 2003 when they amounted to 50%. Administrative and operating expenses grew in 2004 to 37% from 25% the previous year. Fundraising costs were at 10% and 25% respectively. The planned expenditures for 2005 are as follows: administrative and operating costs 40%, fundraising costs 15%, programs and activities 45%. The increase in allocations to administrative and operating costs comes as the result of the employment of one additional staff member responsible for administrative and accounting matters. The CSO also plans to increase its fundraising activity for which it relies mainly on the civil service of the conscientious objectors. Corporate donations have historically accounted for a significant share of the budget. The Association has successfully cultivated its relationship with corporate donors by keeping them informed of its programs and providing media coverage for their joint activities. This has had a positive impact both on the quality of the relationship and on the number of donors which has consistently grown.

**Table 1: Sources of Income 2003-2005 (planned)
(Percentage of Total)**

SOURCE	2005 (projected)	2004	2003
PUBLIC SOURCES (LOCAL/NATIONAL)			
- government grants, agreements	39.01%	51.32%	49.66%
PRIVATE SOURCES (LOCAL/NATIONAL)			
corporate grants	29.76%	27.20%	27.48%
SELF-FINANCING			
membership dues	2.9%	2.71%	3.15%
- product sales	3.62%	6.13%	5.51%
- ancillary business ventures	0.48%	0.80%	0.72%
- IN-KIND DONATIONS	24.17%	11.78%	13.27%
TOTAL	100%	100%	100%

The collection of membership fees has been an important source of revenue since the establishment of the organization. The dues are mandatory as they are part of the policy of the Association to secure funds which enable it to provide welfare and other assistance to its members.

3. Self-Financing Activities

The collection of membership fees has been an important source of revenue since the establishment of the organization. The dues are mandatory as they are part of the policy of the Association to secure funds which enable it to provide welfare and other assistance to its members. Set at the annual rate of 100 HRK (20 USD) and 50 HRK (10 USD) for socially disadvantaged members, the fee can be paid in one or more installments.

In 2001, the Association started exploring additional ways of generating revenue from self-financing activities. Donations of works of art were accepted from local



artists and their paintings were reproduced on Christmas cards sold mostly to local businesses once a year. At the same time, successful cooperation was established with a small family business engaging in the production of wooden toys and accessories. Initially, the Association sold their products at various events and fairs, retaining 30% of the revenue. In 2004, they came to the realization that the Association's members could be involved in the production of the toys which was beneficial for therapeutic reasons and had a positive revenue generating impact. The cooperation thus provided limited employment for the members of the Association who are socially vulnerable and unable to find employment elsewhere. Members participate in the second phase of the production (sandpapering), while employees of the family business do the first and third phases, i.e. the woodcutting and painting steps. The production encompasses toys, decorations and accessories which are sold at CSO fairs, at the municipal market, in firms and similar venues.

Table 2: Types of Self-Financing

1. Membership fees	Since its establishment, the NGO has been collecting mandatory membership fees from its members. The proceeds are redistributed to the neediest members in the form of various types of assistance.
2. Product sales	<p>The Association hires its members in the production of toys, decorations and accessories made of wood and hand painted with environmentally friendly paints.</p> <p>Local artists have donated a collection of paintings which were reproduced on Christmas cards sold every year mostly to local businesses.</p> <p>In cooperation with the local theater, the Association has produced a number of CDs with tales and radio dramas. The CDs are sent free of charge to the Association's members, while are sold to schools and other institutions.</p>

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4. Start-Up

The motivation behind the undertaking of the toy production was twofold. The intention was both to strengthen the organization by securing additional revenue and to create employment opportunities for the unemployed members of the organization. The products produced by the Association's beneficiaries are sold to private firms and the general public. Although no specific research was conducted prior to starting-up the self-financing activity, the decision on the nature of the activity was taken keeping in mind the needs of the Association's members and beneficiaries and the areas in which they could be most helped, namely providing them with work they could do and which could secure a certain amount of income for them.



Initial funds were secured through a grant of the Ministry of Health and Social Welfare in the amount of 25,500 HRK and an in-kind donation from a private firm which donated the raw materials for the start of the production. Since 2004 the activity has provided employment for four unemployed members. The response of all organizational stakeholders to this self-financing activity was overwhelmingly positive.

As for the sales of Christmas cards, members of the Association are not involved in their production, but more active on the sales front. Artists donate the paintings, which are turned into cards by professionals and printed by a printing house. The cards are sold to companies all over the county and to interested individuals. The original paintings are exhibited by the Association and might be auctioned in the future.

5. Management

The activity is managed internally by existing staff as this was the most logical option given the available organizational resources and the volume of operations. The staff in charge of the self-financing activity has previous experience in marketing for non-profits as well as business work experience. Both staff members are involved in the self-financing activity.

Presently, up to a quarter of the management's time is allocated to overseeing the operations of the self-financing activity. The president and the secretary enjoy full independence in decision-making regarding the operational and financial aspects of the self-financing activity; however their actions must remain within the framework of the decisions reached by the Executive Board.

6. Effects of Self-Financing on the Organization

6.1. Financial Performance of the Self-Financing Activities

The financial performance of the self-financing activities so far has been satisfactory. Revenues from the toy venture are shared with the family business and the association members in the following way: 50% goes to the family business, 30% is paid out to members as financial support from the Association (they can't be officially employed, without risking to lose their state benefits) and 20% is retained by the Association. This 20% is spent on costs related to promotion, transportation and delivery. The Association estimates that after the cost of production has been covered the toy making activity generates a profit at the approximate rate of 1%.

The primary goals are not financial, as the Association is satisfied if the proceeds from the self-financing activity can provide the financial support for its membership without any direct financial benefits for the Association. The Association believes that there are ample opportunities for growth; they are thinking about setting up a cooperative or a sheltered workshop to formalize this activity. The Association is also pleased with the sales of Christmas cards; they estimate that 10% of the entire organizational budget is covered by these revenues.

The staff in charge of the self-financing activity has previous experience in marketing for non-profits as well as business work experience.



The revenue earned through self-financing is primarily used towards payment of wages to the beneficiaries working on the activity, thus fulfilling the important mission of providing income for members of this socially vulnerable group. To a smaller extent, the funds are also used to cover administrative costs.

6.2. Social Impact

The impact of the self-financing activity on the mission of the organization has been tremendous in that it has secured limited employment and income for four beneficiaries who would have otherwise remained without work. A significant obstacle in this respect, however, has been the impossibility for the Association to guarantee permanent employment as the activity has not fully developed yet. Four members work on a regular basis, depending, however, on the volume of commissions. They are not officially employed as the Association cannot guarantee a regular income because of the fluctuating nature of the activity. The members are compensated for their work in the form of financial assistance as they are not allowed to earn income which would put them at risk of losing their welfare benefits.

It is generally felt that the mission and reputation of the Association are extremely important to the target market when they make their decision to purchase the product. The target market is comprised primarily of parents of beneficiaries and adults in general. The products are sold at fairs, CSO events and flower shops. In fact, the activity has contributed to the furthering of the mission and increased awareness of the Association's work among the general public, as well as donors.

6.3. Financial Sustainability

Convinced that this is the right way to overcome difficulties arising from exclusive reliance on governmental funding, the Association has made a permanent commitment to self-financing. Although no specific target has been set in terms of the percentage of the annual budget which should be generated through self-financing activities, the CSO would be satisfied if the latter contributed up to a quarter to the annual budget. The management's expectation is that income from self-financing will steadily increase over the next three years.

It is felt that, overall, self-financing contributed to the financial sustainability of the organization while at the same time motivating staff to continue to pursue these activities. Its most important impact was the opportunity to provide limited employment for beneficiaries which would not have been possible otherwise. Moreover, the management feels that self-financing has had a positive impact on funding from other sources as the CSO has become more visible and recognized. This has to some extent facilitated fundraising from other sources, both governmental and corporate. In terms of their financial performance, the Christmas card sales are profitable and thus contribute up to 10% of the overall organizational revenues. The toy business is covering its costs and generates a minimum amount of profit (1%). At the same time, it is felt that both of these activities contribute a great deal to the financial stability of the Association.

The primary goals of the enterprise are not financial, as the Association is satisfied if the proceeds from the self-financing activity can provide the financial support for its membership without any direct financial benefits for the Association.



6.4. Organizational Sustainability

Although with a share in the annual budget at under 10%, the contribution of self-financing remains modest, the management was unanimous in crediting self-financing for strengthening the Association's capacity to further its mission as well as contributing to the employment security of the existing staff. The positive effect on the mission is particularly evident in the raised public awareness on the issue of inclusion of visually impaired and blind persons in the society in the region where the Association operates.

Since the activity is still fairly limited in scope, there have been no significant changes in the allocation of resources to the organization's mission related activities. Nevertheless, the self-financing activity has had a positive impact on the image and perception of the organization among the various stakeholders. The management continually stressed that the overall profile of the CSO has been raised thanks to the sale of products made by the Association's beneficiaries. The CSO has, moreover, appreciated the benefits of self-financing as regards organizational autonomy and independence from every-day politics and donor priorities.

7. Conclusions and Lessons Learned

The Association provides a fine example of an CSO whose self-financing activity successfully contributes to the achievement of its mission and the empowerment of its beneficiaries. The value of the product they offer has been recognized both by the target market, and donors who have been more willing to lend their support both in the form of financial and in-kind grants.

The business idea seems to have a lot of potential for growth as there is a consistent market demand which has not been met in its entirety yet. The experience has shown that the demand for products increases during the holiday season and the Association cannot meet it because it is unable to create an inventory which would require a financial investment. Before the venture can be further developed, the Association needs to prepare a sound business plan with a clear strategy for the future marketing of the product. In the management's view, solid relationships with outlets in which their product would be sold need to be established. This would, in turn, have an increasingly positive impact on the achievement of the mission of the organization as it would ensure the sustainability of long-term or permanent employment for the beneficiaries. Potential problems due to the unclear legal framework would also be resolved as it would allow for the members to be officially employed and, potentially, enable the establishment of a separate profit entity.

The Association has made a permanent commitment to self-financing conducting activities which are fully in line with its mission. The management is looking forward to exploring options on how the venture can be developed further.

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