This research entails a study on financial stability about non-profit organizations in Saudi Arabia where Arab Urban Development Institute (AUDI) acts as the case study. In this research study the main goal was to find out if AUDI was financially stable and what are the means and methods that were utilized to realize its stability. Based on the findings used by the exploratory and qualitative data methodology, it was presented that the expansive scope of projects executed by AUDI is an indication of its financial stability. Additionally the large and diversified donors have been central in ensuring that the organization effectively funds all its projects. Notably, AUDI’s survival for many years is an additional sign of its stability.

Key Terms: Non-Profit, Financial Stability, Non-Government Organizations (NGO), Self-financing, Grants, Donors, Arab Urban Development Institute (AUDI), Funds, Projects, Partnership

I. INTRODUCTION

A. Background

A non-profit organization is a group organized for purposes other than generating profit in which no part of the income is distributed among members. Non-profit organizations are often called “non-stock corporations.” (HG.org, 2015)

Non-profit organizations don’t pay income tax on the money earned from fund-raising activities or donations. This type of organizations must have the purpose of education, charity, science, or public safety in order to be excluded from taxation. Hospitals and schools are perfect examples of non-profit organizations. (LII, 2014)

For the realization of organizational goals by NGOs as non-profit organizations, the respective NGOs need to adopt self-sustaining measures and systems. Non-profit organizations generally depend on charitable institutions, donor agencies, and multilateral lenders for the funding of their programs as well as the associated administration costs. However, in the recent past, non-profit organizations across the globe have witnessed a decline in grants and donations from international and local donors. This is compounded by the dynamic global economic circumstances as well as diverse political influences that have had a negative impact on the grants available for non-profit organizations. In consideration of this, it has become important for nonprofit organizations to develop a strategic approach towards their funding as well as program execution to ensure their financial stability.

This research study entails an evaluation of organizational and financial stability for one of Saudi’s non-profit organization. This encompasses the ways and methods the organization has utilized in an effort to become financially stable and sustainable.

B. Overview of Non-profit Organizations in Gulf Countries

Back in the years the concept of nonprofit organizations was not even recognizable in Europe and America they were merely educational and religious entities such as, the Roman Catholic Church and Harvard College in the colonial times. Nonprofit organizations went through various struggles until it became legitimate, due to its diversity and complexity the concept of nonprofit organizations was formed only in 1970. Add on, nowadays-nonprofit organizations are most rapidly
growing types of organizations in the world with more important new categories. (Hammack, 2002)

Moreover, by having a closer look over the nonprofit organization in the Arabian Gulf, the movement of nonprofit organizations in these countries witnessed a growth in the late 80s where each of these countries supported at least one nonprofit organization with a solo object that is to help people in need. In the early 90s Gulf Cooperation Council (GCC) countries laid attention to nonprofit organizations and encourage it by facilitating the process in order to generate as much as possible organizations, the take was the lack of diverse categories and aspects. The evolution process of nonprofit organizations in GCC countries took place in the millennium where it witnessed a drastic change in its structure, objects and categories. It expanded to fulfill entirely new aspects.

C. Problem Statement

Financial stability for non-profit organizations is quite paramount to the realizations of the organization’s goals and objectives. As observed by Abt Associates Inc. (1994), stability is the absolute measure of an organization’s capacity to realize its mission as well as effectively respond to the needs of its stakeholders. Stability in this case entails broad funding sources for the organization, and the organization’s ability to respond to the needs of the target populations. Rightly, this is a factor of such elements as finances, human resource, and service delivery. Financial stability for non-profit organizations as a whole is a core element of organizational sustainability. With this in mind, this research paper entails an evaluation of financial stability for Arab Urban Development Institute (AUDI, 2015).

AUDI is a non-profit NGO that provides essential urban development and planning services to over 500 Arab cities in 22 Arab countries. The organization’s agenda is founded on five key strategic development programs. The first program encompasses capacity building in enhancing technical proficiency, human resources, and productivity in achieving sustainable development among Arab cities. The second program entails city development strategy, while the third program is Urban Observations. The fourth program is Children and Youth Program, with the fifth program being Social Protection.

D. Research Questions

Based on the review of the literature on sustainability of non-profit organizations, numerous questions will be formulated to guide the research process. The research questions will be in line with the identified knowledge gaps on the study topic. From the review conducted, we attempted to generate numerous questions that could be answered by this research study. The research questions that guided this research are:

Q1: Is Arab Urban Development Institute (AUDI) as one of the non-profit organizations operating in Saudi Arabia financially stable?

Q2: What are some of the means and methods that have been utilized by Arab Urban Development Institute (AUDI) to realize financial stability?

E. Justification of the Study

This study was found essential due to the fact that no serious comprehensive studies have been conducted on the financial stability of non-profit organizations in Saudi Arabia. As according to Hatzfield, previous studies have focused on such aspects as the impacts of the non-profit organizations in the country; sideling financial stability as an important aspect of such organizations’ sustainability (Hatzfield, 2014). This puts the organizations already operating in Saudi Arabia and those seeking to establish their operations in the country at risk of facing sustainability challenges in the long-run. As such, it is important to understand the financial stability levels as well as the mechanisms adopted by the non-profit organizations operating in Saudi Arabia in an effort to enhance the realization the organizations’ goals and objectives.
II. LITERATURE REVIEW

A. Sustainability and Financial Stability for Non-Profit Organizations

Sustainability within a non-profit organization is without doubt key in the realization of the set goals and objectives. In this, there are three intricately interlinked categories of sustainability. They entail services sustainability, organizational sustainability, and financial sustainability. Services sustainability encompasses continuation in the delivery of services or the resulting benefits long after the withdrawal of primary donor funding. In this, it is expected that programs funded by finances provided by donors will remain in operation even after the initial donor funding runs out. The non-profit organization is required to devise effective means of securing other sources of funding to ensure that the program successfully goes through its respective lifecycle (Abt Associates Inc., 1994).

Organizational sustainability on the other hand entails the ability of the non-profit organization to come up with means of securing and managing sufficient resources to facilitate the realization of its mission in an effective and a consistent manner over time, while avoiding overdependence on one source of funding. This intends to ensure that the organization has the capacity to provide the relevant services to the target population. As such, the organization has to be fully efficient and effective in its operations. This is essential since most non-profit organizations are engaged in the delivery of services that are not easily accessible or not even accessible by the target population (Abt Associates Inc., 1994).

Finally, financial stability is key to the sustainability of a non-profit organization. It is often considered by many as the most fundamental element of sustainability. Financial stability within a non-profit organization demands effective utilization of available resources as well as devising effective means of generating revenue and securing donor funding. In the utilization of resources, the organization has to be transparent in its resource allocation, where prioritization plays a key role in determining expenditure. The organization is required to come up with effective ways of generating income either through its own independent means through soliciting for donations (Abt Associates Inc., 1994).

B. Sources of Funding for Non-Profit Organizations

Sources of funding for non-profit organizations can be categorized as either grant-making or self-financing. Grant-making is a traditional approach towards securing funds for projects where the organization seeks to convince grant agencies on the necessity of the program or project being undertaken. In this, the grant agency can fund the project on its own or jointly with other funding agencies. Grant-making as a source of funding for non-profit organizations has however been associated with a number of limitations. One such limitation entails inappropriate project periods, where project periods are in most cases artificial. In this, projects implementation fail to reflect project needs as the project periods quite short, demanding truncated activity implementation. Another limitation includes set themes and priorities, where grants from donors come along with expectations from the funding agency. As well, grant-making is associated with such limitations as negative effects of extreme competition for funding, expenditure constraints, and reporting pressure (Atkinson & Messing, 2001). Self-financing as a source of funding for non-profit organizations involves methods utilized by NGOs to generate part of the funds they require in the realization of their respective missions. Self-financing has become an instrumental source of funding for non-profit organizations due to increasing limitations of grant-making. In self-financing, the organization is involved in the sale of a service or a product or is in partnership with other corporations to secure employment for their clients. This plays an important role in generating extra revenue essential in financing the organization’s projects. This approach towards financing is associated with numerous benefits that include diversified
revenue base, augmented income, enhanced funding flexibility, better management and high efficiency, better organizational planning, enhanced financial discipline and oversight, enhanced organizational visibility, increased self-confidence, strong board of directors, and an appealing impression on donors (Atkinson & Messing, 2001).

C. Key Factors in Grant-Making and Self-Financing for Non-Profit Organization

Key factors are essential in the ability of non-profit organizations in securing financing either through grant-making or self-financing. For grant-making, key factors include donor agency priorities, political interference, feasibility of the project, accountability and transparency, and corporate governance. Donor agency priorities involve the demands and conditions that are tied to the funding provided. When restrictive, these demands and conditions may rule out an organization from being eligible. Political interference entails the role of political forces and figures in determining the eligibility of the non-profit organization. Feasibility of the project is key in convincing the donor agency to invest in the project, especially with the consideration of the stiff competition for donor resources. On the other hand, regarding accountability and transparency, the organization must have a good record for proper resource utilization to secure funding from donors. Lastly, a non-profit organization must demonstrate good corporate governance to convince the donor agency to fund its projects (Batti, 2014).

Key factors essential in enhancing the success of self-financing among non-profit organizations include maintenance of the appropriate identity, effective organization, adequate capital, and favorable external environment. For an appropriate identity, the organization has to strike a balance between its non-profit mission and its profit goals. The self-financing venture should result into a conflict on the organization’s mission. Effective organization as key factor involves coming up with the right management for a profitable venture in an environment defined by non-profit activities. Notably, adequate capital is instrumental in the success of a self-financing venture, especially with the consideration that limited financing institutions are willing to provide resources for self-financing projects for non-profit organizations. Finally, a favorable external environment entails the legal business aspects as well as competition, pricing, market risks, and marketing (Batti, 2014).

D. Indicators of Financial Stability for Non-Profit Organizations

Some of the key indicators of financial stability for non-profit organizations include respective number of projects and their size, organization’s assets, and annual financial turnover. The number of projects and their size is an effective indicator of the financial stability of a non-profit organization. In this, an increase in the number of projects that the organization is funding in comparison with the number of projects funded over the previous years is a clear indication on the financial stability and financial sustainability of the organization. This must be taken into account in consideration of the total size of the projects being undertaken. The total size of the projects refers to total amounts money allocated to the projects (Ortiz, 2001).

Assets are equally a perfect indicator of the non-profit organization’s financial stability. Assets are key material possessions owned by the organization and play an important role in facilitating the organization’s activities. Per se, various attributes of assets are utilized in determining the financial soundness of a non-profit organization. These attributes may encompass total asset value, assets liquidity, and asset quality. Total asset value entails the market value for all the organization’s assets. On the other hand, assets liquidity refers to the ease at which the assets can be disposed. Asset quality involves the rate at which the assets are likely to fluctuate in value over time.

Annual financial turnover is equally an important indicator of financial stability in non-profit organizations. Annual financial turnover entails the amount of revenue generated by the organization for a specific financial year.
The turnover is an important reflection of the organization’s ability to finance its operations and projects. In this, the higher the annual financial turnover, the more financially healthy the organization is. The annual financial turnover could be a function of grants and donations or revenue generated from self-financing activities (Ortiz, 2001).

III. CASE STUDY

A. Research Design

Generally, there are three major types of research methods, that is, descriptive, exploratory, and causal. This research study was founded on the exploratory approach. This was in consideration of the fact that the exploratory approach is the most suitable method when conducting a study that seeks an elementary examination of an issue in an effort to generate some insight as well as gather information essential in resolving an administrative problem. Further, in research, there are two main approaches: qualitative and quantitative. This research assumed a qualitative approach since the qualitative approach is exploratory in nature and therefore more suitable in scenarios where one is not aware of what to expect from the study. The approach is equally effective in evaluating issues of interest and the difficulties arising from the study problem.

B. Research Strategy

The research strategy adopted in the research study was instrumental in the realization of the correct results. This research study utilized case study as the research strategy in the analysis of financial stability among non-profit organizations in Saudi Arabia. Notably, this strategy was essential in acquiring significant data on the item under study, AUDI as part of a collection of numerous similar items, non-profit organizations. This was in recognition of the effectiveness of case studies in conducting in-depth studies on phenomena, at the same time providing the opportunity for direct observation on the relationships between respective variables. With this in mind, the case study in this research entailed the study and analysis of Arab Urban Development Institute (AUDI).

C. Data Collection Methodology

This research study principally utilized secondary data collection methods in securing the relevant data. This data was obtained from Arab Urban Development Institute (AUDI)’s website, other websites, online articles, and academic libraries. The nature of the research necessitated the use of secondary data, where information relating to the financial stability of an organization can only be obtained from an organization’s past records. In this, there was no need of re-collecting already available data. The data was verified and deemed suitable for use in the research study.

IV. RESEARCH FINDINGS

The research findings in this research study encompass a study on the financial stability of Arab Urban Development Institute (AUDI).

A. Partnerships with Potential Financiers

AUDI has been able to foster significant partnerships with major stakeholders and interested parties. As noted by Al-Salloum, Al-Turki, and Jalloh (2009), one key partner for AUDI is the World Bank. This partnership started in 2002 when AUDI was required to offer technical support to the World Bank in a project that aimed at privatizing municipal services in Saudi Arabia. The first grant by the World Bank to AUDI was in 2003 where the two institutions collaborated in establishing the Children Protection Initiative. Another grant quickly followed in 2005 where through Cities Alliances, the World Bank partnered with AUDI in helping cities in the region come up with City Development Strategies. This partnership still exists, with the World Bank being a major financier of AUDI projects.

As well, AUDI partners with other important institutions in the pursuit of its goals and objectives. This includes the UN, where the organization is in constant partnership with such UN agencies as UN Habitat and United Nations Population Fund in different projects.
Regional AUDI partners include AGFUND, Arab Fund for Economic and Social Development, Understanding Childs Work, The Opic Fund for International Development, and AlWaleed Bin Talal Foundation (Arab Urban Development Institute, n.d.). (Fig.1: AUDI Partners)

B. Projects
SUMPA-MED (n.d.) observes that AUDI has projects in more than 500 Arab Cities in about 22 Arab States. These projects are focused towards the enhancement of municipal services among Arab cities and towns as well as preservation and improvement of Arab heritage and character among such towns. Projects carried out by AUDI extend across Asia as well as Africa. (Fig.2: Main Program Areas by AUDI)

V. DISCUSSION
A. Partnerships with Potential Financiers and AUDI’s Annual Financial Turnover
The partnerships that AUDI has formed with potential financiers are a good reflection of the non-profit organization’s capacity to raise revenue. As observed by Mataira et al. (2014) in a study on non-profits and funders, non-profit organizations solely depend on the finances from donors to enhance long-term effects by respective programs. This requires the development of an effective network of international and local donors. This has been the case of AUDI, where it has managed to secure numerous donors to fund its course. As earlier noted, AUDI has brought on board international and local donors that act as partners in the organization’s projects. These donors are key in the provision of social and monetary capital. Since it is an array of donors, they reflect the capacity of AUDI to raise funds and its capability of remaining financially stable.

In a study conducted by Scherhag and Boenigk (2013) on behavior non-profits towards donors, philanthropic funds are key to the operations of non-profit organizations. For this reason, it is important to devise a strategy that realizes maximum funds for the non-profit organizations. This requires that the non-profit organization either adopts a similar approach towards donors or prioritizes donors based on their donation amount. It was noted from the study that prioritization of the donors resulted into higher donations than the equal treatment approach. With this in mind, it is clear that AUDI has adopted the prioritization approach, where it has opted to majorly partner with recognized donors as the World Bank and UN agencies like UN Habitat as well as regional donors like AGFUND and AlWaleed Bin Talal Foundation. These donors augment AUDI’s ability to raise donations and consequently, enhance its financial stability.

B. The Scope of Projects and Financial Stability
The scope of projects undertaken by a non-profit organization is a perfect reflection of such an organization’s financial health. As pointed out by Hatzfeld (2014), there is a close relationship between a non-profit organization’s outcomes as well as impact and availability of resources. Same as human and strategic resources, financial resources are instrumental in facilitating the projects a non-profit organization is running. The organization has to ensure that it has adequate financial resources for its projects to go through complete project cycles and therefore the realization of intended objectives. Based on the available resources, the non-profit organization prioritizes on the necessity and scope of the projects it seeks to undertake.

With the above in mind, the expansive scope of projects undertaken by AUDI is a clear indication of the organization’s financial stability. The impact of AUDI has been felt in more than 500 Arab cities in about 22 countries. Notably, some of these projects run for years and others encompass more than one city. The impacts of these projects have been far-reaching for the population living in the cities where such projects are being executed. The ability to initiate projects and effectively execute them at such a large scope is evidence enough that AUDI has effective resource mobilization strategies and mechanisms in place.
C. Organizational Survival and Financial Stability
The ability to remain in existence for all that long underlines AUDI’s financial stability. The organization has been offering services to its target clientele since 1980. Provision of these services as well as administration of the organization requires acquisition and prudent utilization of financial resources. Being in existence for about 35 years is evidence that AUDI has the capacity to remain financially stable even for the years to come. This is in line with observations made by Burger and Owens (2013) in a study on Ugandan NGOs, where grants or sources of revenue for non-profit organizations are identified as the basis of their survival.

In this, patterns and mechanisms utilized by non-profit organizations are key to their ability to realize the set objectives as well as to survive. For such organizations to survive, they have to avoid overreliance on one donor or source of funding. This is the case for AUDI, and important in ensuring that they are able to execute their projects without facing major financial constrains incase a donor pulls outs. The ability to carry out projects for many years is proof of financial prudence and stability for the non-profit organization.

VI. CONCLUSION
Based on this research study, it is lucid that with proper strategies, non-profit organizations in Saudi Arabia can achieve financial stability. Numerous potential donors are an indication and a factor in the financial stability of AUDI as one of the non-profit organizations in the country. In this, the ability to diversify as well as create a pool of donors has been central in ensuring that the organization effectively funds all its projects. The expansive scope of projects executed by AUDI is equally an indication of financial stability among non-profit organizations in Saudi Arabia. Financing such projects, demands financial prudence as well as stability. Lastly, organizational survival by AUDI is a sign of financial stability. The organization has been in existence since 1980. In consideration of the administration costs and project costs entailed in its operations, AUDI must have been financially stable to be in existence for that long.

I. FIGURES

<table>
<thead>
<tr>
<th>Institution</th>
<th>Area of partnership with AUDI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arab Fund for Economic Development</td>
<td>Sustainable City Development</td>
</tr>
<tr>
<td>The World Bank</td>
<td>City Planning and Development</td>
</tr>
<tr>
<td>UNFPA</td>
<td>City Planning and Population Management</td>
</tr>
<tr>
<td>AGFUND</td>
<td>City Development</td>
</tr>
<tr>
<td>International Youth Foundation</td>
<td>Enhancement of Youth and Children Welfare</td>
</tr>
<tr>
<td>UN Habitat</td>
<td>Protection of the Environment</td>
</tr>
<tr>
<td>The Opic Fund for International Development</td>
<td>City Development</td>
</tr>
<tr>
<td>UCW</td>
<td>Enhancement of Children Welfare</td>
</tr>
<tr>
<td>ESCWA</td>
<td>Development Projects</td>
</tr>
<tr>
<td>AlWaleed Bin Talal Foundation</td>
<td>Development Projects</td>
</tr>
<tr>
<td>Cities Alliance</td>
<td>City Planning and Development</td>
</tr>
<tr>
<td>Youth Employment Network</td>
<td>Enhancement of Youth Welfare</td>
</tr>
<tr>
<td>The Syrian Research Development Centre</td>
<td>City Planning</td>
</tr>
</tbody>
</table>
### Figure 2

<table>
<thead>
<tr>
<th>Program Area</th>
<th>Entailed Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capacity Building</td>
<td>Helping planners come up with sustainable city planning</td>
</tr>
<tr>
<td>City Development Strategy</td>
<td>Development of city plans</td>
</tr>
<tr>
<td>Urban Observations</td>
<td>Development of plans essential in making cities sustainable</td>
</tr>
<tr>
<td>Children and Youth</td>
<td>Enhancement of children and youth welfare</td>
</tr>
<tr>
<td>Urban Poverty</td>
<td>Eradication of poverty through proper housing projects</td>
</tr>
</tbody>
</table>

### References


