



**Nonprofit
Enterprise and
Self-sustainability
Team (NESsT)**

**NESsT Case
Study Series**

31

Ecuador
June
2009

English

Fundación Hermano Miguel

Self-financing in support of people with disabilities

This case study was prepared in collaboration with Fundación Hermano Miguel.



The publication of this case study was made possible through the support of:



*Inter-American Development Bank (IADB)
Multilateral Investment Fund (MIF)*

This case study, part of a series of case studies published by NESsT, is a direct translation of the original version published in August 2008, which was written by Paola Estupiñán, NESsT Enterprise Development Manager for Ecuador, with content and editorial input from Nicole Etchart. Additional editorial support was provided by Carola Delgado, Alejandra Díaz, Kerry Dudman, and Gonzalo San Martín. Jorge Moraga was responsible for the layout of the original Spanish version; the English version was translated by Shamrock Idiomas and laid out by Translator TS.

Tinker Foundation

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- 1 NESST uses the term “civil society organization” (CSO) to refer to a wide range of formally registered nonprofit, non-state organizations or community-based associations and groups that fall outside the realm of the government and business sectors. In Ecuador, this definition includes the legal entities known as corporations, foundations, and international NGOs.
- 2 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, membership dues, and investment dividends). NESST uses the term social enterprise to refer to self-financing activities that are designed by a CSO to significantly strengthen its financial sustainability and further its mission.

Executive Summary

Geographic location	Quito, Ecuador
Area of focus	Comprehensive care for people with disabilities
Annual operating budget	2007: US\$ 500,000 2008: US\$ 1,500,000
Percentage of budget from self-financing	95%
Method of self-financing used	Sale of products and services Dividends from other investments Rental of physical space
Year founded	1984

Fundación Hermano Miguel is a private, nonprofit organization that contributes to the development of people with disabilities by providing a complete range of social, medical, and rehabilitation services. It was established in 1984, and as of 1989, the organization focused exclusively on physical disabilities after determining that this field was not being adequately addressed by either the public or private sectors. The foundation gradually implemented the necessary infrastructure to provide orthoses, prostheses, physical rehabilitation, and psychological support. It has also been actively involved in issues such as job placement and public policy advocacy for people with disabilities.

Currently, this CSO¹ offers a range of products and services to approximately 700 people each month. About 75% of its patients participate in the rehabilitation program; of these, about 300 are also attended by the orthosis and prosthesis laboratory. The foundation applies a cross-subsidy policy in order to help people who have less ability to pay. This implies diversifying its market niches, selling to clients who are able to pay a higher price, while maintaining its overall goal, which is to support its social mission. In addition, it has started up more aggressive self-financing activities,² such as partnering with an orthosis and prosthesis laboratory that serves a different socio-economic segment and promoting its recycling program, an initiative that is not necessarily mission-related.

During its early years, the organization raised funds for initiatives undertaken by other non-governmental organizations and acted as a second-tier organization, supporting the development of proposals and the implementation of social impact projects. As a result of this experience, its mission was redefined in order to act directly as an organization serving people with disabilities. Self-financing activities were implemented from the start, to ensure the continuation of its operations over the long term.



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Thus far, this has been a successful strategy that has enabled the foundation to achieve greater social impact.

Section A: The context³

Statistics from the Consejo Nacional de Discapacidades (National Council on Disabilities, known as CONADIS) in Ecuador indicate that there are 1.6 million people with some type of disability; this represents 12.2% of Ecuador's population. This figure includes approximately 780,000 men (5.9% of the total) and 830,000 women (6.3% of the total). According to CONADIS, 18.2% of these people have not finished elementary school and 60% live in rural areas. Almost 90% have never received any special education services.

In relation to their socio-economic level, it is estimated that 50% of the people with disabilities are in the 1st and 2nd quintiles (the poorest 40% in the country), with an average per capita income that fluctuates between US\$ 10 and US\$ 31 per month. Only 12% of this population receives state social security benefits. Of all people with disabilities, a scant 18.2% work, while 29.1% are unable to work.

Other data shows that 86.2% of all people with disabilities do not have access to health services –either private or state– and 73.8% do not receive any technical aids⁴, thus emphasizing the need for provision of such implements. This situation has led to an increase in demands on CSOs working in the area of disabilities and social integration to bring about change through effective and timely actions. For a long time, social programs were the only way to guarantee a certain level of access for the most vulnerable groups.

In the field of disabilities, orthoses and prostheses are expensive and made from imported materials, which are subject to import tariffs, thus substantially increasing the cost; in addition, the need for specialized attention for rehabilitation further reduces opportunities for low-income people.

Ecuador as a whole has begun to address the need to create health care-related policies, especially for people with some form of disability. For example, there is currently a nationwide campaign underway to provide technical aids to people with disabilities. One of the participants is Fundación Hermano Miguel, given its broad track record providing comprehensive solutions to people with disabilities who need orthoses, prostheses, and/or technical aids. This service is complemented by rehabilitation, psychotherapy, and general healthcare services. The foundation meets the conditions established and approved by the World Rehabilitation Fund to ensure high-quality services.

3 <http://www.conadis.gov.ec/investigacion04.htm#2004>

4 Technical aids are products, equipment, instruments, and technological services to prevent, compensate or neutralize a deficiency or disability. They are basic elements for personal autonomy and contribute to improving the lives of people with disabilities. For example: wheelchair.



- 5 Currently the Ministerio de Inclusión Social y Económica (Ministry of Social and Economic Inclusion, or MIES).
- 6 This means that Fundación Hermano Miguel financed projects that were executed by other CSOs.

Section B: Organization background

B.1 History and mission

Fundación Hermano Miguel (FHM) began under the direction of Dr. Gonzalo Suárez and his wife, María Eugenia Paredes, and their initiative to run projects that emphasize solidarity. It was approved by the Ministerio de Bienestar Social (Ministry of Social Well-being)⁵ in December 1984. During the first two years, its social work was limited by the lack of financial resources and the difficulty it had raising funds. The organization's first action was a national study that identified the needs in this sector and helped to define the role that the founders wanted it to have. The study revealed that while infrastructure and human resources were available, funding was scarce. As a result, the foundation's objective was to strengthen existing organizations.



At the beginning, a significant part of the funds came from the financial profits of the founder's mining company, but these funds were not enough to sustain the social work. To obtain resources to finance new projects, it sought mechanisms outside the traditional realm and established contact with Delfabro, an Argentine-Spanish company that attracted funds through a television program.

The founders formed a partnership and Fundación Hermano Miguel obtained a license for Telebingo, a promotional program –televised bingo– that required specialized business administration (Delfabro), that if successful would enable the foundation to put its philosophy into practice. For the organization, this implied redirecting its management toward a more modern structure that combined its social mission with an entrepreneurial vision.

The serious problem regarding accessibility and the socio-economic situation of people with disabilities in Ecuador was the basis for the foundation's decision to redirect its actions and develop projects to assist this target group.

Despite the skepticism that existed about the proliferation of local and national raffles and lotteries, the ongoing work of the foundation generated credibility and trust among the public. During the two years that Telebingo operated (1987-1988), FHM was established as a second-tier organization⁶ whose purpose was to strengthen hundreds of CSOs in programs with a duration of at least one year (except in cases of funding for infrastructure or equipment), supporting more than 3,000 projects nationally.

In support of the organizations and communities that applied for the funds, both in sustaining their projects and in evaluating the required social investments, an implementation unit was formed within the foundation with a team of six professionals from different disciplines (architect, sociologist, public health doctors), three of whom had training in public health projects outside Ecuador.



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The foundation invested in infrastructure, equipment and other needs. Initially, the beneficiary institutions were not given ownership of these investments, because the foundation wanted to be sure that the organizations were on solid footing prior to transferring the assets, in order to avoid generating additional expenses.

Unfortunately, in 1989, a national entity with a monopoly in raffles and lotteries held enough political clout to pressure the Ministry of Government to suspend the Telebingo permit and shut it down. Fundación Hermano Miguel requested the intervention of the National Congress to carry out a general audit, which was complemented by a private audit commissioned by the foundation. Although the results were favorable for the organization, the permit was not reinstated.

Faced with this financial limitation, Fundación Hermano Miguel stopped providing donations, which led to an in-depth analysis of the work carried out until then and a reassessment of next steps. It decided to start working in a specific sector and coordinate its own projects. The serious problem regarding accessibility and the socio-economic situation of people with disabilities in Ecuador was the basis for the foundation's decision to redirect its actions and develop projects to assist this target group.

In 1990, the foundation began operating an orthosis and prosthesis workshop, which was limited by the lack of space and comprehensive complementary rehabilitation services. In 1994, the foundation opened the Centro de Atención Integral y Desarrollo (Comprehensive Care and Development Center, or CAID). It was set up to provide a service to the community with a wide range of physical rehabilitation services and an orthosis and prosthesis laboratory. The center's construction was financed with a bank loan.

The experience gained in managing significant amounts of money, assessing projects, and presenting cost center reports –individual, community and social work projects– helped the center to identify two important factors for achieving success: maintaining transparency toward the community and keeping accurate accounting records. Another aspect it has learned through observation is the importance of avoiding paternalism;⁷ that is, pricing services at a level that is neither too high nor free, to both maintain the social purpose of the organization while at the same time sustaining it.

This management model evoked some criticism from certain beneficiaries and other organizations who defended free services. However, the foundation maintained its focus by complementing its services with fundraising and donations for people who are unable to pay the full value of their rehabilitation and prosthesis. It has also signed agreements with the state to implement social programs. With this new entrepreneurial approach, patients were no longer just beneficiaries and instead became clients, and as such, they began to demand quality in the services and programs offered by the organization.

7 The foundation helped several organizations cover their administrative costs, but despite this assistance, these CSOs continued to face financial difficulties because they lacked a sustainability strategy.



8 Two of them have closed; the others continue to operate.

To reinforce its subsidizing policy, the foundation has strengthened its social work area, which has three basic functions: to assess patient payment capacity; to establish differentiated values for its services; and to raise funds from a variety of private and public entities.

The foundation's mission has been expanded to offer comprehensive rehabilitation services to the community and particularly to people with disabilities. It is focused not only on offering medical services and implementing technical aids, but also in working toward both social and workplace integration for people with disabilities through joint efforts with similar organizations, as well as the defense of civil rights.

B.2 Programs and social impact

The programs that the foundation currently carries out, specifically in its Comprehensive Care and Development Center, are:

- a. **Prevention for early detection of illness.** This includes a wide range of services: general medicine, neurology, clinical laboratory, cardiology, urology, and dentistry. It also conducts patient diagnoses through alliances with other institutions and professionals. One of its more noteworthy projects is a preventive health initiative for schools in partnership with the Health Ministry, which has served approximately 4,000 children. The foundation has helped create 19 healthcare centers,⁸ which are managed by the local communities.
- b. **Physical rehabilitation, fitting, and pre- and post-prosthetic physical therapy.** This includes work with patients with cerebral palsy, myelomeningocele, cranioencephalic traumatism, and paraplegia, among others. Since 1990, it has had an orthosis and prosthesis laboratory that manufactures and distributes more than 350 items for about 300 people each month. Other related services are comprehensive speech, occupational, and support therapy, in which the emotional aspect plays a very important role. In addition, this program includes an assessment and an opportunity for people to apply for a CONADIS card, which gives them access to certain benefits.
- c. **Integration and training.** This consists of mentoring people with disabilities to assist them in job placement, in conjunction with other specialized social organizations. The foundation occasionally provides legal services related to human rights issues.

It has also operated two alternative job placement workshops for the manufacture of local products. However, the influx of cheaper imported products made these workshops no longer viable.

To date, the metal-mechanic workshop continues to operate, manufacturing technical aids such as wheelchairs, walkers, crutches and other products. This workshop hires people with and without disabilities whenever there are special orders from another institution and the volume covers at least the fixed costs.



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When that is not the case, it is more economically advantageous to import these products from outside the country. Employees of the workshop are paid on a per finished product basis.

At one point there was another workshop financed by CARE,⁹ which consisted of a unit that produced lingerie, hospital clothing, work clothing, and exercise clothing. However, the cost of disposable versions of these items and imports from Asia drastically reduced the sales potential. As a consequence, the foundation decided to provide training in high-end tailoring to the women who worked in the workshop, enabling them to work independently.

- d. **Actively participate in supporting and designing public policies.** Among its objectives, the foundation seeks to resolve the challenges faced by people with disabilities and help ensure that their human rights and basic freedoms are respected and that they are fully integrated into society. FHM actively participates in the Federación Ecuatoriana de ONG para la Discapacidad (Ecuadorian Federation of Disability NGOs, or FENODIS) in activities to defend the rights of people with disabilities. This has enabled the organization to become involved in regulatory matters regarding disabilities, such as the Labor Code, the Ecuadorian Regulation on Disabilities and the United Nations Convention on the Rights of People with Disabilities.¹⁰ It is also a member of the Grupo Latinoamericano de Rehabilitación Profesional (Latin American Professional Rehabilitation Group, or GLARP IIPD) and the Foro de ONG de Salud (Health NGO Forum).

The foundation works in several programs with the Ministry of Economic and Social Inclusion and the Ministry of Health and is also one of the prosthesis and orthosis providers for CONADIS, which offers these items at low cost as part of a national governmental donation campaign, *Un Ecuador sin Barreras (Ecuador Without Barriers)*.

- e. **Other.** The foundation also has internship programs for university students from both within the country and abroad.

Social impact achieved

Fundación Hermano Miguel's programs are directed toward people with both moderate (15.39%) and serious (39.80%) limitations who live in rural or urban areas. The rest are people with specific needs (e.g., technical aids) who do not require additional treatment.

The foundation currently serves 700 people per month. About 75% of the foundation's patients are concentrated in its rehabilitation program. Of these, approximately 300 require the services of the orthosis and prosthesis laboratory.

The foundation has expanded its services and coverage. Initially, the laboratory provided services for 12 people and rehabilitation was provided elsewhere. Fifteen

9 CARE, Cooperation for American Relief Everywhere, is a US-based humanitarian organization fighting global poverty, especially focusing on women, by funding projects that facilitate lasting change and strengthen an individual's capacity for self-help.

10 Ecuador, as a party to this convention, has certain obligations and commitments. Among them are, for example, Article 4, letters f), g) and h), which expressly refer to technical aids and promote the availability and use of such aids at an affordable price. Article 8 addresses accessibility; Article 20 addresses personal mobility; letter d) expressly states "to promote entities that manufacture mobility aids"; Article 26 addresses equipment provision and rehabilitation.



11 A de facto partnership is not a legal entity, but does pay income tax like any other company, and the parties involved can assign the resources and assets required to operate the project.

years ago, the number of people served rose to 70 per month, and over the last five years, the foundation has provided its range of services to an average of 700 people each month.

In the last three years, the foundation has provided services to 21,725 people nationally, which represents an average of 7,240 patients each year and approximately 49,286 medical consultations, almost 16,500 annually. In 2006, the foundation was able to serve 798 patients per month thanks to US\$300,000 from CONADIS and the Dirección Nacional de Atención Integral a las Discapacidades (National Directorate for Integral Assistance for Disabilities, or DINADIS) for medicine, supplies, orthoses, and prostheses. The following year, however, the state decided to run the program directly.

The growth and impact of the institution is also reflected in its approximately 300 types of products and services: articles for diabetics (stockings, shoes, insoles) and technical aids, among others.

B.3 Team and financial information



The growth and impact of the institution is also reflected in its approximately 300 types of products and services: articles for diabetics (stockings, shoes, insoles) and technical assistance, among others.

Currently, 47 people work at Fundación Hermano Miguel; of these, 20 are full-time employees, 17 are part-time employees, and 10 are volunteers.

In 2007, the organization's budget reached US\$ 501,000. Of this, 65% was raised through product sales, 28% through service fees, 1% through donations, and 6% from other forms of income.

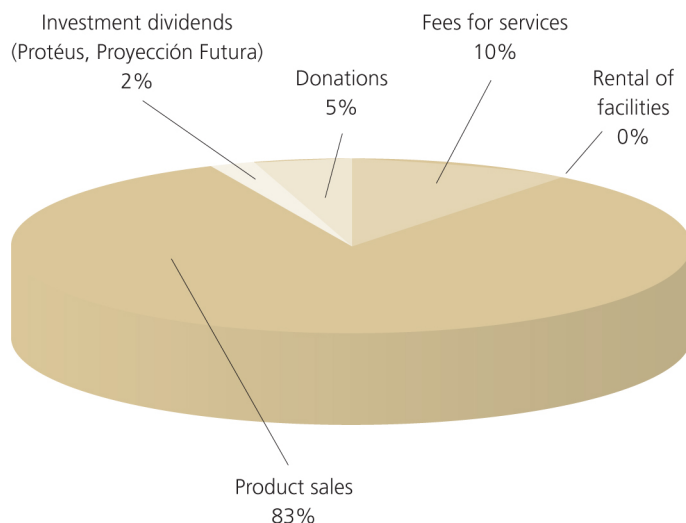
In 2008, self-financing income totaled 95% of the budget and only 5% came from national and international private donations., as can be seen in the graph on the next page (see Graph 1).

In addition, the foundation entered into a strategic alliance with *Proyección Futura* (Future Projection), a de facto partnership¹¹ dedicated to managing and recycling materials. They decided to split the partnership 50/50. For the foundation, this income totals about US\$ 2,500 per month.

With respect to the use of income, in 2007 there was a deficit of US\$ 15,700, with expenses rising to US\$ 517,000. Of this amount, 53% went toward purchasing raw materials, production, and program execution; 20% to salaries and 27% was for other administrative expenses. Normally, the deficit is carried over to the following year and covered by income earned at fundraising activities and events.



Graph N° 1: Sources of income, 2008



The self-financing activities and services provided make a significant contribution to the institutional mission goals. A good percentage of the administrative costs goes directly towards program activities. An example of this is the costs associated with fundraising to offset the prices of prostheses or orthoses for low-income people. Another case involves the costs of maintaining communication at the leadership and management level, or building and maintaining a network of contacts with potential donors, organizations, private entities, sponsors, social work departments of hospitals, foundations and medical specialists who provide free services for special cases or charge subsidized or lower than average market fees.

Section C: Self-financing activities

The health sector, particularly in the areas of disabilities, faces growing demand for services and at the same time a reduction in funding sources from public or private donors. This has led the foundation to the search for further self-financing strategies. Currently, it is implementing a diverse range of alternative funding methods, including the following:

- *Sale of products*: orthoses and prostheses produced in Ecuador using domestic and imported materials; technical aids (crutches and wheelchairs, among others), either produced in the metal-mechanic workshop upon special demand or otherwise imported.



- *Fees for services*: rehabilitation services, therapy, and other services provided by the Medical and Dental Center, hearing and speech services, and psychological services. These include agreements with companies to provide preventive and rehabilitation services, or to provide occupational credentials required by the Instituto Ecuatoriano de Seguridad Social (Ecuadorian Social Security Institute, or IESS).

- *Use of hard assets*: rental of audiovisual equipment and physical space (auditorium) for meetings and special sales events.

- *Investment dividends*: the foundation makes short-term investments and is also planning to create a trust fund that would enable it to generate financial income to cover administrative expenses. In relation to this, there are some legal limitations, as this trust fund may only be financed by donations specified for this purpose and not by any foundation surpluses, as these must be used to meet the organization's *social mission*.

In addition, the foundation has the following alliances with a de facto partnership and a company:

- *Proyección Futura*: this is a recycling center that recycles junk, paper, cardboard, and used furniture. It does not yet have legal status, but has all of the relevant municipal permits. Its assets include a truck for logistical management of the project. The profits are distributed in half: 50% for FHM and the other 50% for the two young entrepreneurs who currently manage the activities of Proyección Futura.
- *Protéus*: this is a private orthosis and prosthesis laboratory that serves an upper-income market niche. The partners are: David Krupa, Gonzalo Suárez, and FHM. The earnings are distributed thus: 33%, 30%, and 37%, respectively.

Over the years the organization has implemented diverse alternatives for generating and diversifying its income in order to ensure its sustainability.

C.1 Self-financing background

In mid-1986, in order to begin operating the Telebingo program, which was already quite successful in the Netherlands, the foundation entered into a partnership with Delfabro, an Argentine-Spanish company that specializes in promotional television programs. Fundación Hermano Miguel contributed with the Spanish franchise license, while the Argentine group managed business operations: hiring artists, preparing the stage set, issuing tickets and publicity, etc.

The two groups originally considered the possibility of dividing the earnings 50/50. They later agreed that 60% of the earnings would go to the foundation, while Delfabro would receive 40%. These funds were used to finance the projects



and administrative costs of several organizations. When Telebingo ended, there was a financial surplus that was reinvested into the foundation to carry out its own projects. However, the beneficiary organizations that the foundation had been supporting asked for three to twelve additional months of support in order to ensure their continuity. FHM accepted these conditions, but lost the capitalized funds.

All of these events led to a change in FHM's mission. The organization decided to support people with disabilities by offering services that were priced using a sliding scale.

C.2 Self-financing startup and evolution

After the period in which it operated as a second-tier organization, the next four years for Fundación Hermano Miguel were a time of startup and slow growth. Self-financing activities involved supplying orthoses and prostheses, and thus directly focused on the target group, fulfilling the organizational mission.

The main difficulty the organization faced was the provision of services to a low-income segment of the population, which required constant fundraising to cover the cost of the items it sold. But this was not particularly easy, since the foundation was positioned as a donor NGO and not as an organization with its own programs. Furthermore, the donations FHM received were not for covering administrative expenses, and it eventually had to seek out alternatives for diversifying its income.

In 1990, the organization began its own orthosis and prosthesis laboratory with support from the World Rehabilitation Fund. The purchase amount –which was subsidized– totaled US\$ 25,000. From 1991 to 1996, the organization experienced significant growth. In 1994, the Comprehensive Care and Development Center was opened with support from the Fondo de Inversión Social de Emergencia (Emergency Social Investment Fund, or FISE) and with a personal loan taken out by the director and president of the foundation. This enabled the foundation to expand a specific area for physical rehabilitation services with other types of care including physiatry, traumatology, occupational and speech therapy, dentistry, and general medicine.

By 1999, the organization had matured. It started a social enterprise that generated income for the organization, but was not directly related to the mission and the target group: it launched a campaign to collect printer ink and/or toner cartridges for recycling, which generated significant resources. However, others soon followed suit with their own recycling enterprises, creating competition and reducing once again the foundation's earnings. In 2005, it decided to relaunch this activity, this time as an enterprise independent of the

The foundation's continuous growth has enabled it to develop skills and knowledge that contribute to its vision and to form proactive work teams.





foundation so as to avoid distracting personnel from the organizational mission. The result of this was the creation of a de facto partnership, *Proyección Futura*.

By building its own infrastructure, FHM has also increasingly diversified its healthcare services. In addition to orthosis and prosthesis, the organization began to offer rehabilitation and therapy services, as well as other complementary activities, including diagnosis and preventive health. Maximizing the use of its physical space, the organization also rents out its training room for events held by other organizations.

The organization's target group has also expanded. At first, it only provided care for people with disabilities, but now seeks to forge alliances and agreements with public and private sector entities to increase the quantity of medical services it provides –at regular prices– and extend those services to people without disabilities. It also now provides care for people with disabilities from upper income sectors, through Protéus.

In order to provide job opportunities to people who have gone through the foundation's rehabilitation services, FHM established the metal-mechanic workshop, which produces technical aids such as wheelchairs, crutches and walkers. The workshop does not operate permanently, but only when it receives specific orders with a production volume large enough to cover the costs of the workshop's operations.

The organization also created another initiative, with support from CARE, to place 15 female heads of household in the workforce, by setting up a workshop for producing lingerie and hospital clothing. This workshop operated for six years. Although the workshop was not financially profitable, it had an important social impact, because eight of the women went on to receive training in sewing high-fashion apparel and struck out on their own. Eventually, they began working with a wedding dress designer.

The foundation is continually developing skills and knowledge in a broad range of activities, which has contributed to its vision of sustainability and has led to the formation of proactive work teams. Nevertheless, this still has not been enough to meet the national demand, as the foundation does not have offices outside Quito. One of the foundation's goals is to have medical units throughout Ecuador, to avoid having to transfer patients to the capital. According to the national government program for people with disabilities, around 2,000 people have presented applications for support and it is estimated that a significant percentage of them have not yet received any care.

Although the foundation has not yet conducted a market study or a preliminary business plan, all of the actions it has undertaken have adhered to strict accounting procedures and transparency with beneficiaries and donors. The foundation has a reputation among the community at large for its accountability and reliability.



C.3 Performance of self-financing activities

Despite the large quantity of activities that FHM has undertaken, the organization has not engaged in any significant financial planning of its self-financing activities. However, it has been careful to define processes and procedures, establish human resources strategies, develop job descriptions and assess staff workloads, all of which has contributed to building an in-house capacity to deliver services as efficiently as possible. In order to meet demand, the foundation has specified the number of users and services provided each month, but it has not calculated break-even points, costs, or the subsidy amounts related to growth. Table 1 on the next page presents a summary of its self-financing activities and the regularity and source of its income.

Although the foundation's accounting records are very clear and transparent, the orthoses and prostheses center is the only cost center with identified income and expenses. Accounting figures for the other health services are not provided separately; which means that the foundation is unable to accurately calculate the results of each of these activities.

Preventive health services continue to be sporadic and are not sufficient to cover the center's fixed costs, let alone the general administrative costs. The organization generates some income from private donations to pay for orthoses and prostheses. It also earns income from short-term financial investments and through the sale of recycling materials through Proyección Futura.

The technical aids produced in the metal-mechanic workshop are also mostly in response to medium-size orders. The workshop must manufacture a minimum of 30 articles of the same product; otherwise, the cost of raw materials exceeds revenue.

Proyección Futura and Protéus are still fairly new businesses and do not yet generate a significant amount of untied funding that can be used to fund other organizational programs and activities.

The orthosis and prosthesis program does not operate at a loss because in accounting terms, the real value of the products is still covered. In other words, although the products are sold at subsidized prices to beneficiaries, the remaining amount is covered by private donations from the foundation's Social Work Department, based on the real needs of each client-beneficiary.

In each of the self-financing activities implemented, the organization's goal has been to cover direct costs and operating costs, but not necessarily administrative expenses or equipment replacement costs.



For the foundation, it is critical to diversify into different market niches and even business units that are not necessarily mission-related.



Table 1: Summary of self-financing activities

Activity	Program	Regularity of income		Who generates the income		
		Permanent income	Sporadic income	Target group	New market niches	Administrative area
Sale of products	Orthoses and prostheses produced with domestic and imported material at the FHM laboratory	x		x		x
	Technical aids (crutches and wheelchairs, among others), which are produced in the metal-mechanic workshop/labor force inclusion		x	x		
Fees for services	Prevention		x	x	x	
	Rehabilitation, therapies	x		x	x	
Use of hard assets	Rental of audiovisual equipment and physical space (auditorium)		x		x	
Investment dividends	They make short-term investments		x			x
Other investments (shareholder in other businesses)	<i>Proyección Futura:</i>	x			x	x
	<i>Protéus:</i>	x			x	

In some cases, the product is sold at prices below the average market price, for example, in order to win state-awarded contracts. However, in these cases, it must have enough cash flow to cover the order until the invoice is paid. In the public sector, invoice payment is usually a slow process.

To cover this type of liquidity gap, on several occasions the foundation has implemented quick fundraising strategies, including traditional activities such as raffles, events, small donations from businesses, sponsorships, flea markets, etc. These types of activities don't generate much income but help to mitigate liquidity gaps.

In practice, all activities (except those external to the foundation, such as *Proyección Futura* and *Protéus*) are subsidized to some extent through additional fundraising.

This scenario is managed completely independently of donations that are obtained exclusively for beneficiaries; such funds are never diverted to cover the



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foundation's administrative costs. One hundred percent of these funds go to the beneficiary, and to ensure this, the foundation maintains a very rigorous and transparent system for tracking the destination of donations.

The organization is still working toward the sustainability of all of its activities; however, if a beneficiary's ability to pay is taken into account, this is not a simple goal, nor can it be achieved quickly. FHM has seen the need to diversify into different market niches and even business units that are not necessarily mission-related.

The organization anticipates that the recycling program, still in its early stages, will respond to this need to diversify; the income generated will be invested in both programs and foundation expenses. In 2006, it generated income of US\$ 13,694; in 2007, it closed the year with income of US\$ 24,252; and in 2008 it is projected to have income of around US\$ 32,000, or a monthly average of US\$ 2,600.

C.4 Management and administration of self-financing activities

Management of self-financing activities has led to the following challenges for the organization:

- Balancing subsidies with sustainability in order to maintain support for the lowest-income groups while covering administrative expenses and developing a surplus to replace and maintain equipment and increase salaries.
- Diversifying self-financing activities while preventing expenses from increasing disproportionately to income and cash flow gaps.
- Adequately distributing time between mission-related activities and those not related to the mission but with the potential to generate more income.
- Delivering high-quality products on time without negatively affecting donor perceptions.

Subsidies versus sustainability

FHM has come up with various alternatives for compensating the subsidies for its programs. A rehabilitation consultation, for example, costs US\$ 15, but the foundation can only charge US\$ 4 owing to the beneficiaries' reduced ability to pay. If the foundation were to charge US\$ 1 more, people would reduce the frequency of their therapy, thus reducing its effectiveness.

As a means to compensate for patients who can't pay, FHM has considered distributing vouchers for monthly consultations. These vouchers¹² are purchased by beneficiaries or private individuals with higher incomes, who contribute to the social mission through these small donations. This service would under no circumstances be offered for free, because evidence shows that when people do not

12 One voucher is good for a consultation or therapy session.



pay for a service such as therapy sessions, they tend to attend less frequently and the active participation of beneficiaries turns into a passive role, with less influence and shared responsibility.

The cost of orthoses and prostheses can vary from US\$ 600 to US\$ 8,000. The foundation's Social Work Department identifies an individual's ability to pay and covers the remaining product expense with one of the following: a) donations from *benefactors*, b) state subsidies through the Ministry of Social Inclusion and its Disabilities Directorate, or c) a direct and exclusive contribution to the beneficiary from CONADIS.

For people in critical economic situations, the foundation organizes annual brigades with doctors and technicians from the United States, who donate 50 prosthetic legs. This alternative started in 2002, thanks to the initiative of Dino Cozzarelli, a technician from the United States, with technical support from Fundación Hermano Miguel. The foundation also covers room and board for the professionals who participate in these brigades. The first brigade provided care for low-income people with amputated limbs, making a significant impact on their rehabilitation. To date (2008), 228 patients have received help through these brigades.

In mid-2009, for the sixth consecutive year, 10 prosthetic technicians¹² will assess needs and provide lower limb prostheses –at no cost– to low-income beneficiaries. In addition to their human and technical support, these professionals contribute the prosthetic parts necessary to assemble the prostheses, showing a strong sense of social responsibility and commitment to those most in need. The real cost of these brigades is US\$ 49,000, of which the foundation contributes US\$ 5,000, US\$ 37,000 is donated by the doctors, and US\$ 6,000 comes from special donations obtained by the foundation.

Generally, the sustainability of these programs is not feasible unless another market niche is included that can pay the real value of the services offered. One of the foundation's ideas is to hire a doctor and sell service packages to private companies (medical care benefits, affiliation with the national health insurance program). To implement this, the foundation would need to strengthen its image, position itself as a competitive institution in the health sector both in terms of quality and prices, and complement the range of services offered with those needed.

Another alternative under study is based on Ecuadorian law, which requires all companies with at least 300 employees to have a social worker, a doctor and a child care center. In response to this, Fundación Hermano Miguel offers these services to companies, enabling them to meet legal requirements. To achieve this goal, the foundation is going door-to-door to promote the idea and seek out new clients. The Director of Management and Development first presents a work proposal to a company's human resources department, and once an agreement has been reached, a contract is signed.



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These alliances or new agreements enable a company's workers to receive medical services in different areas, although what they often need most are rehabilitative therapies and, to a lesser extent, preventive healthcare. Due to lack of demand, the dental and psychological services portion of these agreements have been discontinued, although the organization is still seeking strategies to sell these services. So far, seven agreements have been signed. The foundation provides each of its client companies with a monthly invoice with the names of users and the value of each consultation.

The decision to keep subsidizing programs has limited the use of funds to make new investments. For example, in another two years the equipment in the orthosis and prosthesis laboratory will have to be replaced. It was purchased 18 years ago with US\$ 25,000 in subsidies, but the cost to replace it today is US\$ 230,000. The foundation has also been unable to raise employee salaries. It is currently developing fundraising strategies to address the first challenge and a source of permanent financing for the second one.

Balancing diversification and growth against cost controls and liquidity needs

As explained previously, FHM has applied the following strategies:

1. Market diversification

- Providing services for the target group as part of the social mission, and identifying other groups of clients who can pay the real cost of services (upper-income individuals, private companies, the state).

2. Product diversification

- *Increase in related products/services*: initially the foundation worked with orthoses and prostheses, but today it also produces high-technology technical aids. It offers about 350 different items. It has added services such as occupational therapy, speech therapy, psychological services, diagnostic services, preventive care, and dentistry.
- *Incorporation of non-related products*: use of licenses –Telebingo– which it is not currently using; product recycling; workshops for female heads of household; investments and rental of physical space.

3. Shared risk strategies (with other legal entities)

- Proyección Futura (de facto partnership)
- Protéus (limited company)



13 US\$ 655,000 in expenses this year.

14 FHM management has had to use personal credit cards with deferred payments.

4. Cost reduction strategy

- The foundation closed the sewing workshop and was able to find jobs for the workshop participants making wedding dresses.
- The metal-mechanic workshop only operates on a per-contract basis; the personnel are hired on an as-needed basis.

FHM's diversification strategies have influenced its growth, but they have also increased expenses and costs, affecting the organization's cash flow.

63% of the organization's total costs and expenses in 2007 were for operating its programs.¹³ Of the program costs, 47%, or about US\$315,000, was working capital for imported raw materials used to make orthoses and prostheses, 16% went to the programs themselves and 37% was destined towards administrative expenses. That means that each time goods are imported, the foundation faces significant cash flow needs, forcing it to use its credit card and resources from the foundation's executive director and president as means of financing.¹⁴

In 2008 the foundation was awarded a state contract. Fulfilling this contract requires an initial infusion of funds that will not be quickly recovered, as the state is slow on making payments. This situation, despite the growth it represents, has created a difficult cash flow situation.

There has been an increase in direct costs, but the growth in the amount allocated to salaries has largely been the result of the increase in personnel and not in individual salaries. Salary levels generally tend to be average for the market, but employees only have the opportunity to increase their compensation through promotion, and not through performance or seniority.

The organization has hired employees in such a way as to prevent significant growth in payroll costs. The only permanent employees are administrative personnel, professionals who work in the orthosis and prosthesis laboratory, and physical therapists who treat children. For the other medical services, the professionals provide services as independent contractors and receive 70% of the income generated. These fees based on productivity are meant to stimulate the professionals to provide high-quality services and seek out new market niches. The foundation receives the remaining 30%, thus avoiding an increase in its fixed costs. This type of hiring system is being assessed, due to the changes currently being made to the legal framework. It may eventually become necessary to make all personnel permanent employees of the organization.

For these reasons, the organization is proposing a self-financing alternative that involves the creation of a trust fund to generate monthly revenue to cover operational and administrative expenses. The organization is currently applying for donations that will be exclusively for this purpose; these donations will be supplemented by the shares it has in Proyección Futura and Protéus.



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Time devoted to mission-related and non-mission-related programs

FHM has been providing services for close to 25 years. Since 1990, it has dedicated almost all of its time to mission-related programs. To the extent that its services and markets have diversified, the administrative activities have become more complex, requiring special attention.

The four main processes that have grown parallel to one another are:

- provision of health services
- fundraising
- administrative and financial management
- development of self-financing activities

In the first of these processes, the growth in services provided corresponds to the growth in the number of professionals and technicians from different specialties. Personnel estimates that it spends 80% of its time on tasks related to implementing programs and services. As time has passed, the professionals have developed sales skills that have been useful in the search for new niches to sustain the organization.

In the remaining three processes, there is less designated staff to carry out multiple functions. This has meant a significant increase in workload and less opportunities for growth. Staff manages a variety of tasks related to suppliers, imports, accounting, human resources, fundraising, promotion, public relations, hiring, advocacy, and organizational development.

Internal management requires optimal use of directors' time, but whenever a new project is developed, inevitably there is a reallocation of time toward the new activity. The same jobs are maintained but the number of functions and responsibilities grow. Directors tend to dedicate most of their time towards resolving urgent situations or problems and not to planning and organizing tasks that are most important for the foundation's development.

One method the foundation has used to manage staff workload is to create independent companies with new staff, such as the recycling program; under this scenario the foundation shares the revenues with third parties. Time has shown that setting the recycling program up as an independent enterprise was a good decision and has produced positive results. Even though the senior managers of FHM continue to be involved, daily operations are in the hands of its two partners and the program is growing strong. The foundation could assess other programs and determine whether the use of third parties would help to lessen workload and improve overall performance.



15 For FHM, the difference between *self-sufficient* and *self-sustainable* is that the former refers to the organization's ability to generate funds to cover operational costs and provide cross-subsidies that support service provision to beneficiaries. On the other hand, for the latter, donor support is also considered a contribution to operating costs and organizational growth.

Efficiency and effectiveness versus donor perception

FHM has worked to optimize its human, financial and material resources in order to provide quality services at a low cost. It is also the only nonprofit organization that offers orthoses and prostheses with the support of specialized technicians and a wide range of other health services.

It owns its infrastructure and has plans to maximize the use of its physical space by building new modules. This would enable expansion of rehabilitation services and the foundation would also be able to implement other self-financing activities, such as the sale of a variety of laboratory and other products. One opportunity is to sell products and services to students at Universidad de las Américas, which is scheduled to open its campus next to Fundación Hermano Miguel at the end of the year.

These tasks have all been developed in order to recover program costs and generate new funds to further the mission and increase sustainability. However, FHM perceives that this fact, while positive, has given potential donors the impression that the organization is self-sufficient.¹⁵ Eight aid organizations have rejected the foundation as a potential grantee, illustrating that donor institutions, perhaps believe that, given its many services and self-generated income, the foundation does not need donor funding. This vision, to a certain extent, "penalizes" efficiency and is not consistent with the foundation's reality, wherein it continues to encounter difficulties in covering administrative costs.

In fact, the foundation's expenses are still higher than its revenues. Many of its services are time-intensive and it is difficult to charge clients the full cost of the service or to increase the number of clients to cover costs. In children's therapy, for example, a therapist can only work with one child at a time, for 40 minutes each. This restricts productivity, which in turn reduces the foundation's ability to care for more patients, but it is crucial to dedicate enough time to each child in order to provide quality services that develop his or her potential. In this case, the number of children seen each day is not enough to cover therapist costs, operational or administrative expenses. Each person seen implies some degree of subsidy.

It has therefore become increasingly more important to keep accounting records for each type of service, itemizing the subsidies needed for provision of services, therefore enabling the organization to identify the real cost of the services and products provided. Currently, the foundation's accounting system is transparent but it still lacks detailed information on each type of service. Donations are not accounted for as a separate area, since normally donor support is included to meet the full cost of the service. Starting this year, the foundation hopes to begin recording these revenues differently.



Section D: Legal aspects of self-financing

The foundation is exempt from paying income taxes, and none of the medical and rehabilitation services are subject to value-added tax (VAT), nor are the donations.

However, all orthopedic products and technical aids required for mobility (wheelchairs and crutches, etc.), rentals, and acquisitions for the recycling program, etc., purchased by the foundation are subject to VAT.

There is a contradiction in the law; according to the Disabilities Law, people with disabilities do not pay VAT. However, technical aids and orthopedic products are subject to VAT. In addition, 90% of FHM's patients are low-income people and half of them are sent to FHM by state entities.

The foundation, as a provider of orthoses, prostheses and technical aids, is required to charge this tax. This means that end users must pay out of pocket, and tax reimbursement can be a tricky process. One formula for simplifying this process would be to apply a 0% tariff on the product sale, with backing from the Servicio de Rentas Internas (Internal Revenue Service, or SRI). In fact, the foundation has already petitioned the tax authority for such a tariff, but the request was denied.

The foundation also pays a property tax, in addition to the taxes and import tariffs on imported raw materials. There is another inconsistency in the legal framework related to this point. The raw materials imported for the orthoses and prostheses are not classified with specific nomenclature, so they enter the country as consumer goods and are subject to an import tax that ranges from 0% to 35%, despite being tax-exempt under the Disabilities Law. Insurance and transportation costs for imports add another 30%.

When the foundation appealed to Customs for inclusion of codes for these products, Customs responded that this was under SRI jurisdiction; however, the SRI says that Customs is the responsible organism. In the meantime, neither institution claims responsibility or offers a solution to this problem, so the inconsistency in the law remains.

In addition, the Customs Law needs to develop simple procedures for CSOs to follow in order for both in-kind and financial donations received from abroad to also qualify as tax-exempt when the beneficiaries are people with disabilities, as per the Disabilities Law. Normally, the procedures are just as complicated, if not more so, than for commercial importation. This usually only hurts the beneficiaries, an already disadvantaged, low-income sector of Ecuador's population.



The difficulty of managing taxes and the cost of specialized personnel implies a loss for the foundation of US\$ 8,000 annually in unreimbursed tax credits. Thus far, FHM has chosen to outsource this service.

Another aspect that is considerable for both financing and management is the legal requirement placed on foundations and corporations to acquire a minimum percentage of their budget through donations. In FHM's case, this is 15% of the annual budget. The foundation estimated its year-end budget at approximately US\$ 1.445 million, requiring donations in the amount of US\$ 217,000. This situation implies a significant challenge for the foundation, considering that most of its financing comes from self-financing and the perception that many institutional donors have that the organization does not need donor funding.

Section E: Challenges to implementing self-financing activities

Despite the large number of self-financing activities that FHM has undertaken, it has never carried out a structured strategic and financial planning process for these activities. However, it has since defined processes and procedures and has organized its daily operations well.

Until now, the foundation has implemented services without first analyzing real market demand and only taking into account the subjective perceptions and opinions of specific users, which have served to some degree to estimate the level of services used. For example, the foundation currently provides 70 consultations per day, but if it launches a rehabilitation center, it has estimated that it could provide 130 consultations per day for a total of 2,860 every month, compared to its current 1,540. These figures have not yet been translated into numbers of patients because one person may have several consultations per week or month.

Nor has the foundation estimated the number of subsidized versus non-subsidized patients. FHM has recognized the need to create a tracking system in order to determine the size and impact of its fundraising efforts.

As a consequence, the foundation does not know whether it has reached the break-even point for each of its programs. To do this, it must conduct a cross-analysis of the number of patients, average sessions per patient, and number of subsidized patients. With this information, the foundation could establish realistic sales goals and minimally aim to cover its operational expenses.

The recycling program is close to covering its costs and generating profits for the organization to use. The program's financial statements do not show losses, nor do they show a significant surplus for sustaining all operations. Moreover, only the orthosis and prosthesis laboratory is recorded as a separate cost center. Accounting for the other programs is combined.



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Many of the foundation's actions have been aimed at resolving urgent issues but not necessarily the most important ones. To change this situation, it planned 2009 activities focusing on strategies to convert weaknesses into strengths. This process also involved a negotiation of staff and directors' expectations. The financial aspect, in terms of planning, cash flow management, and structuring information from cost centers (product lines), is still a challenge that FHM has addressed since 2008 by outsourcing auditing and preparation of monthly reports.

In addition, if the foundation wishes to enter into new corners of the market (basically providing medical services to companies), it recognizes the need to familiarize itself with the private healthcare sector: prices, quality, supply conditions, and publicity. In terms of publicity, the foundation has developed a radio and TV dissemination plan and will hire a communications professional to run the campaign.

Upon expanding to market niches outside its traditional target group, the main challenge has been to understand the environment and develop quick strategies to keep up with market evolution. For example, the foundation's technical aids compete with high-quality, low-cost Taiwanese products, as well as low-cost Chinese products. The need to be well-informed on the competition became evident when the state made a call for tender for orthoses and prostheses and FHM discovered the existence of seven other competing companies that it had no prior knowledge of.

Financial and business requirements have led FHM to seek out management information and familiarize itself with the market in terms of possible products and services. The level of complexity is quite high, due to the combination of elements that this implies, such as taking into account the social mission, the nature of its beneficiaries, and the need to be competitive.

This complexity affects the search for strategic allies. Thus far, several opportunities have arisen for developing alliances with companies interested in investing in the foundation's initiatives. However, since the foundation does not have feasibility studies or business plans to make its proposals viable, it has been unable to successfully promote entrepreneurial ideas that emphasize social achievements. The foundation is still looking into establishing alliances with international suppliers of orthopedic parts and has been holding meetings with possible partners.

Developing these financial and business skills is key to successfully administering self-financing activities, and changing the perceptions of donors, civil society, and authorities in terms of the capacity of CSOs to conduct these activities.

The foundation continually struggles to prove that the generation of earnings or income is not incompatible with social development, as long as these earnings



further the social mission and strengthen the institution, especially in light of the fact that external resources for development are becoming increasingly limited.

FHM is aware that it should never put its efforts to generate income before its social mission. In developing self-financing activities, the foundation's goal is always to use the experience that its personnel already has while maintaining its financial stability; it does not rule out the possibility of initiatives that are not mission-related. In these cases, its strategy is to legally separate these activities from the foundation.

In the short term, the foundation is considering the idea of starting up a copy center, an internet café, or a bar in partnership with the Universidad de las Américas. This university is set to open its new campus this year and its student body of 3,500 students as well as teaching and related staff are all potential clients for any of these services. The foundation owns a building that it currently rents out but would be available for these purposes when the university opens. It is also looking into opening three small clinics in different parts of the country to serve patients with disabilities by providing them with technical aids.

Section F: Impacts of self-financing activities

F.1 Business performance

The foundation has favored strategies that generate a constant flow of income to guarantee liquidity, thus ensuring its ability to supply products and services to the community.

To implement these strategies, it has taken out three loans (increasing its liabilities) in order to purchase hard assets and maintain cash flow. In 1990, it took out a loan of 90 million sucres (at the time equivalent to about US\$ 11,000) to purchase the site where it currently operates; in 1999, it took out another loan for 210 million sucres (at the time equivalent to about US\$ 17,000) for construction of its current facility. At that time, Ecuador was experiencing the worst financial crisis in its history: inflation and devaluation hit people and institutions hard, and interest rates even topped 100%. Under this precarious scenario, the foundation paid an interest rate of 80% for a long time, almost doubling the value of its loan, and it wasn't until 2002 that it was able to pay off that debt. After Ecuador switched to a US dollar-based economy in 2000, the foundation borrowed US\$ 15,000 to pay for imports of raw material needed to cover an immediate lack of cash flow.

These processes were extremely difficult, considering that civil society organizations are generally not considered credit-worthy. In order to obtain these loans, the CEO and the managing director had to mortgage some of their personal properties. They are convinced that thanks to their efforts, Fundación Hermano Miguel has



been able to continue operating through the years and to meet its goals. The organization has only been able to assume this risk because it generates a monthly cash flow that can cover loan payments.

Following is a detailed description of the performance and impact of self-financing activities:

Telebingo Promotional Program (1987-1988). This generated resources at a national level and enabled FHM to operate as a second-tier organization, funding more than 3,000 projects throughout the country. It was discontinued by the government due to the political clout of the group that holds a national monopoly on raffles and lotteries.

Although FHM still holds the license, it is not commercially viable because the organization is unable to compete with this national monopoly. In any case, this type of fundraising has to be used carefully, since few groups and people have sufficient influence to manage a program of this kind.

Sale of orthopedic products and technical aids (1990 to date). This program is able to recover the cost of technicians and raw materials, but it requires subsidies for low-income people (see Table 2).

However, the foundation does not have enough capital to keep a stock of raw materials and therefore depends on imports, which can be slow in arriving, thus reducing its ability to respond to client needs.

The payment of tariffs on prosthetic parts increases the price by as much as 35%, although the total effect, including insurance and transport, implies an increase of 65% in the overall cost. The foundation is unable to raise funds to keep a greater stock of parts, as this activity subsidizes other programs that are not profitable.

Orthosis and prosthesis	Last year (2007)	Year before last (2006)
Annual sales	237,066.60	300,091.29
Profit / Loss	86,466.80	56,266.35
Number of clients	1,865	1,900
Employees involved	8	8

To date, the foundation has not conducted a market study of the industry.

One of the major problems for this cost center is that its inventories don't have actual values attached to them; donated articles are recorded at zero cost, prohibiting the foundation from determining the real cost recovery.



The laboratory's primary need is for capital to import raw materials so that it can pay suppliers without turning to the president's and director's personal credit cards, especially since the interest rate on such purchases is quite high.

Fee for consultations for general medical and rehabilitation services (since 1994).

The foundation is able to recover the cost of professional fees; this program is subsidized by others and does not allow for replacement of equipment, supplies, and furniture.

The program does not have wide coverage due to the lack of publicity and sales strategies and the minimal involvement of the participating doctors. This is one of the weakest areas of the organization; it will require greater efforts to advertise its services and assess its long-term sustainability.

Rehabilitation services. The primary need for this service is to expand its coverage, since the demand is far greater than the supply. More stretchers and equipment are needed for patient care.

Little by little, the organization has implemented new services that generate additional costs, such as the massage pool, which reduced profits in 2007. Generally, when revenues are generated, the foundation reinvests these in improvements.

Rehabilitation services operate at a surplus and help to subsidize other programs. Nevertheless, the foundation recognizes the need for a financial study to determine the break-even point for each type of patient: subsidized users, non-subsidized users, and users who obtain care through corporate agreements. This information is needed to further develop these services and establish clearer strategies for growth. Income from rehabilitation services can be seen in Table 3 below.

Rehabilitation	Last year (2007)	Year before last (2006)
Annual sales	73,029.20	58,386.00
Profit / Loss	14,524.42	15,777.82
Number of clients	1,238	1,350
Employees involved	4 (+ 8 interns)	4 (+ 8 interns)

Recycling program (1999 to date). Nine years ago, the foundation presented a proposal for its recycling program to a Colombian company and started to recycle toner cartridges donated by the private sector. This activity generated between US\$ 5,000 and US\$ 6,000 per month, which was used to cover administrative costs. It generated a significant amount of income in the first two years, but private sector competitors then entered the market and began paying the general public for



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each cartridge recycled. Once the foundation had to begin paying for the recycled cartridges, it was no longer profitable. It required an increasing amount of time commitment and business skills to be able to maintain afloat.

In 2005, the foundation decided to diversify the types of recycled products it would sell and to partner with two young entrepreneurs in a joint venture strategy. The company is currently a de facto partnership known as Proyección Futura and will eventually be a limited liability company. FHM's contribution includes the provision of recycled materials it receives through donations and a call center to contacts in over 600 companies to secure donated goods that are no longer needed. In addition to direct one-on-one sales by the partners, once a month they hold a flea market open to the public, where foundations and people can obtain used items in good conditions at low cost.

The partners operate this recycling center, where they also receive used furniture and computers directly. It has obtained all relevant municipal permits and owns a truck for distribution and deliveries to end clients.

When the foundation restarted this initiative in 2005 with a greater variety of products, it earned between US\$ 3,000 and US\$ 3,500 per month. This amount dropped to US\$ 2,000, but in 2007 earnings increased again. The current monthly average is US\$ 2,500 (see Table 4) and the goal is to reach US\$ 5,000 per month by 2010.

The formation of a trust fund using a portion of this profit would be a significant contribution to the organization, as it would provide a steady monthly income.

The greatest difficulty the foundation has faced is managing the logistics and inventory of recycled products so that products don't accumulate. The foundation fines the partners –the two entrepreneurs who run the recycling center– for accumulation of unsold products. They must provide the foundation with a monthly minimum of at least US\$ 1,500, which is equivalent to the estimated value of the products donated monthly to the foundation.

There is still the underlying risk of competition from both the private sector and other nonprofit organizations engaged in similar initiatives. For example, the municipal government has also undertaken this kind of collection of paper and other items for social purposes.

FHM has estimated that income from this activity will be constant and will start to increase in 2009. At the beginning, income was cyclical and unstable until the recycling center captured a significant number of organizations and individuals who provided products for recycling. Learning to manage the accumulation of stock, with the storage costs implied, and to achieve quick turnaround in sales has also been difficult for the foundation. It has been a learning process for the project's managers.



The recycling center needs a consolidation plan that includes a market study and a business plan to identify sales channels for recycled materials (paper, cardboard, printer cartridges, junk, etc.) and avoid intermediaries. It also needs to conduct a feasibility analysis for recycled material processing activities (converting glass into glass powder, remanufacturing printer cartridges, etc.), since finished products have a much higher value than raw materials.

Table 4: Recycling program

Recycling	Last year (2007)	Year before last (2006)
Annual sales	24,139.88	13,694.18
Profit / Loss	13,574.23	-11,783.44
Number of clients	600	400
Employees involved	7	3

Rental of auditorium and audiovisual equipment (1990) and the office space (2005). The building location is commercially strategic and is currently underutilized; this space could be maximized to generate additional funds for FHM.

Clínica Protéus for providing top-end orthopedics (2007). This was structured to meet the needs of clients from a higher socio-economic level, who usually travel outside the country for such services. The foundation used a strategy of high-level marketing and positioning among doctors to attract clients. These services are profitable and generate resources for patients of the foundation's laboratory. It is also strategically located near the Hospital Metropolitano. This clinic needs greater publicity and better market positioning.

F.2 Impact on the mission

Since its early days with the Telebingo program, the organization has seen the need to interact and negotiate with the private business community. This experience has better equipped it for subsequent initiatives. Today, it has developed a wide range of self-financing activities, some of which have no obvious link to the mission but help further organizational sustainability. The activities that generate surpluses enable the foundation to cover part of its administrative expenses and staff salaries.

Self-financing activities stimulate and further the organization's social mission, because they help to maintain its sliding fee scale and subsidy policy. Beneficiaries have a great degree of trust in the foundation and many have received orthoses and prostheses, as well as assistance from the team. The staff works hard in order to maintain services that are accessible. FHM's reputation is reflected in the various acknowledgments and awards that it has received, such as: Global Award for Service to Humanity (Junior Chamber International); the Clarence Moore Award from the Pan American Health Organization/World Health Organization; Medal of Merit



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from Ecuador's National Congress; and honorable mention for work on behalf of people with disabilities from the Labor Ministry, among others.

Throughout these years, the target group has continued to be people with disabilities; however, thanks to the foundation's growth, its areas of action have expanded and today it assists children, youth, adults, and the elderly, including people with or without disabilities. The organization is also constantly striving to influence issues such as poverty reduction and human rights.

F.3 Impact on institutional development and organizational sustainability

The implementation and development of self-financing activities has changed the foundation's management model. The foundation optimizes the use of human resources and works to maintain a staff that has both technical knowledge as well as sales and administrative skills. The work environment emphasizes multifunctionality and has a horizontal structure.

The foundation wants to position itself as a high-quality health service provider by establishing quality standards so that all of its products and processes meet ISO standards. Its current growth stage also requires an assessment and definition of information systems to monitor the use of subsidies; a cash flow crisis could jeopardize all of the organization's programs and force it to resort to expensive credit options.

Management must also focus on keeping abreast of its external environment, monitoring its competition and being in a position to respond to market trends.

Section G: Recommendations / conclusions

This case study demonstrates that an organization can provide services to marginalized and low-income communities while working toward sustainability. Through the use of differentiated pricing for its many clients as well as the implementation of well-managed non-mission related self-financing activities, the foundation has been able to generate a steadily increasing amount of resources while staying true to its mission.

This process has been for the most part organic. The Foundation has learned a great deal by doing and has slowly built its entrepreneurial capacity. It has worked hard to maintain transparent financial processes and to optimize its human and physical resources. Today, it realizes that it must step back to assess each of its self-financing activities in order to begin systematizing, tracking, and analyzing information so that it can make more informed and strategic decisions regarding these activities. It also recognizes the need to have professionals on staff with business skills, who can dedicate all of their time to its self-financing activities.



It is also considering the possibility of working with external advisors and other potential partners and investors in the future.

As it consolidates the experience it has gained and capitalizes on future opportunities, the Foundation remains committed to its mission of providing high quality services and products to people with disabilities who otherwise would not have access to these.