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Hogar de Cristo Mobilizing Local Resources

Hogar de Cristo, the largest operating foundation in Chile, generates 82% of its annual income from its many self-financing activities. Founded over fifty years ago by Jesuit Priest, Father Alberto Hurtado, to serve "the poorest of the poor," the foundation has never relied on private or public grants to fund its work, instead raising most of its income directly from the Chilean people, either through fundraising or self-financing. The Foundation's self-financing is quite diversified. It coordinates a huge membership program among individuals, corporations and school children that raises close to 50% of its income. It sells Christmas and greeting cards. It holds contracts with key government agencies (which only partially cover the costs of these programs). It receives rent for use of its property and name. Hogar de Cristo invests heavily (18% of its budget and approximately 122 employees) to run these many enterprises, most of which are not directly mission-related but compatible with its mission. The Foundation manages these enterprises internally by staff with appropriate skills, keeping costs down and consolidating efforts whenever possible. Given low levels of philanthropic giving in the country and tight government budgets, Hogar de Cristo plans on expanding its self-financing in the future.

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



The case was prepared by NESsT in collaboration with the Synergos Institute, an independent nonprofit institute that brings together diverse sectors of society to find new, more effective ways of narrowing the gap between rich and poor. With particular emphasis on countries in Africa, Asia and Latin America, Synergos strengthens the role of philanthropy and citizen leadership in social development. The case study forms part of the Institute's Series on Foundation Building.



This case focuses on the self-financing experience of the Hogar de Cristo headquarters located in Santiago, Chile only and not that of its affiliates.

NESsT and Synergos wish to thank Hogar de Cristo for its participation in this case study.



1.0 Organizational Information

1.1 Mission and Programs

Hogar de Cristo was founded in Santiago, Chile in 1944 by a Jesuit priest, Father Alberto Hurtado, with the mission to serve the poorest of the poor. The organization, the largest operating and grantmaking foundation in Chile, provides assistance to the marginal poor, particularly the elderly, the homeless, terminally ill patients, abandoned children and youth. The organization has projects in six key areas: 1) Children and Youth; 2) Community Centers; 3) the Elderly; 4) Hospices; 5) Health; and 6) Social Risks. Hogar de Cristo runs shelters, hospices and homes for children and the elderly, provides funeral services to those who cannot afford them, gives scholarships to children and youth to attend schools, provides credit to unemployed people to start businesses and provides housing support.

Hogar de Cristo was founded on the premise that all Chileans are responsible for confronting the problem of poverty and that poverty can be eradicated if all Chileans become involved. An important part of the Hogar de Cristo mission is to aid the poor by developing advocacy and assistance programs and awareness-raising of poverty issues in Chile.

Two-thirds of the projects are financed and managed directly by the Foundation. The remaining third is financed by Hogar de Cristo through annual grants given to community-based organizations, parishes, other NGOs or smaller foundations. These are usually small sums of money to assist with certain project components. To evaluate/choose grantees, the Foundation visits the project and assesses whether it fits with Hogar de Cristo's own mission and program-related goals and whether it makes financial and program sense to support it. Grants are made for one year and organizations must report on project outputs upon their completion. The Foundation is currently supporting approximately 80 organizations totaling about one-third of its program funds.

1.2 Structure and Operations

Hogar de Cristo has become a household name in Chile. In 1998, it had a volunteer corps of 3,765 people and a staff of 2,116 - approximately 792 in Santiago alone. Of the 792 employees, approximately 122 work on fundraising and self-financing programs (98 as full time employees and 24 part-time).

Apart from the 792 permanent employees, 320 people are contracted on a permanent basis to carry out Hogar de Cristo's membership program and 30 are contracted on an annual basis to assist with the Christmas Card Program during the six month period preceding the Christmas season. (See Section 3 for a full description of these programs).

Hogar de Cristo Board of Directors is comprised of nine members, jointly headed together by Jesuit Father P. Renato Poblete and Jose Zabala (businessperson), the Chaplain and the President of the Foundation, respectively. Advisory councils also

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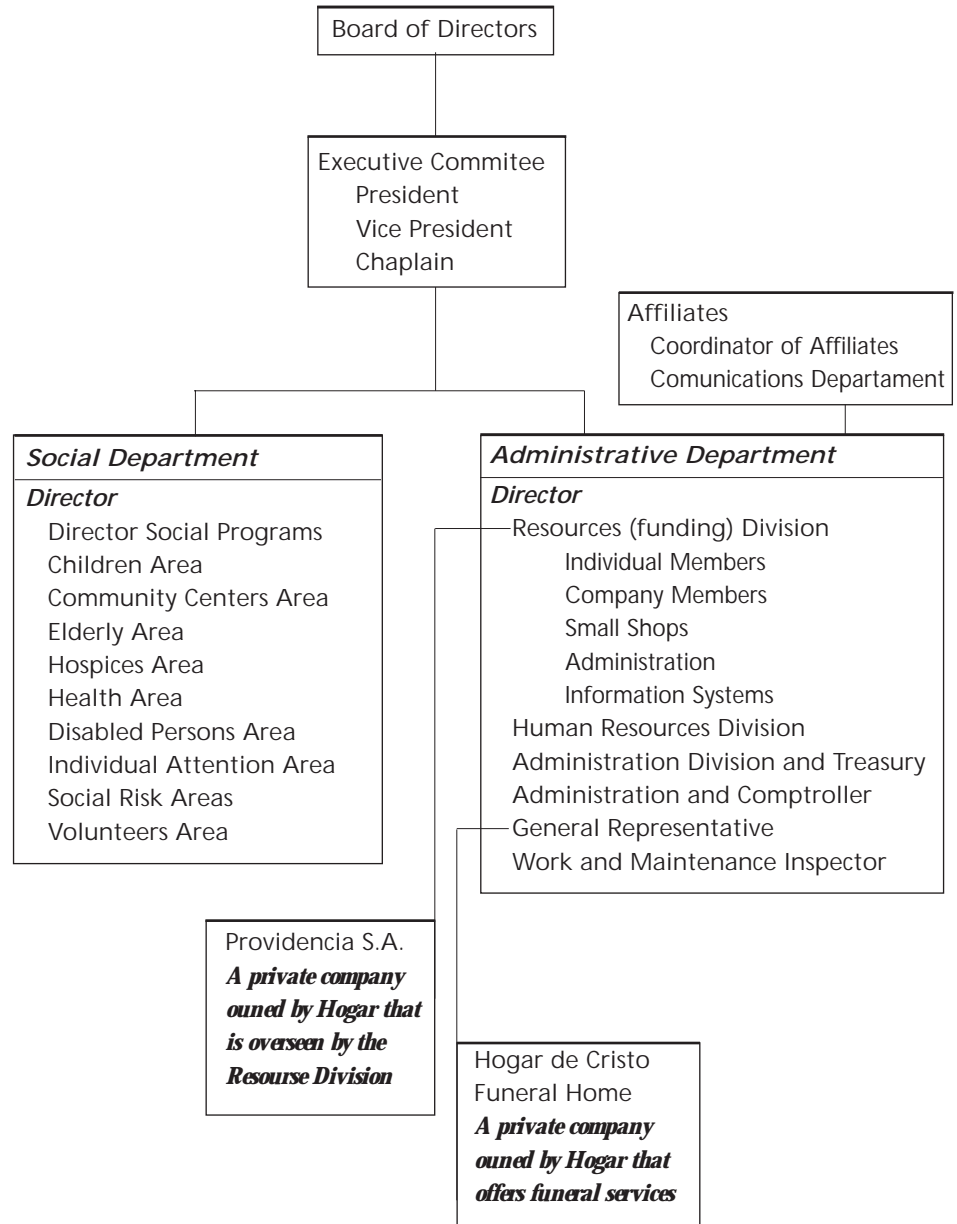
help manage the organization. Hogar de Cristo is a faith-based foundation with a Catholic orientation. However, it is completely separate from the Catholic Church in Chile and receives no funding from the Church for its work.

In addition to its headquarters, Hogar de Cristo has 50 affiliates located as well as three in metropolitan Santiago. The affiliates vary in size and scope of work, but promote the same mission as the headquarters. Each affiliate has its own Advisory Board appointed by the national board and each coordinates and fundraises for its own projects. Affiliates receive administrative and financial support from Santiago.

Hogar de Cristo has two executive directors: one in charge of the Foundation's social program; the other in charge of all administrative issues. The Social Department coordinates the Foundation's projects in its six program areas. The Administrative Department oversees divisions responsible for the organization's human and financial resources as well as those providing support to the organization. Affiliates and the Coordinator of Affiliates report to both of these Departments.



Figure 1 *Hogar de Cristo Organizational Chart*



1 In Chile, private limited companies must hold at least two owners, which can either be individuals or companies. In the case of Providencia S.A., Hogar holds majority ownership and control. A private individual owns the remaining 1.0 percent.

Source: NESsT interviews with Hogar de Cristo staff

The Foundation is 99 percent owner¹ of Providencia S.A., a company that is in charge of coordinating the membership programs, particularly the collection of monthly dues from the members. The Resources Division of Hogar de Cristo oversees the work of Providencia S.A.

The Foundation is also 98 percent owner of Hogar de Cristo Funeral Home, a private funeral home, created in 1954, which provides funeral services to many



Chileans, particularly the poor. Hogar de Cristo Housing owns the remaining 2.0 percent of the Funeral Home which has its own Board of Directors and its own staff. The Funeral Home was created to bring dignity to the funeral business and to provide revenues for Hogar de Cristo. The Funeral Home holds contracts with the Parque del Recuerdo cemetery, a funeral service company (Prever) and a crematory (Cinerario Hogar de Cristo-Parque del Recuerdo). Hogar de Cristo holds several contracts with the Funeral Home and with its partnering companies (explained further in Section 3.0: Self-Financing Information and Start-up).

Hogar de Cristo Housing (Hogar de Cristo Viviendas) is a separate nonprofit organization established by Hogar de Cristo to provide housing for poor, low- and middle-income families. Originally Hogar de Cristo managed this activity, internally but later decided that it would be more efficient and effective if managed by a separate nonprofit entity. Hogar de Cristo Housing has built over 440,000 low-income houses (small wooden houses) and works with a staff of 125 people throughout the country.

Hogar de Cristo also has strong membership support. Membership has continued to rise since first offered in the early 1970s. From 1992 to 1998, membership almost doubled in Santiago and more than tripled in the rest of the country. In 1998, Hogar de Cristo had close to half a million members, distributed almost evenly between the headquarters and affiliates. Slightly over three percent of the Chilean population of 15 million are members of Hogar de Cristo.

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Figure 2 *Hogar de Cristo Membership (1992-1998)*

	1992	1993	1994	1995	1996	1997	1998
Santiago	118.466	140.437	182.502	220.000	233.574	234.422	236.175
Affiliates	88.775	102.400	131.421	165.000	212.292	235.840	242.065
Total	207.241	242.837	313.923	385.000	445.866	470.262	478.240

Source: 1998 Hogar de Cristo Annual Report and staff interviews.

2.0 Financial Information

In 1998, Hogar de Cristo's budget was US\$ 34,414,000 of which US\$ 20,222,000 was for the headquarters and US\$ 14,192,000 for affiliates.²

2.1 Income

In 1998, 18 percent of the headquarter's annual income came from donations, from both individuals and corporations (see Figure 3).

An important source of income from individuals came from Hogar de Cristo's "Small Change Program." This program allows customers at numerous Chilean grocery stores to designate the change from their purchases to the Foundation. Income from corporate donations is raised from guests attending the "Bread and

2 Exchange rate: US\$1 equaled approximately 500 Chilean pesos at the time of interviews.



Wine Supper,” an annual event that gathers over 400 private businesspeople.

The majority (82 percent) of Hogar de Cristo’s income, in 1998, was derived from its wide variety of self-financing strategies: 47 percent from a very elaborate membership program; 15 percent from fee for services (including 10 percent from con-

Figure 3 *Sources of Income Hogar de Cristo Headquarters (1997 - 1998)*
(in US Dollars, percentage of total in parenthesis)

<i>Donations</i>	<i>1997</i>	<i>1998</i>
Individual donations	5,364,000	3,310,000
Small Change Program	338,000	584,000
Other cash donations	4,760,000	2,450,000
20% donations from small shops	148,000	160,000
Wills and testaments and in-kind	118,000	116,000
Corporate grants		
Bread and Wine Supper	312,000	396,000
Total Donations	5,670,000 (30%)	3,706,000 (18%)
<i>Self-Financing</i>		
1. Membership fees	8,202,000 (43%)	9,454,000 (47%)
Home-based members	5,436,000	5,790,000
Credit card members	1,554,000	2,188,000
One Plus One members	1,066,000	1,306,000
Children members	0	10,000
20% memberships from small shops	148,000	160,000
2. Fees for services	2,738,000 (14%)	3,032,000 (15%)
Greetings Program	364,000	380,000
Government contracts (SENAME, FONASA)	1,928,000	2,008,000
Pension payments	446,000	644,000
Voluntary user fees		
Advertisements		
3. Product distribution and sales	700,000 (4%)	738,000 (4%)
Padre Hurtado items	442,000	482,000
Christmas cards	258,000	256,000
4. Use of hard assets	1,256,000(7%)	1,300,000(6%)
Rental of space and equipment		
5. Use of soft assets	422,000(2%)	1,990,000(10%)
Royalties for licensing name use and endorsement		
Total Self-Financing	13,320,000 (70%)	16,514,000 (82%)
TOTAL	18,996,000 (100%)	20,222,000 (100%)

Notes

Figures are for net income and do not include costs for raising the funds estimated at 17 percent.

Source: NESsT interviews with Hogar de Cristo staff



tracts with the Chilean government); 4.0 percent from sale of products; 6.0 percent from rental income from properties owned by the Foundation; and 10 percent from licensing agreements royalties.

2.2 Expenses

In 1998, 13 percent of total expenses was spent on administrative expenses, 17 percent on fundraising and self-financing expenses, and the remaining 70 percent on programs (see Figure 4). These figures were very similar in 1997 and projected to be almost the same in 1999.

Figure 4 *Expenses Hogar de Cristo Headquarters (1997 - 1998)*

(in US Dollars, percentage of total in parenthesis)

<i>Expenses</i>	<i>1997</i>	<i>1998</i>
Administrative expenses	3,224,000 (13%)	3,314,000 (13%)
Fundraising/self financing expenses	4,082,000 (17%)	4,378,000 (17%)
Program expenses	16,850,000 (70%)	17,874,000 (70%)
Total	24,156,000 (100%)	25,566,000 (100%)

Source: NESsT interviews with Hogar de Cristo staff

In 1998, approximately US\$ 5,976,000 (33 percent of total program expenses) were granted to community-based organizations (churches, schools, community centers, hospices, homes for the elderly and terminally ill).

3.0 Self-Financing Information and Start-up

Hogar de Cristo uses a very diverse variety of self-financing strategies. This is due primarily to the organization's strong belief that it should not depend on any one source for funding and that it should continually seek to establish new sources of untied revenues. Many of the Hogar de Cristo self-financing strategies were initiated early on in the organization's history -- some by founder Padre Hurtado himself.

As shown in Figure 3, the Foundation uses five types of self-financing strategies: 1) Membership dues; 2) Product distribution and sales; 3) Fees for services; 4) Use of hard assets; and 5) Use of soft assets. Figure 5 gives an overall picture of Hogar de Cristo's self-financing activities.

3.1 Membership Dues

Hogar de Cristo coordinates four membership programs: a) Household members; b) Credit card members; c) One Plus One Campaign (corporate members); and d) Children members.

In all cases, prospective members decide what level of dues they can contribute and make a commitment to contribute this amount on a monthly basis. The



Figure 5 *Hogar de Cristo Self-Financing Strategies*

<i>Strategy</i>	<i>Tool</i>	<i>Channel</i>
1. Memberships Dues	<ul style="list-style-type: none"> a. Household members b. Credit card members c. One Plus One Campaign (corporate members) d. Children members 	<ul style="list-style-type: none"> a. Door to door visits b. Telemarketing c. Market directly to companies d. Promote at schools (some members also join at small shops)
2. Product Distribution or Sales	<ul style="list-style-type: none"> a. Padre Hurtado items b. Christmas cards 	<ul style="list-style-type: none"> a. Small shops b. Market directly to companies; sell to affiliates; sell small shops; outsource to street vendors that sell directly to individuals; small shops
3. Fees for Services	<ul style="list-style-type: none"> a. Greetings program b. Contracts with government c. Pension payments d. Voluntary user fees e. Advertising in members magazine 	<ul style="list-style-type: none"> a. Small shops; telephone company b. Negotiate contracts with Ministries c. Negotiate contracts with Ministry d. Charge users at point of service e. Market to vendors to advertise in magazine
4. Use of Hard Assets	<ul style="list-style-type: none"> a. Rental of buildings to UNIMARC b. Rental of funeral cars to Hogar de Cristo Funeral Home c. Rental of building to Hogar de Cristo Funeral Home 	<ul style="list-style-type: none"> a. Contract with supermarket chain b. Contract with the Funeral Home c. Contract with the Funeral Home
5. Use of Soft Assets	<ul style="list-style-type: none"> a. Use of Hogar de Cristo endorsement by Parque del Recuerdo Cemetery b. Use of Hogar de Cristo name by the Funeral Home c. Use of Hogar de Cristo endorsement by several other companies. 	<ul style="list-style-type: none"> a. Contract with the Cemetery b. Contract with the Funeral Home c. Contract with companies

Source: Compiled by NESsT



Foundation does not ask for a minimum level and does not charge the dues if a member is unable to pay on a given month. However, most members pay their dues on a regular basis.

a. Household Members

Sixty percent of Hogar de Cristo's membership is obtained through an elaborate system of "door to door" ("puerta a puerta") visits. The visits are made by approximately 320 staff members who work on commission. The staff members are mostly women heads of household and sole supporters of their families who need a flexible schedule that accommodates their child care needs. Hogar de Cristo first began its membership program in the early 1970s as a volunteer program. Volunteers, again mostly women, were assigned to neighborhoods to gather membership dues and invite new families to join. However, with the increasing importance of membership income, it became clear to Hogar de Cristo that a paid program based on the commission incentive was necessary.

The Door to Door network is very elaborate. One supervisor oversees 60 group heads, each in turn overseeing 15-20 membership representatives. This is a very personal recruitment process that depends on the relationships developed by the representatives with their clients. For most Chileans, becoming a member of Hogar de Cristo is one important way to show solidarity with the poor.

The door to door approach is the most time and personnel intensive method. It is slowly being replaced by faster and less expensive credit card methods through direct mail or telephone solicitation. Many members, however, are attached to the personal interaction offered by the door to door method. Hogar de Cristo recognizes the benefits of maintaining and building on this method despite the fact that it requires a large corps of staff to maintain it.

b. Credit Card Members

Credit Cards ("Automatico") are direct mail inserts sent by companies with bills to customers, which invite clients to become members of Hogar de Cristo. Hogar de Cristo staff follow-up with telephone calls encouraging people to join. The entire process is financed by banks and credit card companies. Hogar de Cristo prefers credit card memberships done through mail inserts as this the quickest and least costly way to receive membership dues payments.

c. One Plus One Campaign

The One Plus One Campaign ("Uno Mas Uno") is one indirect way Hogar de Cristo solicits members. The program is marketed to companies that agree to match their employees' membership contributions by 100 percent, thereby doubling membership income. Donors are also invited to become members. As with credit card memberships, the One Plus One approach is a less costly mechanism since the membership dues are withdrawn directly from the employee's credit card.

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d. Children Members

The Children Membership Program (“Socios Niños”) invites children to join Hogar de Cristo through the Chilean public school system. The schools are provided envelopes for each child, a box is placed in the school building and announcements are made on bulletin boards reminding children to pay their monthly fee. There are currently 20 schools in Chile participating in this membership program.

3.2 Product Distribution and Sales

Hogar de Cristo carries two product lines: a) Padre Hurtado commemorative items; and b) Christmas cards.

a. Padre Hurtado Commemorative Items

The first product line consists of items that honor Hogar de Cristo’s founder, Padre Hurtado. Numerous items (e.g., key chains, rosaries, books, images, cassettes, compact discs, stickers) are produced by the Padre Hurtado Foundation, sold by the Foundation to Hogar de Cristo and then offered by Hogar de Cristo to customers who visit its small shops. Donations are received by Hogar de Cristo in exchange for these items. However, Hogar de Cristo cannot sell just any product. Each item sold must be related to the spirit and mission of the organization in order for the sale to be considered a tax-exempt donation.

b. Christmas Cards

The second product sold by Hogar (and for which it is best known throughout the country) is Christmas cards. The Foundation sells about five to six million cards per year. The cards are produced in-house and are sold in four ways:

Companies: Each year Hogar de Cristo designs a catalog of cards. A staff of 12 contractual employees markets the cards to companies throughout Santiago. Companies select the cards they wish to purchase. In some cases the companies provide these cards to employees as well. Hogar de Cristo outsources the production of the cards to outside vendors. The cards are blank when received and Hogar de Cristo uses its in-house printing capacity to print the logo and greeting chosen by the company. In some cases, the companies request their own special design or they ask for blank cards.

Affiliates: Hogar de Cristo also produces cards for its 50 affiliates throughout the country. The cards are then sold by the affiliates to local companies and customers through their own network of small shops. One half of the cards produced each year are sold to the affiliates.

Small Shops: Padre Hurtado himself established the first small shop 50 years ago. Today there are 25 small shops in Santiago located in shopping malls, metro stops and important street corners in the downtown area of the city. Mall owners provide the space for the shops free of charge in exchange for the positive image created by having Hogar de Cristo at their establishment. Hogar de Cristo must ensure that the shops blend in with the local surroundings and is responsible for

According to Irene Sanfuentes, Director of the Resources Division, Hogar de Cristo small shops (“locales”) are “strategic places that bring visibility to the organization.” Their main purpose is to be a “window to the organization” at the community level.



maintaining their day-to-day operations. According to Irene Sanfuentes, Director of the Resources Division, Hogar de Cristo small shops (“locales”) are “strategic places that bring visibility to the organization.” Their main purpose is to be a “window to the organization” at the community level. Customers may purchase Padre Hurtado items, make a contribution to Hogar de Cristo, join the Foundation, or arrange for some type of greeting to be made in honor of a friend or relative through the greetings service (described below).

Street sales: Street sales (“venta calle”) are also quite popular. Rather than sell Christmas cards directly, Hogar de Cristo contracts a network of salespeople who are paid based on the number of cards sold. The Foundation used to coordinate this program on its own, but encountered many problems, including theft, high levels of paperwork, and the need to supervise large numbers of contractual personnel. Hogar de Cristo now sells high volumes of cards to street vendors who pay for them up front and are responsible for selling them on their own. Street sales takes place from November 15 until December 25 each year.

Christmas cards require a temporary labor force. Hogar de Cristo hires numerous people on a contractual basis to sell the cards, oversee production and quality control, and telephone receptionists to handle the large volume of telephone purchases. According to Ms. Sanfuentes, there is a great deal of competition as many other organizations are now also producing and selling their own Christmas cards. However, the high volume of cards sold, especially to the affiliates, makes the business lucrative, as it keeps costs per card very low.

3.3 Fees for Services

Hogar de Cristo oversees five fee for service programs: a) Greetings program; b) Contracts with the government; c) Pension payments; d) Voluntary user fees; and e) Advertisements.

a. Greetings Program

One of Hogar de Cristo’s best-known programs is its Greetings (“saludos”) Program. Hogar de Cristo offers special greetings to family members and friends in recognition of different occasions. The family or friends receive a card with a special greeting that is also announced at a weekly mass. Greetings are made in sympathy for a death as well as for weddings, illness, or birth of a child. The most popular among the greetings are “charity wreaths” (“coronas de caridad”) which are sympathy cards expressing spiritual support for the family and acknowledging the death of a loved one. The sympathy cards were initiated over 50 years ago and have become a common Chilean practice.

The sympathy cards have religious motifs (Christian, Jewish, and Muslim) designed by Hogar de Cristo staff and printed by outside vendors. The families pay a minimum price for the greeting. Hogar de Cristo treats this as a donation.

The greetings are offered to the public at the small shops or directly by telephone.



Customers call Hogar de Cristo's main number or its 700 number to obtain the greetings. A collector or recipient of funds ("recaudadora") is sent to the client to receive the payment or, in some cases, the bill comes with the customer's telephone bill. Hogar de Cristo has an agreement with the Chilean Telephone Company (CTC), for those customers that indicate they would like to be billed through their telephone bill.

b. Contracts with Government

Hogar de Cristo holds several contracts with the national government that partially offset the costs of its social programs. The two main contracts are with the National Service for Minors (Servicio Nacional de Menores or SENAME) in the Ministry of Justice and with the National Health Fund (Fondo Nacional de Salud or FONASA) in the Ministry of Health.

One of Hogar de Cristo's key program areas is with homeless, abandoned children. Hogar de Cristo houses these children providing them with shelter, food, clothing and education. The Foundation currently holds a contract with SENAME for a set number of 1,385 children. If Hogar de Cristo assists a higher number than this, it still only receives payment for the set amount. If it assists less than the set amount, it receives funding for the lower number. According to Mónica Espósito, Assistant Director of the Social Department, the amount of support provided by SENAME does not cover the full costs of housing and educating each child. They consider the fees paid as partial subsidies only.

Another key program area is with the elderly. Hogar de Cristo provides them with housing, food, clothing and medical assistance. In the case of those elderly that have been employed and have made contributions to the government for their retirement, Hogar de Cristo receives support from FONASA that covers 15 percent of the costs associated with this service. Hogar de Cristo must finance the remaining 85 percent. Hogar de Cristo covers the full costs of these services for the very poor who have neither been formally employed nor made contributions for retirement.

c. Pension Payments

Hogar de Cristo asks elderly clients using its residential services to contribute 70 percent of their pension to the Foundation. The clients keep the remaining 30 percent for their own personal use. This also assists Hogar de Cristo to offset the costs of caring for the elderly. According to Ms. Esposito, the cost of services for a terminally ill patient are 200,000 pesos (US\$400) per month. The 15 percent (30,000 pesos) provided by FONASA and the 70 percent pension payment (20,000 pesos) provided directly by the patients comes to approximately 50,000 pesos, or 25 percent of the costs.

d. Voluntary User Fees

Users of Hogar de Cristo's many services-shelters, hospices, elderly care-are asked to make a voluntary payment of 100-200 pesos (US\$0.25 - 0.50) for these services. This is in keeping with Hogar de Cristo's belief and experience that people gener-

According to Mónica Espósito, Assistant Director of the Social Department, the amount of support provided by SENAME does not cover the full costs of housing and educating each child. They consider the fees paid as partial subsidies only.



ally don't feel good about accepting an outright donation and would prefer to pay something -- even if a small symbolic amount -- for services received. In 1998, the organization collected 4 million pesos (US\$8,000) through Voluntary user fees.

e. Advertisements

Hogar de Cristo sells ads to private vendors that it places in its members' magazine, **Revista Noticias**.

3.4/3.5 Use of Hard and Soft Assets

Hogar de Cristo receives ongoing rent and royalty income from contracts with private entities. Several of the long-term contracts are for property that is partially owned by the Foundation.



Source: Hogar de Cristo

Hogar de Cristo's use of hard assets includes: a) rental of three properties to UNIMARC supermarket; b) rental of property to Hogar de Cristo Funeral Home; c) rental of funeral cars to Hogar de Cristo Funeral Home. Use of soft assets includes: a) royalty payment for use of the Hogar de Cristo endorsement by the Parque del Recuerdo Cemetery; b) royalty payment for use of the Hogar de Cristo name by the Funeral Home; c) royalty payment for the Hogar de Cristo endorsement by several other companies.

a. UNIMARC Supermarkets

Hogar de Cristo is part owner of three UNIMARC supermarkets in Santiago. The first is 35 percent owned by Hogar de Cristo and 65 percent owned by the diocese of Talca and the Carmelite sisters. The building was constructed in the 1970s and was originally a food cooperative. During the military government in Chile, the cooperative was transformed into a UNIMARC. The second UNIMARC is 38 percent owned by Hogar de Cristo and 62 percent owned by the Archdiocese of Santiago. The third is 100 percent owned by Hogar de Cristo. In all three cases, Hogar de Cristo receives rent based on the sales of the supermarket.

b. Funeral Home

Hogar de Cristo also receives rent income from the Hogar de Cristo Funeral Home. This is a private, for-profit company that is 98 percent owned by the Hogar de Cristo and 2 percent owned by Hogar de Cristo Housing Inc. It was established



Overall, Hogar de Cristo does not plan to expand the number of royalty contracts for fear of commercializing the Hogar de Cristo name.

The Foundation thus decided to form a separate company, Providencia S.A., to employ and supervise all contractual personnel. In this way, the Foundation could preserve the integrity of the mission while maintaining full control of the company's activities.

as a funeral home that would bring dignity to the funeral business and would be available to many of Hogar de Cristo's low-income clients. Because the mission of the funeral home is not directly related to Hogar de Cristo's mission, it was decided that it would be incorporated as a for-profit entity, the profits from which would be designated back to the Foundation. In addition, the funeral home pays Hogar de Cristo rent for the buildings, rent for the use of the funeral cars, and royalties for the use of the Hogar de Cristo name.

Hogar de Cristo Funeraria also has a contract with PREVERP, S.A., a company that sells the future use of funeral services with the Funeral Home. A percentage of its sales are given directly to the Foundation.

c. Other contracts

In addition to these ongoing rental contracts, Hogar de Cristo has had several royalty contracts with other private entities. The largest of these is with the Parque del Recuerdo Cemetery that pays Hogar de Cristo royalties for its endorsement. According to Julio Viveros, General Representative in charge of all of Hogar de Cristo's rent and royalty contracts, the royalty payment has decreased through the years as per agreed terms.

Overall, Hogar de Cristo does not plan to expand the number of royalty of contracts for fear of commercializing the Hogar de Cristo name. Nor is it in the nature of Hogar de Cristo to associate with business ventures. Hogar de Cristo also believes that some of these contracts give the impression that they are very lucrative, which is not the case and could be counterproductive for the organization.

4.0 Self-Financing Management

Hogar de Cristo uses a variety of management structures to coordinate its self-financing strategies. The structures are in response to management needs required by each strategy and, in some cases, to legal requirements dictated by Chilean law.

4.1 Membership Programs

Membership Programs are organized within Providencia S.A., under the direction of the Resources Division, part of the Administrative Department (see Figure 1). The Resource Division employs permanent staff (approximately 30) overseeing the Membership Programs. Providencia, S.A. employs all of the contract personnel (approximately 320) responsible for collecting membership dues.

After shifting from a volunteer to a paid labor approach for membership solicitation, Hogar de Cristo decided to manage its membership programs through an outside firm. The firm was responsible for attracting and processing memberships and Hogar de Cristo was charged a fee for this work.

It was later decided that given the importance of the Membership Programs to the mission and activities of the Foundation, their management should be brought in-



Figure 6 *Hogar de Cristo Self-Financing Management Strategies*

<p>1. Memberships Dues Household members Credit card members One Plus One Campaign Small shop members Children members</p>	<p>Management Strategy Managed by Providencia S.A., a private company that is overseen by the Foundation's Resource Division found in the Administrative Department.</p>
<p>2. Product Distribution and Sales Padre Hurtado items Christmas cards</p>	<p>Managed by the Resource Division. Use outsourcing for printers and contract personnel for Christmas Card Program.</p>
<p>3. Fees for Services Greetings Program Contracts with the Government Pension payments Voluntary user fees Advertising in the members magazine (Noticias)</p>	<p>The Resources Division manages the Greetings Program and sale of advertisements. The Social Department of the Foundation, which is in charge of providing these services, manages all other fee for service Programs.</p>
<p>4. Use of Hard Assets Rental of buildings to UNIMARC Rental of funeral cars to Hogar de Cristo Funeral Home Rental of building to Hogar de Cristo Funeral Home</p>	<p>Managed by the General Representative Division of the Administrative Department .</p>
<p>5. Use of Soft Assets Use of Hogar de Cristo endorsement by the Parque del Recuerdo Cemetery Use of Hogar de Cristo name by the Funeral Home Use of Hogar de Cristo endorsement by several other public service companies.</p>	<p>Also managed by the General Representative Division.</p>

Source: Compiled by NESsT

house and placed under the Resources Division. This was also a cost savings measure. Management of a large staff paid on commission, however, was not seen as ideal for the Foundation's mission-related goals. Hogar de Cristo decided to form the separate company, Providencia S.A., to employ and supervise all contractual personnel. In this way, the Foundation could preserve the integrity of its mission while maintaining full control of the company's activities. All membership payments are made directly to Hogar de Cristo and all costs incurred by the company are agreed to in a budget developed and monitored by the Resource Division.



4.2 Product Distribution and Sales

The product sales, greeting program and advertisements are managed internally through Hogar de Cristo's Resources Division. The Resources Division was created at the same time as Providencia S.A., with the intention of separating them from the overall organization while maintaining internal oversight to control management and costs. Prior to this, both the Christmas and Greetings Program cards had been developed and sold by a separate for-profit company that charged Hogar de Cristo a fee for these services.

According to the Acting Finance Director, Ramon Gonzalez, all of the programs managed by the Resources Division are designed to generate revenues and each is structured separately with its own budget and income targets. The activities share certain personnel, mainly for designing and overseeing the printing of the Christmas and greeting cards. The Christmas cards are a four-month activity, which requires contracting additional personnel. The Padre Hurtado items and greeting cards are produced, bought and sold throughout the year.

The Resources Division also manages the Foundation's small shops, a main point for offering Hogar de Cristo's products and greeting services. According to Ms. Sanfuentes, Director of the Resource Division, permanent staff handling these activities include: 45 employees who work in the small shops, 12 collectors of payments for the greetings, three telephone operators who manage incoming orders for greetings, and eight administrative staff (director, head of sales, secretary, office clerk, designer, production coordinators). During the four-month Christmas card program, more staff is hired (approximately 30 people) on a contractual basis to sell the cards and to oversee production and sales. The Division also works with volunteers who assist with the small shops.

4.3 Fees for Services

Hogar de Cristo manages its contracts with the government, the pension payments and the voluntary user fees through the Social Department (see Figure 1). The feeling is that the staff that is closest to the activity should be the staff that manages the negotiation and implementation of these activities. The persons responsible for negotiating the contracts include the director and assistant director of the department. The Social Department also solicits and manages the few national and international grants received by the Foundation each year.

4.4/4.5 Use of Hard and Soft Assets

These self-financing activities are managed by the General Representative Division, headed by Julio Viveros, who has been with the Foundation for over 20 years. This Area oversees all legal issues, including the negotiation and processing of the contracts with UNIMARC, the Funeral Home and other private entities. Mr. Viveros is also responsible for managing all large donations including wills, testaments, and all in-kind donations. This area is quite small and includes Mr. Viveros and his secretary.

The feeling is that the staff that is closest to the activity should be the staff that manages the negotiation and implementation of these activities.



The Funeral Home is a separate company that has its own board of directors and pays taxes. The General Representative oversees the rent and royalty contracts with the Funeral Home.

5.0 Policy and Regulatory Environment

In Chile, CSOs may conduct commercial activities but must pay income tax on any profits generated from these activities even though these profits are used for mission-related programs. CSOs may pursue commercial activities as long as they are not principal activities, but rather are incidental or supplementary operations of the organization or assist in promoting its mission. Organizations may organize these activities under their existing legal structure or they may choose to establish a separate, for-profit entity that donates its profits back to the CSO.

Although the majority of CSOs are required to pay the first category tax on income generated from commercial activities, some CSOs are eligible for an exemption from this tax. Article 40(4) of the Income Tax Law provides an exemption from first category tax for those welfare institutions recognized as such by the President of the Republic. These organizations may receive the income tax exemption only when their commercial activities are mission-related. The law states that this benefit applies only to nonprofit institutions whose main purpose under their bylaws is to render material or other assistance to low-income individuals.

For-profit and nonprofit entities alike conducting commercial activities make provisional monthly payments of 2% on all sales during the course of the calendar year. In April of the following year, each commercial entity must report its income for the previous year. At this time, it may either be required to pay the full first category tax or be able to deduct part or all of its monthly payments in lieu of paying first category tax, depending on the level of profit it generates throughout the year. Many CSOs conduct commercial activities at low levels, making provisional monthly payments throughout the year and then deducting part or all of these payments at the end of the year.

Hogar de Cristo has been specially recognized by the President of the Republic as a welfare institution and is therefore exempt from paying taxes on income generated from commercial activities, as long as these activities are related to the organization's mission and the levels of income are not disproportionately high. Most of Hogar de Cristo's activities are either classified as donations or considered mission-related, so the foundation does not pay tax on income generated by these activities. Income received from membership dues, Padre Hurtado products, announcements made on behalf of family and friends at religious services, and advertisements in *Noticias* magazine, which is distributed to the organization's members, are all treated as donations and are therefore exempt from income tax. Contract fees paid to the foundation by the government and voluntary fees for services paid by clients are all tax-exempt, since they are considered directly related to the foundation's mission and are treated as a subsidy.

Hogar de Cristo has been specially recognized by the President of the Republic as a welfare institution and is therefore exempt from paying taxes on income generated from commercial activities, as long as these activities are related to the organization's mission and the levels of income are not disproportionately high.



Most of the self-financing strategies employed by the Foundation give the Hogar de Cristo name more visibility and legitimacy. This, in turn, also helps to strengthen the Foundation's mission.

Hogar de Cristo has also established a private business, the Hogar de Cristo Funeral Homes, which is set up to generate profit and therefore pays income taxes. All profits after taxes are donated to Hogar de Cristo for mission-related purposes. Frequently these reported profits are low because Hogar de Cristo owns the funeral limousines and rents them to the funeral homes, an arrangement that raises the costs of the business and thus reduces its taxable profit. In this way, Hogar de Cristo collects tax-free rents from its business on money that would otherwise be taxed as income.

Hogar de Cristo does sell services and products, but it treats most of these sales as donations and does not provide a bill or charge VAT. For example, the majority of the products from Hogar de Cristo's gift shops are offered to customers with a suggested donation. Although this exchange strongly resembles a sale, it is legally treated as a donation and therefore is not taxed. The only exception to this is for the sale of Christmas cards, which Hogar de Cristo sells to customers with VAT included in the price. Like for-profit businesses, Hogar de Cristo is also able to recoup the VAT that it pays in purchasing the materials necessary to produce the cards.

Hogar de Cristo conducts a range of activities that generate income for the organization. Some, like the funeral home and the sale of Christmas cards, are specifically organized as for-profit ventures and are therefore taxed, while others, like the sale of gift shop items, membership dues, and advertisements in *Noticias* magazine, are treated as donations and are thus tax-exempt. These activities are vital to both the financial sustainability of Hogar de Cristo and the promotion of its social mission, and they do not in any way reflect the commercialization of the organization.

6.0 Effects of Self-financing

Effects of self financing activities on Hogar de Cristo are examined against eight indicators developed by NESST to evaluate the impact of self-financing strategies on nonprofit organizations

6.1 Maintained or Strengthened Mission:

The venture helped to maintain or further the mission of the organization and did not harm or impede the mission of the organization.

Hogar de Cristo's self-financing programs have undoubtedly strengthened the Foundation's mission. The income generated through self-financing has allowed Hogar de Cristo to carry out more programs, reach more people in need, and to change the systems and policies responsible for poverty in Chile. In addition, most of the strategies employed by the Foundation give the Hogar de Cristo name more visibility and legitimacy. This, in turn, also helps to strengthen the Foundation's mission. Whether one is buying a Hogar de Cristo membership, a Hogar de Cristo Christmas card, a Hogar de Cristo greeting, an advertisement in the Hogar de Cristo magazine, or a Hogar de Cristo funeral service, one is endorsing and promoting the work of the Foundation.



Self-financing has not compromised the Foundation's mission. All of the strategies used are either directly related to or very compatible with the Foundation's mission:

Directly-related activities: Those directly related include charging fees for program delivery (e.g., fees received through contracts with SENAME, FONASA and other entities), as well as pension payments and voluntary user fees. In each of these cases, the Foundation is simply recovering part of the cost for the program delivery.

Closely-related activities: Those activities not directly (albeit closely) related to the mission are products and services that Hogar de Cristo provides to meet a certain market demand while simultaneously giving clients an opportunity to support the Foundation's work. These include the membership dues, the distribution of Padre Hurtado items, greetings and advertisements, and the sale of Christmas cards. In each case, the client is clearly acquiring an Hogar de Cristo product or service and thereby also demonstrating support to the Foundation.

Compatible activities: Finally, self-financing that is not related but compatible to the Foundation's mission is the sale or rental of assets owned by Hogar de Cristo, such as renting Hogar de Cristo property or paying royalties for the use of its name. These are very straightforward transactions that give customers an opportunity to promote their own enterprise with the name recognition and endorsement of Hogar de Cristo. These activities could potentially become incompatible with Hogar de Cristo's mission if the relationship jeopardized its reputation.

Hogar de Cristo clearly gives a greater emphasis to (and would like to expand) those self-financing activities which are most compatible with its mission. Due to tight government spending in Chile, the Foundation sees that over the next five years income from its "most mission-related strategy" (i.e., program recovery fees) will remain relatively stable. The greatest opportunity for increased income may instead lie with the "second most related strategy" (i.e., membership programs) where the Foundation sees greater prospects for growth. According to several staff members interviewed, the Foundation sees such growth as particularly encouraging as membership provides a steady, flexible source of financing while also involving more Chileans in Hogar de Cristo's work. Hogar de Cristo hopes to intensify its membership recruitment in the next several years.

6.2 Financially Profitable:

The venture generated a financial surplus (or is projected to).

As stated by the Acting Finance Director, each of Hogar de Cristo's revenue generating strategies must cover its costs and generate a surplus. This is true of all of the Foundation's self-financing strategies with the exception of certain government contracts, pension payments and voluntary user fees. These are purely cost recovery in nature and are designed to help subsidize a particular component of Hogar de Cristo's work, not to generate a surplus.

Hogar de Cristo clearly gives a greater emphasis to (and would like to expand) those self-financing activities which are most compatible with its mission.



The most expensive self-financing programs managed by the Foundation are also those which generate the greatest revenue.

The most expensive self-financing programs managed by Hogar de Cristo are also those which generate the greatest revenue. For example, the Membership Program entails an expensive, high level of staffing. But income derived from the program far outweighs these costs. Programs such as the Christmas Cards and the Greetings can be quite expensive to manage and yield a low profit margin. The income derived from these programs comes more from the volume sold. Hogar de Cristo sells high volumes of the cards through the Affiliates and the Greetings Program is used by thousands of Chileans annually.

By far the least costly type of self-financing strategy of Hogar de Cristo is the use of its hard and soft assets. These strategies require legal expertise provided to Hogar de Cristo on a pro bono basis and are managed by a staff of two. The Foundation is cautious to expand these programs, however, since the risks of owning property and/or of lending out the Hogar de Cristo name can be quite high.

6.3 Diversified Funding Base:

The venture helped to diversify the sources of income of the organization.

Hogar de Cristo's funding base is highly diversified. In addition to generating revenues from a wide variety of self-financing strategies, the Foundation also has many fundraising programs, such as its Small Change Program and its annual Bread and Wine Supper. It has never been dependent on outside grants as a source of revenue and has seldom even sought this type of funding. There seems to be several reasons for this:

entrepreneurial spirit: Hogar de Cristo's founder, Father Padre Hurtado, was very entrepreneurial and from the beginning also structured the Foundation to be this way. Many of Hogar de Cristo's financing strategies, including its self-financing, embody an entrepreneurial approach.

business experience: The Hogar de Cristo Board of Directors is comprised mostly of businesspeople who bring entrepreneurial experience, ideas and contacts to the organization.

strong ties with the Chilean community: The founding philosophy of Hogar de Cristo is that Chileans must solve the problem of poverty. Even during Chile's military dictatorship, when many nonprofits and foundations relied on international development assistance for their funding, Hogar de Cristo continued to seek resources from Chileans of all income levels.

clear mission and impact: Hogar de Cristo's mission attracts direct giving from individuals and corporations, perhaps more than other Chilean nonprofits and other foundations because its direct assistance programs have an emotional appeal and show tangible ways for people to feel that they are making a difference.

Hogar de Cristo has also diversified its funding base using both self-financing and fundraising mechanisms. Despite the fact that the organization believes that Chileans should be supporting its work, philanthropic support is very low in Chile.



There is a very limited history of giving in the country. Hogar de Cristo realizes that it cannot rely on this strategy alone and has therefore continued to create and expand its self-financing programs.

Interestingly, the Foundation does not seem to distinguish or differentiate between “fundraising” and “self-financing.” Instead, Hogar de Cristo groups many of the strategies together. For example, the Partnership Area of Providencia S.A. manages the Small Change Program, the Bread and Wine Supper and the One Plus One Program. Although some are straight donations and others are membership dues, Hogar de Cristo sees them as an integral part of their outreach to private companies, requiring the same types of rationale and approach.

In fact, the resource diversification strategy used by Hogar de Cristo is driven more by a desire to avoid reliance on any single financing source and to be closely tied to the local community than by a belief in using market-based financing strategies. This distinction is clear in the way the Foundation manages its self-financing strategies: they are treated as commercial activities but revenues generated through them are treated as donations.

6.4 Increased Organizational Effectiveness:

The venture helped the organization to function more effectively (e.g., improved financial management, improved time efficiency, more enterprising, etc.)

Hogar de Cristo has continually sought to improve its effectiveness as an organization and its self-financing programs have been at the heart of these efforts. Many of the Foundation’s current self-financing strategies were initiated many years ago. The primary changes to these strategies have been in their organization or management in order to make them operate more efficiently and effectively:

establishing subsidiaries: One Foundation strategy to cut costs and increase efficiency has been to create separate legal entities owned and governed by the Foundation, sometimes with separate management. Such is the case with both Providencia S.A. and the Hogar de Cristo Funeral Home -- both for-profit companies set up to run a particular business activity to directly (or indirectly) generate revenues for the Foundation.

internal management: A second approach has been to bring certain strategies closer to the Foundation’s mission and programs. Membership Programs and the Christmas cards were both originally managed by outside firms. Currently they are managed internally through the Resource Division. The Christmas cards are now closely identified with the Foundation’s mission and programs. Although Providencia, S.A. is a separate company it is owned by Hogar de Cristo, allowing the Foundation to retain a closer link to its members.

consolidation, incentives and cost-cutting measures: Another Foundation approach has been to consolidate self-financing activities under one division, tasking it to raise revenues at the least possible cost to Hogar de Cristo. The Resource Division is

In fact, the resource diversification strategy used by Hogar de Cristo is driven more by a desire to avoid reliance on any single financing source and to be closely tied to the local community than by a belief in using market-based financing strategies.

Despite the fact that the organization believes that Chileans should be supporting its work, philanthropic support is very low in Chile. There is a very limited history of giving in the country. Hogar realizes that it cannot rely on this strategy alone and has therefore continued to create and expand its self-financing programs.



The fact that many of the employees in the Resource Division are employed on an incentive-based contractual basis allows the Foundation to improve its efficiency and impact.

Many of the cost-reducing and impact maximization strategies Hogar de Cristo has instituted for its self-financing activities have also been transferred to improve the performance of its social programs.

therefore responsible for the Christmas cards, the Padre Hurtado items, the Greetings Program, the small shops and oversees Providencia, S.A. This consolidation reduces costs and increases impact by sharing personnel with expertise in design, printing and marketing across programs. The fact that many of the employees in the Resource Division are employed on an incentive-based contractual basis (paid on a performance and output basis) allows the Foundation to improve its efficiency and impact. The use of credit card payments and of small shops that are provided free of charge to the organization are also cost savings measures which increase the Foundation's disposable income.



Source: Hogar de Cristo

capitalizing on staff expertise: A fourth Foundation approach has been to keep self-financing activities close to the people who have the expertise. This is the case with the Resources Division as well as for other departments and divisions. The Social Department manages government contracts, the pension payments and the voluntary user fees. The staff that manages programs with clients is in the best position to negotiate contracts with the government and to try to leverage as much financial support for these programs as possible. These relationships must be carefully managed, since Hogar de Cristo must balance the support it receives from the government with its own mission to advocate for changes in public policy. Hogar de Cristo's General Representative Division is responsible for all rent and royalty programs. The Division's access to legal counsel and expertise in the area of contract negotiation is critical.

Many of the cost-reducing and impact maximization strategies Hogar de Cristo has instituted for its self-financing activities have also been transferred to improve the performance of its social programs. According to Mr. Viveros, the Foundation has spun off activities that it felt should and could be handled by a separate entity. For example, in the housing area, the Foundation created the Fundacion Vivienda, "a first cousin of Hogar de Cristo," a totally separate organization that provides housing to low and middle income groups in Chile. Originally, this had been an activity managed by Hogar de Cristo itself. The same is true for Fundaci3n Padre Lavin and Fundaci3n Rodrigo Zaldivar organizations that work directly with youth and people with disabilities. All of this has been done to avoid "elephantizing" the Foundation (i.e., making it too big to be truly effective).



6.5 Improved Relations with Constituents:

The venture did not negatively impact or improved the organization's relations with any of its constituents (staff, volunteers, board, donors, public, community).

Hogar de Cristo's use of self-financing strategies has not had a negative impact on its relations with its stakeholders. The Foundation's clients have not been seen or "used" as a key source of income. User fees are voluntary and only those clients who are able to pay do so.

The Board, staff and volunteers of Hogar fully support its entrepreneurial approach. As mentioned earlier, many of the Board members are businesspeople who believe it is important for the Foundation to tap into a wide variety of income sources. The staff and volunteers, who are close to the social mission of Hogar de Cristo, do not seem to consider self-financing as a compromise of values, rather as a very important source of support.

Externally, Hogar de Cristo has a very positive image in Chile. Its self-financing programs have given it great visibility and have provided numerous opportunities for Chileans to show their solidarity and support. The Foundation has received criticism from some who feel it is "too big" or behaves "too much like a corporation." In response to this criticism, the Foundation is careful to continually show that its main purpose is to help the ever-increasing numbers of poor and disenfranchised - a significant task requiring ever-increasing resources and creative income-generating approaches.

Hogar de Cristo has also placed limits on what it is willing to do to generate revenues. Royalty contracts are few and will probably be reduced over time. The Foundation does not want to be seen as a corporation because it feels that it sends the wrong message and could be harmful to its mission. One of the contracts it now holds with a large private company has been somewhat detrimental as the public assumes (incorrectly) that Hogar de Cristo owns the company when in fact it receives a relatively small royalty payment in exchange for the use of its name and logo. According to Julio Viveros, Head of the General Representative Division, this is not a strategy that Hogar de Cristo will continue to use in the future.

Hogar de Cristo has confronted quite a bit of competition in self-financing activities from other nonprofit entities. The use of memberships and the sale of Christmas cards are increasingly popular strategies. However, the organization welcomes this competition, believing that there is much to be done and much room for increasing the support of the Chilean middle- and upper-classes for its mission.

Hogar has been particularly hard hit by outside competition in its Christmas card market. However, the fact that Hogar de Cristo sells cards to its 50 affiliates, keeps the per unit cost of the cards competitively low and makes them still worth producing. In addition, according to Ms. Sanfuentes, Director of the Resources Division, the cards generate visibility and customers would be extremely disappointed if Hogar de Cristo were to discontinue their distribution.

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Neither Hogar de Cristo's self-financing programs nor its fundraising programs tie revenues to specific programs or people. This is a sizable amount of flexible funding which allows the Foundation significant liberty to spend its revenues as it sees fit.

6.6 Benefits Outweigh Costs:

The benefits (financial and non-financial) of the venture outweigh the costs (time, effort, money) in relations to other financing methods.

For Hogar de Cristo, the benefits of self-financing far outweigh their costs. The Foundation realizes that the only way to raise the level of revenues needed to run its programs is to be as enterprising as possible. The revenues yielded far outweigh the costs of running its self-financing programs. In addition, self-financing has led to greater efficiency within the organization and has had a positive impact on its mission and image.

It is difficult to know from experience whether self-financing benefits outweigh those of grant seeking since the Foundation has never really relied on grant-seeking as a source of income. It can be assumed, however, from knowledge of other organizations and of grant funding in general, that grants would not yield the same levels of funding that the Foundation currently needs to run its programs. Also, in the last 10 years, international grant support has significantly decreased in Chile, making this an even less attractive alternative for the future.

The benefits of self-financing are difficult to separate from those of Hogar de Cristo's fundraising since the Foundation tends to integrate the strategies so closely. The Foundation often uses the same personnel and internal structures to carry out these strategies, leveraging more income by maximizing the use of its internal expertise. Both types of strategies also offer flexible funding. They also allow the Foundation to reach groups of varying income levels and to reach the same individuals through various channels. For example, a member can also purchase Christmas cards and a greeting for a loved one. A donor of the Small Change Program can also be a member and use Hogar de Cristo's funeral services.

6.7 Increased Flexible Funding:

The venture helped generate a greater amount of "flexible" (i.e., untied, unrestricted, unearmarked) income for the organization.

In 1998, 82 percent of Hogar de Cristo's funding came from self-financing, 69 percent of which came from self-financing activities that generated totally untied, flexible funding. The only portion of Hogar de Cristo's income that is tied to specific programs is the 10 percent that comes from government contracts and the less than 3.0 percent that comes from pension payments and voluntary user fees. Neither Hogar de Cristo's self-financing programs nor its fundraising programs tie revenues to specific programs or people. This is a sizable amount of flexible funding which allows the Foundation significant liberty to spend its revenues as it sees fit.



6.8 Allows Longer-term Planning:

The venture allowed the organization to plan more autonomously and more long-term.

The fact that Hogar de Cristo relies heavily on self-financing income, income that is flexible and steadily rising, provides it with ample opportunity to plan ahead. The Foundation has developed several long-term plans and uses them to guide its work in existing areas as well as new areas that need further involvement. Hogar de Cristo is well attuned to the new social problems and needs and tries to plan ways to confront them.

Hogar de Cristo manages multiple self-financing programs that require up front investment of time and capital. Planning is thus an important component of management. Each of the Foundations revenue-generating programs is planned far in advance in order to decrease costs and generate the highest level of income. The Foundation also constantly evaluates these efforts, seeking ways to further minimize costs and increase output.



Conclusion and Lessons Learned

Balancing the entrepreneurial with the social : Hogar de Cristo runs all of its revenue-generating programs, whether self-financing or fundraising, using an entrepreneurial approach. The organization uses sophisticated marketing techniques. It hires skilled staff. It is structured wisely and efficiently. Yet, Hogar de Cristo manages this “business like approach” with a soft heart. For example, although telemarketing is a less expensive way to obtain membership dues, the organization continues its door to door method. Hogar de Cristo knows that its members value this personal touch. It also charges a nominal fee to its clients. And, even though its Christmas cards are an expensive undertaking, with a low profit margin, Hogar de Cristo continues to produce them, remaining loyal to tradition and the expectations of its members.

A very effective marketing technique: Many of Hogar de Cristo's activities are managed as commercial activities, attuned to market demand and price. The organization knows that simply asking for money is not enough. The Membership Program “sells participation in the work of the Foundation,” according to Ramon Gonzalez, Acting Finance Director. Its not a simple donation, members pay to belong. Padre Hurtado items, Christmas cards and greetings are exchanges of products and services for a fee or donation but they are also an act of support for Hogar de Cristo.

Size could be damaging: Hogar de Cristo is constantly working to dispell its image as a very large corporation. It has spun off some of its program areas. It also provides one-third of its budget in the form of grants to outside organizations. However, for some, Hogar de Cristo remains too large and does not need assistance. Hogar de Cristo's ability to respond to increasing poverty, unemployment and drug abuse in Chile while maintaining a personal approach to its programs and revenue-generation will be central to containing these criticisms.

Tradition and experience are difficult to replicate: The advantage provided by the image of Padre Hurtado is unique to Hogar de Cristo and plays an immeasurable role in its ability to generate income. Most organizations do not have a religious figure as a founder nor are they all working in areas that are as emotionally appealing as those undertaken by Hogar de Cristo. Hogar de Cristo is a household name in Chile-something that cannot be said of any other organization in the country. It has a 52-year history of accomplishment that is difficult to replicate. A tradition of Chilean philanthropy and charity closely tied to the Catholic Church is an additional advantage difficult to replicate.

Quality and customer satisfaction are still key: Hogar de Cristo, however, takes none of this support for granted. Though the Foundation relies on its history and reputation, it also knows that it must deliver a high quality product and that its members and customers are as critical as are its clients. The Foundation is constantly working to meet its market demand, to satisfy its members and its customers. A corps of over 300 people is hired to visit members door to door. Time and resources are spent on ensuring quality in the production of the cards in order to make them as appealing as possible. Business plans, projects, outsourcing, and competitive bidding are all practices that are used by the Foundation to keep costs down and quality up-strategies that are competitive and market-conscious but guided by a selfless mission.

For more information on NESST, please contact: Nicole Etchart, Co-Director, NESST, Jose Arrieta 89, Providencia, Santiago, CHILE.
Tel: +(56 2) 222-5190.
nesst@igc.apc.org
www.nesst.org

For more information on the Synergos Institute, please contact: Shari Turitz, Regional Director, Latin America, Synergos Institute, 9 East 69th Street, New York, New York 10021, USA.
Tel: 1-212-517-4900.
Fax: 1-212-517-4815.
Email: sturitz@synergos.org.