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# Fundamor

## Building Self-financing from Organizational Mission and Assets

Fundamor was founded in 1992 to provide integrated services to people with HIV/AIDS, both carriers and terminal patients, who have few resources or who are have been rejected by society. The organization also works to create public awareness about the risks of the disease, its causes, and its effects. Fundamor's key program include: a residence and school for children that are carriers of HIV/AIDS, integrated treatment for HIV/AIDS patients, production and marketing of goods and services intended for self-financing purposes, and a national HIV/AIDS prevention and education campaign.

Fundamor is housed at a center outside the city of Cali where it runs a series of self-financing activities. The success of Fundamor's strategy is mainly due to two components: the organization creatively offers most of the activities that serve its client population to other client groups (outpatient HIV/AIDS patients; other clinics; etc) for a fee; and the organization outsources those aspects of its self-financing activities for which it lacks expertise or skills.



**Location**

Cali, Colombia

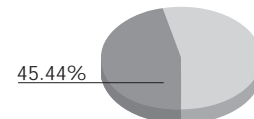
**Activities**

- Culture and education
- Social services
- Environment
- Health
- Social Services
- Community Development
- HIV/AIDS

**Annual Operating Budget (2000)**

COLP 910,993,000<sup>1</sup>  
 (USD 455,496)

**Percent of Self-financing**



**Self-financing methods used**

- Member Dues
- Fees for Services
- Product Sales
- Used of Hard Assets
- Use of Soft Assets
- Investment Dividends

This case was prepared by NESsT with the assistance of Gonzalo de la Maza, Sociologist, Independent Consultant and Director of the program on Citizenship and Local Management of the National Foundation for Overcoming Poverty, and Carlos Ochensius, Sociologist and Independent Consultant.

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1 COLP is the International Organization for Standardization (ISO) symbol for the Colombian peso.

## 1. Background

Fundamor was founded in 1992 to provide integrated services to people, adults and children, with HIV/AIDS, both carriers and terminal patients, who have few resources or who are rejected by society. The organization also works to create public awareness about the risks of the disease, its causes, and its effects.

Fundamor has eight key programs:

1. Integrated residential care at Casa Hogar for adults and children with HIV/AIDS, whether symptomatic, terminal, or asymptomatic, through a holistic approach (somatic, psychological, occupational, recreational, educational, and spiritual)
2. Psychological, dental, nutritional, and medical care for HIV/AIDS patients, both at the center and through out-patient services
3. Occupational therapy for carriers of HIV/AIDS
4. Production workshops for family and friends of HIV/AIDS patients
5. An organic farm that produces food for residents and for sale to other HIV/AIDS centers
6. A secondhand store that sells items donated to the organization to generate income
7. A national campaign on HIV/AIDS prevention and sex education
8. Home care at Casa Hogar for unprotected children – victims of violence – through a holistic approach (somatic, psychological, recreational, educational, and spiritual)



## 2. Financial Information

### 2.1 Income

In 2000, Fundamor received 54.6% of its income from donations and 45.4% from its many self financing activities including: 3.15% from membership dues, 16.6% from fees for services, 9.81% from product sales, 1.18% from asset rental, 9.59% from investment dividends and 5.11% from auxiliary businesses.



Table 1 *Sources of Income 1997-2000*

(Percentage of Total)

	<i>2000</i>	<i>1999</i>	<i>1998</i>	<i>1997</i>
International sources				
Foreign/international grants	0.22	8.19	12.67	7.53
Public sources				
Government grants	6.55	0	1.9	5.40
Private sources				
Individual donations	3.64	5.54	.13	5.82
Foundation grants	1.11	13.68	7.63	2.69
Corporate grants	0.83	0.64	13.11	0
Events: fashion shows, musical recitals, events etc.	1.57	6.42	2.47	2.21
In-kind donations	40.64	16.05	20.18	15.93
Subtotal donations	54.56%	50.52%	58.09	43.96
Self-financing				
Membership dues	3.15	0.22	0	0
Fees for services	16.6	12.2	12.88	19.02
Sale of products	9.81	7.59	2.96	2.41
Use of hard assets	1.18	0.86	0	0
Investment dividends	9.59	24.42	19.2	32.4
Other businesses	5.11	4.19	7.04	2.21
Subtotal self-financing	45.44	49.48	41.90	56.04
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

## 2.2 Expenses

The organization spent 18.7% of its 2000 budget on administrative costs, 9.7% on fund-raising, and 71.6% on programs, activities, and other expenses.

Table 2 *Expenses 1999-2000*

	<i>2000</i>		<i>1999</i>	
Expense	<i>COLP</i>	<i>(%)</i>	<i>COLP</i>	<i>(%)</i>
Office administration	105,270	(18.7)	93,372	(21.5)
Fundraising	54,778	(9.7)	67,755	(15.6)
Programs/activities	341,134	(60.8)	173,064	(39.8)
Other	59,855	(10.8)	100,008	(23.0)
<b>Total</b>	<b>561,037</b>	<b>(100)</b>	<b>434,199</b>	<b>(100)</b>



Since Fundamor's founding in 1992, the organization has considered self-financing a key funding strategy to maintain its programs and cover operational costs.

### 3. Self-Financing Activities

Since Fundamor's founding in 1992, the organization has considered self-financing a key funding strategy to maintain its programs and cover operational costs. In 1996, the organization received and renovated a building on the outskirts of Cali for its offices and administrative services, as well as its residential and outpatient programs. From there and from its previous headquarters, Fundamor is able to conduct a series of self-financing strategies.

Table 2 *Types of Self-Financing*

<i>Type of self-financing</i>	<i>Description</i>
1. Membership dues	Fundamor asks its founders to pay annual dues. It also has a Plan Padrinos, which invites people to "adopt" a child with HIV/AIDS and to help offset the costs of the child's care through monthly donations.
2. Product sales	<p>The organization sells a variety of products, as follows:</p> <ol style="list-style-type: none"> <li>1. Since 1993, it has managed a secondhand store in San Antonio, the neighborhood where it originally had its headquarters. The store sells items donated to Fundamor by companies and individuals.</li> <li>2. In 1998, at its new headquarters, the organization began to produce organic fruits and vegetables that are used for residents and sold to other HIV/AIDS centers.</li> <li>3. In 1997, Fundamor established two production workshops, one producing household cleaning products and the other producing school and work uniforms as well as safety clothing and shoes. Fundamor is the sole owner of the cleaning-product workshop and owns 50% (Fundación Competir owns the other 50%) of the organization responsible for production and marketing of the clothing and shoes. (The clothing and shoes are produced in 52 small workshops located in low-income areas of the city.)</li> <li>4. Fundamor also established a small for-profit company (Comida Sana de Occidente y Cía, Ltd.) that produces cookies, which are placed in dispensers and sold in key places throughout Cali. This activity is closely tied to the organization's public awareness campaign, and the cookies are sold under the slogan "Por gusto y solidaridad" ("For taste and solidarity").</li> </ol>



**Type of self-financing**

**Description**

3. Fees for services

Fundamor manages several fee-for-service programs:

1. It offers outpatient services for HIV/AIDS carriers and patients, including physical, psychological, and occupational therapy sessions.
2. It organizes conferences on HIV/AIDS prevention and treatment for health care workers and others.
3. It sells Bonos por la Vida. These are certificates that can be presented to family members and friends in recognition of an occasion (e.g., a death or a wedding), showing that the giver has made a contribution to Fundamor in the recipient's name. Bonos are available in various amounts and can be purchased at flower shops, funeral homes, and stores.
4. The organization has an arrangement with an investment company, an affiliate of the Fundación para la Educación Superior (Foundation for Higher Education, or FES), which pays Fundamor part of its commission from new investors.

4. Use of hard assets

Fundamor maintains an auditorium and studio apartment for conferences and seminars, which it rents out for use by other organizations. It has also renovated its former headquarters office into several rental apartments.

5. Investment Dividends

1. Like many organizations in Colombia, Fundamor has a permanent matching fund with FES, established in 1995. Fundamor put up an initial amount of COLP 16,469,678 (approximately USD 10,681). FES matched half of this amount, and the money was deposited in FES' endowment. Fundamor receives 70% of the yield, using this amount to cover operational costs. FES was nationalized in 1999, and therefore this fund is no longer operational.<sup>2</sup>
2. Fundamor also established special funds for each of its program areas with program savings or specific donations. Fundamor intends for these funds to eventually become its endowment and thus, dividends are normally reinvested. However, they are sometimes used temporarily to meet cash flow difficulties.

2 In May 1999, the Colombian government nationalized the financial activities of FES. This decision was made because of FES's inability to collect the USD 50 million it needed to guarantee its outstanding obligations, as required by the Banking Authority. The deep economic crisis that Colombia has suffered in recent years has severely hindered the foundation's efforts to reach this goal. A number of other banks throughout the country underwent similar difficulties and were also nationalized. FES's equity capital comprises over 500 permanent matching funds (PMFs) and permanent non-matching funds (PNMFs) that the organization holds with CSOs throughout the country and abroad, including Fundaempresa. In light of the current situation, FES has been unable to make the monthly payments due to CSO investors. At the time a public statement was issued regarding this case, the commission created by the government to study the case had not yet reached a decision about the funds. This state of affairs is a cause of great concern to the CSOs who count on PMFs and PNMFs, given the uncertainty that surrounds the future of these funds.



The decision to start self-financing activities stems from Fundamor's original strategic planning phase.

#### 4. Start-Up

The decision to start self-financing activities stems from Fundamor's original strategic planning phase. A feasibility study showed that it would be impossible to sustain nonprofit activities with only the support of grants from local and international organizations. Some of the board members, however, particularly Fundamor's founder and executive secretary, had always realized that the organization would need to generate its own income.

In the beginning, before self-financing activities were initiated, several mechanisms were set up to obtain donations, both monetary and in-kind, while also making the public aware of Fundamor's social and humanitarian activities. Bonos por la Vida and Plan Padrino were among these mechanisms. With the help of volunteers, Fundamor began collecting and selling donated secondhand goods at its store in San Antonio. At the same time, the organization began a workshop to produce household cleaning products (brooms, brushes, etc.), employing HIV/AIDS patients to help with their psychological and social rehabilitation and to help them earn income. The products were first sold at the foundation's San Antonio store and later at chain stores and other household stores.

Originally, these activities did not require great sums of money to function and were conducted, like other foundation activities, with the help of a volunteer corps and the founders' personal contacts. The cleaning-product workshop received a grant from a private Colombian foundation. Soon, however, it became clear that more income was necessary. This meant setting up various additional enterprises, including one to produce work garments, another one to pack and distribute cookies, and an organic farm to produce food for the center and to sell to other treatment centers. Expert professionals outside Fundamor helped to design and start these activities on a volunteer basis, and two new enterprises were created to run them: Fundación Competir for the garments and Comida Sana de Occidente y Cía. Ltda. for the cookies. Fundamor owns 50% of the former and 100% of the latter.

Fundamor decided to renovate and furnish a new headquarters to house its clients and from which to run its new self-financing activities. This decision has helped to steadily increase Fundamor's net worth.

Special funds were set up for the Foundation's eight project areas. The funds are invested in well-reputed short- and medium-term bonds. An outside investment house manages these funds. Approximately 70% of accrued interest is reinvested and the remaining 30% is used to cover project cash-flow difficulties. The funds that are reinvested form the basis of the organization's endowment.



## 5. Management

Self-financing funds are allocated to administrative and operational costs and overhead, items not usually covered through donations. Surplus revenues pay for the purchase of drugs, payment of lab tests for patients at the Center, and maintenance and equipment of the new offices. Salaries for permanent staff and project staff are also included.

The board of directors manages the resources obtained through self-financing. Management of some of the businesses is shared with Fundamor's partner, Fundación Competir, created together with the Corporación de Apoyo a la Microempresa (CETEC) to run the clothing and shoe workshops. Fundamor has an inter-institutional cooperation agreement with CETEC and Fundamic, organizations that provide technical assistance in production and management of the products grown at the farm. In addition, production of the cookies, which is handled by a for-profit enterprise founded by Fundamor (Comida Sana de Occidente y Cía. Ltda.), entails establishing terms and production goals on a yearly basis. Fundamor receives 10% of the net income from the cookies, paid quarterly, in the form of a donation.

As Fundamor has consolidated and diversified its self-financing activities, the volunteer corps devoted exclusively to these tasks (16 individuals) has been strengthened with permanent staff (24) and service providers (30). As a group, their aim is to promote products and raise funds through individual and corporate donations on a permanent basis, which they do through personal contacts and letters, presence in the mass media, and new project development. The staff must also ensure the quality and fair prices of Fundamor's products and services, and that contracts and obligations related to the organization's productive activities (workshops, store, farm) are met.

Consequently, the staff is not only mission-driven, they also have proven skills in management, finances, and production, and these skills are supplemented by external studies, consultants, and ongoing organizational planning.

## 6. Policies and Legal Framework

Fundamor is classified as a health care organization recognized as such by the Ministry of Health due to its direct service delivery agency. With this classification, given by the Ministry, Fundamor is considered a non-tax paying CSO and is exempted from paying any income tax on revenues generated from its commercial activities. Although some of these activities are not directly related to its mission -- sale of second hand clothes, sale of organic food, sale of household cleaning supplies and uniforms, rental of apartments -- the organization does not have to pay income tax on any surplus generated from these activities.



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The main effect of introducing self-financing activities has been to reinforce the mission and enhance commitment, sense of achievement, and satisfaction among Fundamor staff, both volunteers and paid members.

Almost all of the organization's self-financing activities are governed by its non-profit legal status and are accounted for under its internal accounting system. The one exception is the sale of cookies at different points throughout the country which is managed by "Comida Sana Ltd.," (created by Fundamor as a separate for profit company). Fundamor receives a percent of the profit in the form of a donation from Comida Sana and therefore pays no income tax on this activity

Fundamor is not exempt from value added tax (VAT). Fundamor charges VAT at 16% on all of the products and services that it sells, (with the exception of its organic food products which are exempt from VAT). The organization is, however, able to deduct from this amount all of the VAT that it pays for the cost of producing these products and services (i.e. raw material, supplies and other related costs.)

Finally, the organization must pay 7% on interest earned from investments but this amount is returned to the organization when it makes its monthly income declarations.

## **7. Effects of Self-Financing on the Organization**

### *7.1 Mission and Values*

According to Guillermo Garrido, former United Nations Development Program staff member and former chairman and now executive director of Fundamor, the main effect of introducing self-financing activities has been to reinforce the mission and enhance commitment, sense of achievement, and satisfaction among Fundamor staff, both volunteers and paid members. Self-financing activities have played a key role in consolidating and developing the organization. The funds obtained have helped to raise the quality and diversity of the medical, social, and educational services furnished to clients (patients and their families) and to the concerned public (health care workers, students, professionals working in social programs, etc.). All of this has raised morale among stakeholders and enhances their choice to be part of, and contribute to, a humanitarian cause.

Fundamor's self-financing activities have not had any negative effects on the original target population of the organization, for example, by drawing attention away from low-income sectors in favor of others who are in a position to pay for services received. Rather, the former group of clients has increased in absolute numbers (a second Casa Hogar has been opened in another city, Bogotá), while the quality and variety of services offered to this population has improved. Simultaneously, several types of therapy (physical, psychological, and occupational) have been made available to patients who can afford to pay for them, and training is offered to health care, educational, and community workers, who pay or provide services by way of compensation. The clients – the *raison d'être* of the organization – have thus doubly benefited from the additional resources obtained through self-financing activities: they receive improved services, and they and their friends and relatives receive compensation for their work in Fundamor's



commercial activities. These activities, in turn, are supported by the loyalty of the consumer population.

The household cleaning product workshop was first initiated to provide employment to the organization's residents and other patients. However, it soon became clear that it was too difficult for the patients to work on a regular basis. Rather than open the workshop to unrelated clients, Fundamor decided to staff them with friends and relatives of the patients, providing them with a source of income and an opportunity to indirectly support and be closer to the patients during their time at the Center.

Fundamor's self-financing activities are increasingly supported by consumers of simple, low-cost, widely available items, who prefer to buy products attached to the organization's social mission. Indirectly, this contributes to one of the mission objectives: to fight discrimination and social prejudice attached to HIV/AIDS patients and carriers. The kinds of items chosen for Fundamor's income-producing activities – organically grown food, secondhand furniture and clothing, cookies – are symbolically associated with the health and social status of the clients: individuals who are disadvantaged in terms of health, income, age, and social status.

## **7.2 Organizational Culture**

The initiation of self-financing activities has brought remarkable growth to the organization in terms of staff, infrastructure, links, public image, and funds. Simultaneously, from the standpoint of internal organization, Fundamor has deliberately adopted business management models and tools to ensure effective services and competitive products. As mentioned above, from the beginning the organization's productive, commercial, and financial activities have been supported by feasibility studies, advisory services, and expert advice to ensure economic viability. To the extent that this objective has been reached, the benefits of the self-financing activities have extended to both clients and staff. More paid staff have been recruited and hired; physical infrastructure has been expanded and improved, resulting in more comfortable, safer, and more pleasant work environments; time and funds have been available to permit Fundamor workers and supporters to engage in social and recreational activities. The new, expanded facilities have led to an increased number of activities – trainings, meetings, self-improvement seminars – which has in turn meant greater interaction with individuals and institutions. These factors, along with the increased number of health care services and opportunities available to clients, offset the increasing book-keeping requirements and production and management challenges confronted by the staff responsible for commercial activities.

The greater scope of activities and the number of staff devoted to economic tasks (and therefore in contact with money, job opportunities, and supply of other goods and services), as well as humanitarian, therapeutic, and educational tasks, made it advisable to draft a code of ethics. The code gives explicit guidance on behavior standards and motivations, procedures, and chain of decision-making, and this guidance is binding on members, volunteers, administrative and produc-

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Finally, self-financing activities have strengthened Fundamor as an organization, increasing confidence and optimism about the future among staff, clients, and their families. This in turn contributes to a good working environment and creates a focus on the ethical-social significance of their mission.

tion staff, direct service staff, and patients participating in Fundamor programs. It is essential that all of these individuals share an appreciation of Fundamor's values. A breach of ethics would give rise to an investigation and penalties that may include expulsion from the organization at the hands of an ethics committee specially appointed for this purpose.

Finally, self-financing activities have strengthened Fundamor as an organization, increasing confidence and optimism about the future among staff, clients, and their families. This in turn contributes to a good working environment and creates a focus on the ethical-social significance of their mission. These positive effects help the staff deal with the emotional stresses of working with HIV/AIDS patients, their families, and their social circumstances, and help the organization to survive amid the economic turbulence prevailing in Colombia in recent years, which has caused self-financing income to drop from 60% in 1998 to 45% in 2000.

### *7.3 Autonomy*

One of the greatest effects of self-financing is perhaps felt here. As explained earlier, Fundamor's solvency and projections have strengthened as a result of self-financing, while its mission has expanded to include new and more extensive services and benefits. Self-financing has directly enhanced Fundamor's autonomy in two respects. First, as long as there is continued and growing demand for Fundamor's products and services, the organization can generate a steady stream of revenues. Thus the organization is less dependent on efforts to find donor funding, especially within the complex governmental environment, or on decreasing international cooperation. Second, the funds obtained through self-financing are untied and therefore not tied to specific spending requirements. They can be freely managed according to internally set criteria and policies approved by the board of directors.

An indirect effect is that thanks to the growth in contacts, commitment, resources, and programs that self-financing has fostered, Fundamor has been able to strengthen its leadership, credibility, visibility, and public influence. This also helps to ensure greater autonomy, for there is no need to depend on a single source of contacts, information, cooperation, and resources; instead, Fundamor receives economic backing from and has direct communication with numerous actors and is in a stronger position to confront or deal with pressures from potential donors and national or international opinion leaders, both governmental and private, which might affect its flexibility, decision-making, or action priorities.

### *7.4 Relations with Stakeholders and the Public*

Self-financing activities have substantially increased the types and numbers of organizational stakeholders. The staff has grown from a volunteer staff of 22 in 1996 to 118 in 2000; and the organization has a wide spectrum of clients, consumers as well as third party contractors, as a result of its many commercial activities. In the period 1993–2000, the HIV/AIDS prevention program reached nearly 44,200 people. In addition to the residents of the Center, large number of institu-



tions and individuals are interested in contracting with the organization, whether to rent its facilities, hire therapeutic or educational services, or participate in its education or training seminars and events.

Fundamor's clientele has continued growing at the usual annual rate, although the types of services and users of these services have become diversified and holistic.

Table 4 *Clients Served by Fundamor in Cali*

<i>Description</i>	<i>Cumulative 1992-1999</i>	<i>2000</i>	<i>Cumulative 1992-2000</i>
<b>Residential care</b>			
Adults with HIV/AIDS	436	3	439
Children with HIV/AIDS	84	22	106
Unprotected children	---	27	27
Adults with cancer	---	88	88
<b>Total</b>	<b>520</b>	<b>140</b>	<b>660</b>
<b>Outpatient services</b>			
Psychological/ spiritual	1,513	298	1,811
Medical	454	---	454
Dental	302	170	472
HIV/AIDS counseling	343	---	343
Pregnant HIV/AIDS carriers	44	2	46
HIV/AIDS carriers therapy workshop	111	1	112
Self-support	213	---	213
<b>Total</b>	<b>2,980</b>	<b>471</b>	<b>3,451</b>
<b>Total served</b>	<b>3,500</b>	<b>611</b>	<b>4,111</b>

In addition to traditional health care, including ongoing medical treatment and lodging, Fundamor now offers Montessori education and a computer room for children; sports, games and other recreational and cultural activities; physical and occupational therapy; outpatient and alternative treatment; and assistance with personal development.

The consolidation and constant growth of self-financing activities (and resulting income) have changed the structure of sources of donations, both in money and in-kind. Until 1999, donations tended to drop by comparison with the self-financing, particularly among institutions (government, private corporations) and among private individual donors. In the same period, however, there was an increase in funds donated under special agreements with various nonprofit organizations, including contributions to Fundamor for "seed capital" or regular installments for one year or more. This figure dropped in 2000 owing to the country's fiscal crisis. Another sector where donations appear to be deficient or stagnating,

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by comparison with other sources, is local corporations. In the words of the executive director, "they are very much lacking in social awareness." In any event, the effect of self-financing on all sources of funds has been positive, in most cases increasing the amount of contributions to Fundamor in absolute terms.

Self-financing activities, as we have said, have improved Fundamor's management at all levels, along with increased commitment, satisfaction, and sense of achievement and mission among staff, volunteers, and members. They feel that their organization is consolidating, growing, and improving, and that its image, credibility, and public support are greater.

## ***8. Effects of Self-Financing on the Organization's Financial Situation***

### ***8.1 Description***

Fundamor services are offered at its central multipurpose headquarters located outside Cali and a branch office in Bogotá, which serves only pregnant women and young children. Both locations provide free lodging and medical care in various specialties, including dentistry, laboratory tests, and a drug dispensary, in addition to psychological and educational care and skilled labor training. The same services are available to outpatients and families in higher income brackets who can afford to pay for them.

The headquarters premises (4,600 sq. m.) house the general and administrative offices; the Casas Hogares for adults and children; outpatient therapeutic care; the auditorium and conference halls for educational and cultural activities; workshops for the production of household cleaning products, as well as for the cutting, stamping, cleaning, and packaging of uniforms; and a facility for cookie packaging. The center also has a recreational park (9 hectares) and an organic farm for crops and medicinal herbs (12 hectares). Fundamor also operates other facilities designed for commercial activities: a store that sells cleaning materials and secondhand goods, two nearby apartments for rent (San Antonio sector, Cali), and the offices of Fundación Competir, responsible for the production and marketing of uniforms (San Fernando sector, Cali).

Self-financing is achieved in several ways at the same time: direct sale of services such as medical and therapeutic care, education, and epidemic prevention and treatment; direct sale and sale on commission of Bonos por la Vida (comparable to the Coronas de Caridad sold in Chile by Hogar de Cristo and other institutions); direct sale and sale on commission of home cleaning products; direct sale of secondhand and donated goods; sale of organic products from Fundamor's farm to other HIV/AIDs clinics; indirect sale, through related profit-making corporations, of school and office uniforms, safety clothing and footwear, and cookies; rental income from two apartments owned by Fundamor in town and from the auditorium and halls for conventions or training at its suburban headquarters. The organization also receives income from interest on investments. These include a permanent matching fund amounting to USD 10,000, with 30% of the



resulting interest plowed back, and special program-designated funds that are invested in various stocks, with 70% of the resulting interest being plowed back into the organization's endowment. Additional income is occasionally received from special fund-raising events: fashion shows, musical performances, and other cultural events.

Prevailing legislation requires that part of the income generated by self-financing be administered by subsidiary, related, or member organizations, some governed by general financial or commercial regulations (Comida Sana de Occidente y Cía. Ltda., Fiducia Social Arco Iris) and others by the Law on Non-Profit Foundations (Fundación Competir).

With the funds obtained from these sources, plus member donations, income from Plan Padrino and Bonos por la Vida, and investors brought in by Fiducia Social Arco Iris, Fundamor subsidizes between 60% (1998) and 45% (2000) of its health care program for extremely poor HIV/AIDS patients (children, pregnant women and nursing mothers, young and adult terminal patients). The amount of self-financing obtained from alternative sources increased between 1996 and 1998 and diminished in 2000. Accordingly, the self-financing target of 75% set for 2001 will very likely not be achieved. However, the rising trend is expected to resume in the future.

For these and other related programs described above, Fundamor also receives donations in kind and equipment on loan through certain government programs, as well as financial donations and interest-free loan agreements with domestic institutions and foundations. The above excludes volunteer work donated by students, professionals, corporations, and the public.

In the view of the executive director, the self-financing strategy adopted by Fundamor means lower costs in terms of time, resources, and work than other funding options, with the exception of donations made via projects by international cooperation agencies. Furthermore, the strategy based on sale of products, fees for services, and interest on investments provides greater autonomy and increases institutional net worth, allowing Fundamor greater flexibility in funding its mission-related activities.

## ***8.2 Financial Performance***

Fundamor offers free social and health care services to a specific target population and health prevention and educational services to a much broader public. For this purpose it has an annual budget amounting to almost USD 500,000.

Self-financing was part of the foundation's strategy from the start, largely owing to the strong leadership of its founder and present executive director. To set the strategy in motion required development of feasibility studies for each activity, strategic planning, and technical assistance in accounting, legal, financial, and marketing, which were contributed free of charge. Financial donations in the first year played a central role as "seed capital" and insurance against running into

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The production of simple items that do not contradict the social mission of the organization, the outsourcing of parts of the production and marketing process to organizations specializing in these areas, and the effective use of business tools (budget, financial, and capitalization instruments) appear to be at the root of Fundamor's growth in self-financing and long-term assets.

debt. The personal contacts of certain members of the board in business circles were crucial, as were the business partnerships undertaken with some of these leaders.

The production of simple items that do not contradict the social mission of the



organization, the outsourcing of parts of the production and marketing process to organizations specializing in these areas, and the effective use of business tools (budget, financial, and capitalization instruments) appear to be at the root of Fundamor's growth in self-financing and long-term assets.

Fundamor acknowledges, however, that it has faced more than a few obstacles. The organization's internal business capabilities are insufficient, and not enough staff are devoted exclusively to promoting the organization's products and services.

### *8.3 Sustainability*

In general terms, the financial sustainability of Fundamor seems to have been achieved, mainly due to diversification of its sources of self-financing, which include sound investment of its special program funds and organizational savings as well as the sale of services and products. The demand for medical, therapeutic, and preventive education services related to HIV/AIDS has risen in the recent past and is likely to continue to do so. Fundamor is a specialized center in the care and prevention of HIV/AIDS and seems to have no local competition in this area.

The kinds of products sold by Fundamor, the primary source of self-financing income for the organization, do not seem to have been as seriously affected by economic contraction or stagnation cycles. The items sold by Fundamor are low-cost mass consumer goods that are not as lucrative, but also not as easily affected by economic downturns as other goods.

Until 1999, interest on investments was highly profitable. The funds were invested in volatile instruments, that although sensitive to the financial and stock market swings that often occur in Latin America, yielded high returns during the mid-nineties. However, recent measures taken by the Colombian government, such as the nationalization of FES and other financial institutions, together with the 50% drop in interest rates, seriously affected Fundamor's income from investments. The organization expects to recover these losses in 2001 through the consolidation of other business ventures.



The fact that Fundamor owns physical assets contributes significantly to its long-term sustainability. The organization has continually increased the value of its assets – through ongoing remodeling, construction work, purchase of modern equipment, and productive use of farm land, parks, and facilities built – without resorting to medium- or long-term debt.

Overall, these decisions have led to a remarkable increase in the organization’s institutional assets: in dollar terms, a 25-fold increase between 1992 and 2000 (see Table 5).

Table 5 *Balance 1992–2000*

(COLP x 1000 )

<i>Year</i>	<i>Current Assets</i>	<i>Fixed Assets</i>	<i>Other Assets</i>	<i>Total Assets</i>	<i>Liabilities</i>	<i>Equity</i>
1992	16,243	1,336	---	17,579	---	17,579 *
1993	8,146	57,978	125	66,248	1,009	65,239
1994	132,682	67,740	99	200,521	12,507	188,014
1995	201,109	96,898	304	298,313	28,514	269,799
1996	280,833	123,228	---	404,061	34,047	370,014
1997	453,541	180,396	---	633,937	67,216	566,721
1998	650,125	194,301	114,237	958,663	74,616	884,047
1999	690,036	206,047	144,177	990,262	74,616	959,446
2000	964,780	246,327	110,579	1,321,686	54,744	1,266,942 *

An important intangible asset possessed by Fundamor consists of the social and institutional connections it has formed as a result of its primary mission: treatment and prevention of HIV/AIDS. Such connections can be both an incentive and an asset to self-financing, as many eventually become vehicles for mutual benefit agreements, exchanges of supplies and volunteer staff, and sources of in-kind donations for the organization.

#### **8.4 Financial Diversification**

The self-financing strategies adopted by Fundamor are quite diversified. This allows Fundamor the necessary flexibility to redirect its income-generating sources and alter the individual weight of each self-financing strategy to prevailing economic conditions. That was the case in 1999, when income from financial investments dropped sharply. In order to avoid reducing the number of clients served, the organization made a concerted effort to increase donations from international sources and donations in kind from domestic sources.

The organization has successfully achieved financial diversification by designing its services and products (supply) to meet a broad range of demand from users

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\* In 1992,  
USD 1 = COLP 760  
(COLP 17,579 = USD 23,130).  
In 2000,  
USD 1 = COLP 2,200  
(COLP 1,266,942  
= USD 575,883).



and potential consumers, both individual and institutional. Fundamor's products and services range from those that are directly mission related to those that are not. They are eclectic in nature, including intangible or symbolic products (Bonos por la Vida) as well as staple consumer goods. The demand for school uniforms is inelastic, and Fundamor's cleaning products are sold to households of all income levels. In addition, the consumers of such goods and services are connected by an ethical and social link to the producers of the goods, who are simultaneously the beneficiaries of such services.



## *Conclusions and Lessons Learned*

Despite the country's economic situation, Fundamor's strategy of diversifying its sources of income and building its assets has not been negatively affected. A few years after the organization's founding, its self-financing strategy includes supplying a wide variety of products and services, operating in different markets and targeting a broad, socially and economically diversified group of consumers and donors. The products sold by Fundamor are not always necessarily linked to its direct clients (HIV/AIDS patients); however, the consumption of organic foods and cookies and the use of cleaning products are symbolically associated with the home and personal well-being. Similarly, the sale of secondhand items and school and work clothing reinforces a sense of solidarity among low-income consumers in the area. By sensitizing and committing a wider section of the population to sharing economic responsibility for social problems, Fundamor ensures both the financial and social sustainability of its operation. For this purpose it enters into alliances with experienced, qualified individuals and organizations who become volunteer staff, paid suppliers, or members.

Parallel to its health care services and activities, the organization has created an inter-institutional network of commercial and productive activity for social purposes, which offers paid job opportunities and socially responsible consumption alternatives to low-income individuals. In Fundamor there is a "virtuous circle" between ethical and social commitment and utilization of business management and capitalization instruments. Its commercial activities, which in some cases have no connection with the direct assistance it provides to HIV/AIDS patients, are part of the institutional culture and public image of Fundamor. These self-financing activities do not take the organization away from its mission or its direct client group. Both producers and consumers of these goods and services include individuals living in poverty and individuals who want to support the organization's social purpose. To a considerable extent, this "virtuous circle" may be at the root of Fundamor's successful self-financing strategy. Despite the downturn of 2000, its gross income from self-financing has clearly reinforced the organization's mission by improving quantity and quality of social services to clients. This in turn improves Fundamor's public image and attracts new donors, volunteers, suppliers, and clients of its education and prevention programs.

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.

For more information on NESsT, its publications and services please contact: Nicole Etchart, Co-Founder & Executive Director, NESsT, José Arrieta 89, Providencia, Santiago, Chile.  
Tel: +(56 2) 222-5190.  
nesst@igc.apc.org  
www.nesst.org