

Sources and Uses of Funds in International Non-Profits: Evidence from a Guatemalan Orphanage

Jonathan Breazeale
Sam Houston State University

Morgan Haddock
Sam Houston State University

Abstract

In Guatemala, hundreds of thousands of orphaned children suffer dangerous living conditions. Orphans are separated from their families because of abuse, neglect, abandonment, and a myriad of other terrible reasons. Orphanages help defend the rights of these children while providing a safe home - whether temporary or permanent. Often, these institutions struggle with financial stability - affecting the effectiveness or longevity of the haven they provide. Using publicly available information (where available), this paper evaluates the sources and uses of funds for one of these orphanages. Much of the information specific to the orphanage comes directly from them but is not cited to maintain anonymity. It is our hope that this paper provides information for business students interested in employment at international non-profits, donors to international non-profits, and the general interest of folks who want to know how a Central American orphanage operates.

Keywords: Non-Profit, Sources of Funds, Uses of Funds

Copyright statement: Authors retain the copyright to the manuscripts published in AABRI journals. Please see the AABRI Copyright Policy at <http://www.aabri.com/copyright.html>

INTRODUCTION

In Guatemala City one child is abandoned every four days. With a total population of 17.25 million people, there are over 500,000 orphaned children in the entirety of the country (AGCI (2021)). In addition to abandonment, children are also orphaned due to neglect and abuse. With such a large number of orphaned children, the country must rely on institutions such as orphanages to house children - either temporarily or permanently. The financial burden is substantial. To protect these kids, orphanages need to be safe.

According to the National Association of Nonprofit Organizations & Executives (NANOE), one of the most common reasons a nonprofit fails is due to poor accounting and money management (Ebarb (2019)). In this paper we examine the financial aspects of an orphanage while maintaining anonymity. We have altered the name of the orphanage, but in the spirit of transparency they actually post their annual non-profit IRS tax return for the public to see. With the data available to us, we provide the reader with the sources and uses of their funds. As one might imagine, the success of these organizations relies heavily on international donations and the work of religious institutions throughout the world.

BACKGROUND AND HISTORY

Mayans were indigenous to Guatemala prior to European imperialism. Today, Mayans comprise 41.7% of the population (The World Factbook (2021)). Despite being no longer subject to imperialism, the Mayan people are still targeted to this day.

In 1952 President Jacobo Arbenz passed land reform that redistributed unused land exceeding 223 acres to the poor in exchange for government bonds paid to the landowner (Giron (2007)). During this time, the United States was fighting against Communist ideology in the Cold War, so President Arbenz was seen as someone perpetuating the socialist (anti-democratic) agenda. The new law also affected the profits of the United Fruit Company which angered wealthy Guatemalans and American investors. President Harry Truman ordered a successful CIA-backed coup to remove President Arbenz and replace him with Carlos Castillo revers Arbenz's redistribution. Guerilla groups emerged to protect the land reform put in place by Arbenz but these groups were met with military opposition. In order to stop the guerilla's efforts, Castillo implemented a scorched-earth policy that destroyed 460 indigenous villages in which 1,000,000 people were displaced and 200,000 died (Branas et. al (2013)). Of those affected, 83% were Mayan. During these operations children were targeted by the military in order to eradicate the Mayan group. Kidnapping, indiscriminate execution, murder, torture, rape, sexual abuse, unlawful detainment, and massive displacement all occurred (Dekel (2007)). During and after the war, over 200,000 children were orphaned, causing a surge in orphanages within the country (Nolan (2020)). The Mayan way of life and educational system was destroyed leaving families in financial ruin with no means of recovery. Though the Guatemalan Civil War lasted from 1960 to 1996, there is still a psychological aftermath today. Following the war, one survey of rural inhabitants concluded that 23.3% suffered from alcohol dependence, 50.0% suffered from PTSD, and 40.7% suffered from depression (Dekel (2007)). The combination of mental illness, emotional distress, and financial instability caused untold harm on the family unit throughout the country. Child abuse and neglect quickly followed. The need for orphanages and the refuge they provide continues to this day.

LEGAL

The role of investigating at-risk children in Guatemala falls to the Office of the Attorney General of the Nation (Procuraduria General de la Nacion [PGN]). PGN is open 24 hours a day every day of the year with 22 regional delegations and advocacy offices to consult or file a complaint (Procuraduria General de la Nacion (2021)). The Attorney General has outlined his duty to "protect and restore the violated and/or violated rights of girls, boys and adolescents with speedy, objective action" (Procuraduria General de la Nacion (2021)). If the case is brought to court, then a PGN representative is present during the hearing and the Attorney General issues legal opinions in the judicial process ("Decreto numero", n.d.). Every orphanage has a specific "profile" of children they accept into their facility - including age, gender, and number of siblings. If the judge rules in favor of the child, then the court examines the orphanage's profiles and places the child in the orphanage of best-fit for both parties. Lastly, social workers are used to supervise the protective measures implemented by the court (Goicoechea and Degeling (2007)). Children in the orphanage attend frequent hearings if a new relative offers to take them, new evidence is presented to the court, and/or to check on the status of the child.

THE CASA

The Casa was established in 2005 and is located just outside of a major tourist area. It presently has 150 children under its care. For many children, this orphanage has become a permanent home because their previous living conditions were deemed too dangerous. The Casa profile welcomes every child - regardless of their age, gender, or siblings. Most orphanages in the country only house one gender, so this makes The Casa unique. The property contains a cafeteria, church, school, and more than 10 children's homes that provide for their everyday needs. The Casa strives to be community-focused and has implemented a program for area widows in addition to the orphans they serve. They identify widows in dangerous living conditions in the surrounding villages and provide them with a home, food, and medical assistance. The Casa wants to expand their reach to more people in the local community.

Revenues

The Casa uses various methods to raise funds to support the orphans (and widows) in its care. In the past several years, The Casa has reported revenues from \$2.5 million to \$3 million. Donations are the driving force that allows all orphanages in Guatemala to exist, and The Casa is no exception. The founder travels the United States, speaking almost weekly to let folks know what they are doing and how they are doing it. The founder is an author who self-publishes books that gain attention for the orphanage - the sale of which generates revenue. The facility also has a robust website and social media presence to illustrate what daily life is like with videos, pictures, and information. They've learned that donors like to keep up with the organization and feel that they are as much of the experience as possible. It is a great way for donors to be a part of all they have to offer. The orphanage is open to sharing the testimonies of rescued children to encourage donations.

Donors differ in type. Some volunteer at the orphanage. Some donate monetarily. Some both volunteer and donate. But all donors desire a connection with the children. To take advantage of this, the Casa has a "sponsor a child" program where donors develop a connection

with a child be sending letters. The Casa also hosts teams of workers from the United States who travel for the sole purpose of working on specific projects and building connections with the kids. Many of these teams are church groups, and The Casa prides itself on meeting the spiritual needs of the children in addition to their physical needs. While they are there, teams receive tours of the property, hear children telling their testimonies, dine with the kids, shop at a gift shop, and work on a project to improve the orphanage. At the end of each week, the facility puts up a needs board to inform potential donors of the current needs of the organization and the amount of money required to meet the need. Depending on the size of the team, this practice can bring in thousands of dollars in revenue. Feeling connected, donors return to the United States and are more likely to continue giving and share their experience with others who also donate.

Expenses

Table 1 (Appendix) details The Casa's operating expenses on a common-size basis. Details of The Casa's expenses are outlined in IRS Form 990 (Return of Organization Exempt from Income Tax) which the sponsoring organization for The Casa must file annually within the United States. The numbers reported are for the fiscal year 2020. This sponsoring organization offers all recent tax returns for public review on their website - along with the results of the firm's annual audit. This is an incredible piece of transparency that allows the unique opportunity to review the inner-workings and operation of a private non-profit enterprise. At their request, we have kept the domestic sponsoring organization anonymous.

Food is the largest expense The Casa has. Children eat three meals a day on a diet of corn tortillas, beans, plantains, chicken, and other meats, fruits and vegetables. The orphanage has developed some sustainability efforts with an internal garden, aquaponics and fruit trees. However, with the more than 100 widows who also rely on The Casa for food, their internal sourcing does not cover the need. The Casa still must purchase food from local vendors.

Children are separated into each of the 10 homes based on age, gender, and number of siblings. They are cared for by hired local women. These nannies are responsible for cleaning, cooking, and maintaining the children's schedules. Special house mothers monitor the mental well-being of the children because of the severe trauma most of them have experienced and the behavioral problems this can create.

Every building on the property has running water and electricity. Both are in constant use. Children have clean water to drink, cook, and use for hygiene. The Casa is working on sustainability efforts to reduce the cost of utilities and produce at least some of what they need on their own.

Every child is educated at the school located on orphanage grounds. The school is run by hired principals and teachers, and they implement a curriculum compliant with government rules and regulations. Some of the education expenses include staff salaries, school uniforms, incentive programs, and utilities. The incentive program rewards students with a fun outing (movie, waterpark, or restaurant) if they make higher than a B on their report card. Typically, teenagers graduate at the age of 18 with their high school diploma. Upon graduation, adults decide to go to a trade school or to a university.

Each of the homes sustains the frequent damage that is to be expected from housing kids. Buildings receive new paint, windows, appliances, etc. when needed to maintain a safe environment for the kids.

Children frequently attend court hearings when new family members are able to take the child back in a relative's home. Prior to this, a judge must agree that it is safe for the child to return. Legal representation for the child is provided by the orphanage to protect the rights of the child.

The Casa has an onsite medical clinic that provides assistance to the children, widows, and local community. New children receive a full examination upon arrival for both health and legal reasons. Common findings in this exam include lice, malnutrition and the effects of poor hygiene. Existing children get regular check-ups to monitor their health. They also receive dental cleanings and braces in some situations. Widows also get a full exam upon arrival and check-ups. The clinic is even open to the local community for the small cost of 8Q (about \$1.00 US). Originally, the clinic was free to the general public, but they observed moral hazard with patients not following orders/directions. The problem was solved with the nominal fee. If medical needs exceed the capacity of the clinic, the children and widows are taken to a hospital.

Employees of The Casa frequently travel to homes of widows, the airport, court hearings, and outings. Such frequent use of vehicles results in pretty significant cost. Additionally, other buildings on the property (church, cafeteria, and medical center) require repair and maintenance as well.

Sadly, an electrified, razor wire fence is required around the property to prevent robbers from entering the facility. Security guards monitor cameras and patrol the property at night with K9s to ensure no threats to the kids.

Over 98% of the children at The Casa have experienced some form of sexual abuse during their lifetime. This type of early trauma can affect mental development, and The Casa finds it important to invest in professional help to overcome these barriers.

Conclusion

Developing nations deal with a myriad of issues that are not common to countries of affluence. One serious problem that many developing countries deal with is that of orphaned children. In Guatemala, the problem of orphaned children is being managed by mostly private self-supporting non-profit orphanages.

We examine the sources and uses of funds in an example orphanage in Guatemala. Their innovations on donation sources include frequent trips to churches and civic organizations outside the country and getting those workers and donors to connect with their organization and children on a very personal level. They utilize technology and social media to maximize repeat giving and make it easier for existing donors to spread the word about their work to potential new donors.

Expenses, even in a developing country like Guatemala, are substantial and numerous. Food, education, medicine, and a litany of other expenses gobble up donations fast, but donors can rest assured that their donations are providing for the needs of youth (and widows) who need clear and safe drinking water and a refuge from abuse and neglect that all too often bring them to an orphanage.

WORKS CITED

- All God's Children International (AGCI). 2021. <https://allgodschildren.org/intervening-for-orphans/where-we-work/guatemala/>.
- Branas, C.C., Dinardo, A.R., Puac Poloanco, V.D., Harvey, M.J., Vassy, J.L., & Bream, K. 2013. An exploration of violence, mental health and substance abuse in post-conflict Guatemala. *Health* 5 (5). 825-833.
- Deckel R. 2007. Posttraumatic distress and growth among wives of prisoners of war: the contribution of husband's posttraumatic stress disorder and wives' own attachments. *The American Journal of Orthopsychiatry* 77 (3). 419-426.
- Ebarb, P.B. 2019. Nonprofits Fail - Here's Seven Reasons Why. <https://nanoe.org/nonprofits-fail/>
- Goicoechea, I., Degeling, J. 2007. Report: Guatemala mission. Report of a fact-finding mission to Guatemala in relation to intercountry adoption. <https://assets.hcch.net/docs/18210249-187a-4607-b6b5-808e3f3fb7fa.pdf>.
- Giron, A.B.S. 2007. Taking matters into one's hands: lynching and violence in post-civil war Guatemala. *Urban Anthropology and Studies of Cultural Systems and World Economic Development* 36 (4). 357-379.
- Nolan, R. 2020. Guatemalan child refugees, then and now (disponible en espanol). <https://nacla.org/news/2021/04/23/guatemalan-child-refugees-then-and-now-disponible-en-espanol>
- Procuraduria General de la Nacion. 2021. <https://pgn.gob.gt/pna/>.
- World Factbook. 2021. <https://www.cia.gov/the-world-factbook/countries/guatemala/#people-and-society>.

Table 1. The Casa's Common-Size Operating Expenses (2020).

Budget Item	Percentage of Total Budget
Food	30%
Child Care	14%
Utilities	12%
Education	12%
House Repairs	10%
Legal	5%
Medical	5%
Vehicle/Property Repairs	4%
Security	2%
Kitchen	2%
Child Professionals	2%
Outings	2%

