

The HealthStore Foundation® - EIN 41-1882574 – CAUSE 1

I. List of Programs

A. CFWshops

The HealthStore Foundation® (HSF) founded CFWshops in Kenya (featured program), a network of 65 franchised health outlets in rural Kenya. In 2008, HSF plans to launch a CFWshops network in Rwanda.

II. CFWshops – Activities and Budget

A. Activities

CFWshops is a network of 65 franchised health outlets in the rural regions of Central and Western Kenya. CFWshops uses the franchise model to deliver essential health care effectively and affordably. The CFWshops franchise system includes easy-to-follow standards, policies, procedures, and forms that enable franchisees with no business experience to properly operate their medical outlets. The franchisee is then supported by the franchisor's supply chain, compliance program, and financing. Franchisees sell products and services, and they earn a living from the profit that they earn, provided that they comply with CFWshops standards. Experienced nurses and community health workers (CHW's) become franchisees by investing in the start-up of a new CFWshops outlet and undergoing a rigorous 4-week initial training course to learn the CFWshops health and business protocol.

CFWshops outlets target the short list of most common diseases that cause over 70% of illness and death in sub-Saharan Africa (*e.g.*, respiratory infections, malaria, dysentery) in addition to treating a range of other health care needs. The outlets concentrate on prevention, detection, and treatment of diseases using standardized procedures (*e.g.*, diagnostic and treatment guidelines). While the model undergoes continuous change and improvement, most current CFWshops franchisees have invested up to \$300 of their own funds to go into business. SHF has loaned them up to \$1,500 to cover the balance of start-up costs. The loans are generally repaid from franchisee profits although, in many cases, some or all of loaned amounts proved to be more than they could repay and were forgiven. Other start-up costs are paid by the franchisor from donated funds.

HSF continues to study unit economics and healthcare financing strategies with an eye to the closest possible compliance with commercial franchise methods and practices. Most CFWshops outlets provide a living income to the nurses and CHWs who own them. In 2006, of the outlets that were open all year, 92% of CFWshops clinics and 73% of CFWshops drug shops were profitable. Some franchisees have been particularly successful and have opened additional outlets. The attrition rate for failed outlets is approximately 15% and, in most cases, HSF's mission is carried on by arranging for new owners to take over from failed ones.

In addition to the treatment and care provided at CFWshops outlets, franchisees also reach out to the community through events (*e.g.*, malaria prevention and sale of bed nets), school health screenings, and participation at community gatherings (*e.g.*, church, town meetings, etc.). With support from CFWshops personnel, franchisees increase the reach of health services, build trust in the community, and firmly establish CFWshops outlets and the brand as fair and reliable healthcare providers.

HSF operates CFWshops in Kenya in conjunction with the local franchisor, Sustainable Healthcare Foundation, a Kenyan NGO. Since beginning operation in 2000 with eleven outlets, CFWshops has served over 1 million people in rural Kenya. In 2006, over 470,000 people were served, with greater numbers served each year. HSF is currently making plans to build on the success of CFWshops in Kenya by launching a new CFWshops network in Rwanda.

SUSTAINABLE HEALTHCARE FOUNDATION / CFWSHOPS KENYA

2007 Budget

(Amounts in US\$)

	2006	Original budget Jan to Dec 2007	Actual YTD May-07	Estimate Jun-07	Revised Budget July to Dec 2007	Full year Jan to Dec 2007
Net Outlets Open	66	88	63	63	66	66
(of which) No. of owned outlets	0	5	0	0	3	3
Revenue from drug sales to outlets	142,682	201,099	53,990	10,798	65,736	130,524
Cost of Goods Sold	117,597	150,824	43,552	8,710	53,027	105,289
Gross Margin %	18%	25%	19%	19%	19%	19%
Contribution to Headquarters	25,085	50,275	10,438	2,088	12,709	25,235
Other Income						
Initial Franchise Fees	-	2,000	-	-	-	-
Monthly Franchise Fee	-	7,461	-	-	-	-
Furniture Lease	891	2,170	-	-	-	-
Revenue from owned outlets	-	14,475	-	-	-	-
Total Other Income	891	26,106	-	-	-	-
Total Contribution from outlets	25,976	76,380	10,438	2,088	12,709	25,235
Kenya Operating Expenses						
Kenya Nairobi Staff Labor/Mobile teams	272,387	342,714	109,684	21,937	177,296	308,917
Kenya Field Offices Labor	75,724	97,608	36,092	7,218	69,814	113,124
Other Staff Costs / benefits	51,172	71,731	24,378	4,876	4,000	33,254
Field Offices - Rent, Supplies and Materials	27,262	23,751	15,731	3,146	15,094	33,971
International Travel & Accommodation	-	-	-	-	-	-
Domestic Travel, Transport and Accommodation	55,007	63,000	17,032	3,406	20,738	41,176
Training expenses (non labor + outside contracts)	14,357	28,077	821	164	40,970	41,955
Sales, marketing, advertising expenses (non labor)	44,808	43,561	11,771	2,354	20,698	34,823
Survey & Evaluation expenses (outside contract only)	17,031	60,000	1,343	269	65,455	67,067
Other Nairobi Admin Expenses (occupancy, IT, insurance, legal, etc)	104,403	35,039	38,723	7,745	56,328	102,796
Fixed Assets Depreciation	53,443	32,638	19,249	3,850	23,099	46,198
Subtotal Expenses	715,594	798,118	274,824	54,965	493,492	823,281
Operating Income	(689,618)	(721,737)	(264,386)	(52,877)	(480,783)	(798,046)
Exchange gain/(loss)			(2,474)	(495)	(2,969)	(5,938)
Interest Earnings	865	4,550	7	1	-	8
Interest Expense+Loan write off	1,085	(9,239)	(3,061)	(612)	(3,271)	(6,944)
Kenya Operating Income	(687,668)	(726,426)	(269,914)	(53,983)	(487,023)	(810,919)
Fund raising Costs						
Development Manager	-	33,000	-	-	-	-
Assistant	-	16,500	-	-	-	-
Fundraising Costs		10,000	-	-	-	-
Other		5,000	-	-	-	-
Subtotal Fund raising Costs		64,500	-	-	-	-
Net Surplus/(Deficit)	(687,668)	(661,926)	(269,914)	(53,983)	(487,023)	(810,919)
Grant Revenue	731,163	727,159	230,131	50,000	300,000	580,131.00
Net Surplus/(Deficit)	43,495	65,233	(39,783)	(3,983)	(187,023)	(230,788)

You'll notice a divergence between our original 2007 budget and the revised 2007 budget, esp. in terms of projected outlets open at the end of 2007. Michael Seid and Associates, a leading franchise advisory firm, is significantly revising the CFWSHOPS franchise system in Kenya, improving our business and clinical standards. We are devoting most of 2007 to the implementation of these revisions, after which we will resume scaling the network. We anticipate scaling to 225 outlets in Kenya by the end of 2011.

III. Monitoring and Evaluation

A. Monitoring Outputs

CFWshops maintains two field offices and a head office in Nairobi. The field staff regularly visit CFWshops franchised outlets to deliver medicine, gather data, and provide guidance. Each franchisee maintains a detailed patient register in which every visit, diagnosis, and treatment is recorded. Field staff collect data, inspect for compliance, and report to the head office. Operations staff in the head office compile and analyze the sales and treatment data for review by the executive director and members of the board of directors. *See attached operations reports.*

B. Evaluating Outcomes

CFWshops is planning to launch in 2007 an independent evaluation to assess the overall health impact of CFWshops outlets that have served communities for over three years. The evaluation will be carried out by independent consultants.

As of June 2007, USAID awarded CFWshops in Kenya a three-year grant to expand HIV/AIDS services to include effective treatment of opportunistic infections and education on prevention and treatment. As part of that program, CFWshops will be developing a standardized monitoring and evaluation plan to assess evaluate the success the USAID-funded program and general operation.

C. Attachments

1. CFWshops Operations Report_June 2007
2. Columbia Business School Case Study
3. CFWshops Summary Statistics

IV. Other Support

CFWshops has been featured and evaluated by many journalists and academics. The following are the most recent articles and studies:

- *The Economist* includes the HealthStore Foundation® and CFWshops in Kenya among a group of global public health efforts making effective use of donor funds, July 5, 2007.
http://www.economist.com/world/international/displaystory.cfm?story_id=9441391
- PBS featured CFWshops in Kenya on the NOW show, which aired May 25, 2007. The video is available for viewing at <http://www.pbs.org/now/shows/321/index.html>
- The Kenyan *Business Daily* featured CFWshops on June 5, 2007. The article can be viewed at http://www.bdafrica.com/index.php?option=com_content&task=view&id=1307&Itemid=4422
- *Franchise Times Magazine* ran a feature story in May of 2007 describing CFWshops and Michael Seid's impressions from his trip to Kenya.
<http://www.franchisetimes.com/content/story.php?article=00396>

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- CFWshops featured in *Fast Company* in March, 2007 as part of the “Fast 50: 50 Profit Driven Solutions for What Ails the Planet.”
http://www.fastcompany.com/magazine/113/open_10-healthstore.html
- CFWshops featured by *Harvard Business Review* in an article by Clayton Christenson in December of 2006 entitled, “Disruptive Innovation for Social Change.”

V. Confidentiality

All of the information contained here is available to the public either on HSF’s website, cfwshops.org, or the public audit statements of HSF and Sustainable Healthcare Foundation and therefore does not require specific confidentiality by Clear Fund.