

What does it cost to fight avoidable blindness in developing countries?

Like most donors, you may be wondering how charitable organizations like Operation Eyesight spend funds. We respect the trust our donors have in us to use their gifts wisely, and we believe in being transparent in all of our work.

Along with other charitable organizations, we often get asked about our administrative costs, and we'd like to take this opportunity to answer some of the questions you may have.

Q What are administrative costs?

A Administrative costs are expenses (such as fundraising, marketing and other operational costs) that an organization incurs that are not allocated *directly* to a specific charitable program but are necessary in order for an organization to raise awareness about its mission and achieve its goals.

Q Why do people often ask about administrative costs?

A Donors want to know that their money is making a difference. But it's often difficult to evaluate the effectiveness of a charity's work. Unlike a company with products and sales, a charity's success is measured in changed lives. Seeking 'tangible' measures, some people see a low administrative cost as a key indicator of success. Too often, however, it's seen as the only one.

Q What challenges does that create?

A This public focus on administrative cost causes many charities to modify how they report their expenses. Since there's no one way to define administrative costs, and because each organization has different requirements and costs to serve their beneficiaries, comparisons can be exceedingly difficult.

Unfortunately, this focus on administrative cost causes charities to avoid investing in themselves – forgoing a new computer system that would help them serve more people in the long run; hiring an inexperienced person at a lower salary when they're not the best person to do the work; or relying on word-of-mouth when advertising would bring in more dollars for the cause. Ultimately, that doesn't help charities, donors or, most importantly, the people who need our help. ▶

Watch Dan Pallotta's TED Talk video at ted.com to learn more.



We believe in involving communities in the design and implementation of projects. Although this process requires more time and resources, it ensures programs are effective and long-lasting.

Q Do all organizations have similar costs?

A No, costs vary depending on an organization's mission, size, location (which affects costs related to currency conversions and meeting government regulations), resources (including volunteers) and budget. For example, charities serving local needs typically have lower administrative costs. Their fundraising costs are also lower because they raise money primarily at local levels and may have local volunteers (versus paid staff) to help them do so.

As you might expect, international development organizations like Operation Eyesight have higher costs by the very nature of their work. While our administrative costs are comparatively low, we've established operations to raise money in India, the United Kingdom and the United States. We also have country offices in India, Ghana, Kenya and Zambia.

Q How are administrative costs calculated?

A There's no legislation that mandates how a charity calculates and reports its administrative or fundraising costs. So while one organization may categorize a cost as a program expense, another may designate a similar cost as an administrative expense. Because of the constant emphasis on costs, however, most organizations seek ways to report the lowest possible number, and unfortunately these low numbers are used for comparison with other organizations.

Q Is there a 'target percentage' for administrative costs?

A No legislation requires charities to limit their administrative costs to a certain percentage of expenditures, though the Canada Revenue Agency states that a fundraising ratio of under 35 percent would not be likely to generate questions or concerns¹. Because organizations have different goals and different strategies, we should expect them to have different administrative costs.

Q How do I know if a charity is successful and operating effectively?

A Ask questions. As a donor, you have the right to know how your money is being spent and what your donations are achieving. Look at an organization's website and publications. Is the organization delivering results that match its mission? Does it have a track record of success? The Canada Revenue Agency lists all registered charities, assuring they meet legal operating requirements. You can also seek guidance from organizations like Imagine Canada and Charity Intelligence.

¹ <http://www.cra-arc.gc.ca/chrts-gvng/chrts/plcy/cgd/fndrsng-eng.html#N105AF>

Q What are Operation Eyesight's administrative and program costs?

A In our *2016 Report to Donors*, we reported that our "cost of doing business" (or total administrative cost) was **24 percent** of our total expenses. This included:

Administration	1.5%
Information technology	2.5%
Communications and marketing	11%
Canadian fundraising	9%

This means that **76 percent of donations went directly to our international programs**. But, more importantly, what was our impact?

In 2016, we examined 3.4 million people, provided 210,700 eye surgeries and dispensed more than 224,000 pairs of prescription eyeglasses. In addition, we built partnerships, provided training and education, advocated for eye health with local governments, developed well programs and much more.

We invite you to read our impact stories at

operationeyesight.com/blog.

In 2015, the Financial Post listed Operation Eyesight as one of its top 25 "Charities of the Year."

Q How does Operation Eyesight assess its work?

A The best way for us to assess our international development work is to look at how well we are meeting our goals. We look at the number of patients treated, how much local capacity is being built and how well our partners are progressing towards operational sustainability. In terms of fundraising costs, we look at donor acquisition and retention rates, the cost per dollar raised, and our overall revenue and expenses.

Just as for-profit organizations have an obligation to their shareholders, we have an obligation to our donors. We invest donor funds carefully and ethically to create the long-term changes that will help eliminate avoidable blindness. **By investing in the growth of our organization now, we'll be able to help even more people in the future – for all the world to see.**

Questions?

Email info@operationeyesight.com, call us toll-free at 1-800-585-8265 or read our full *Report to Donors* at operationeyesight.com/financials.