



## UNDERSTANDING our 100% commitment

### 1. Non-Profit Financial Accountability 101

Like any business, in the non-profit world money comes into and goes out of the organization. A non-profit's money out must be categorized according to the following 3 buckets:

- Management and General  
This category is the "overhead" to operate the business, and manage the day-to-day functioning of the business.
- Fundraising  
This category is self-explanatory. These are expenses dedicated to the process of raising money.
- Program Services  
This category refers to the services the ministry exists to provide. Program Services are the ministry. Expenses associated with the advancement of the ministry target work belong to Program Services.

When donors see non-profits discussing what % of donations are allocated to the actual cause or work of the ministry, what are non-profits saying in their percentage splits? They are disclosing what % of your donation will be allocated to Program Services. In other words, assume \$1 million in total donations comes in the door, and \$800,000 goes out for "Program Services." That ministry would say 80% of your donation goes to the ministry work.

This begs the question: what are the Program Services of a particular ministry? This is a very important question to have answered to determine how your donated dollars are actually being used.

### 2. Things Aren't Always What You'd Think – An Example

Let's assume there is a global AIDS ministry headquartered in the U.S. that funds the development and functioning of 20 locally operating AIDS clinics in Africa. There is a team of 10 people operating the ministry at the home office in the U.S. And there is a field staff in each target country that helps oversee the AIDS clinics, their development, fund management, and operation.

- That ministry publicizes that 80% of donations for its work goes to its AIDS Program Services. Donors would think that 80 cents on the dollar goes directly to the running of the AIDS clinics, meaning the staff, equipment, medications, etc... needed in the field to deliver the care.
- But look more closely. Let's say the CEO in the U.S. makes \$100,000 per year. She spends ½ of her time in strategic planning, meeting with the board, managing the office, and managing the staff. She spends ¼ of her time at meetings and events with the express purpose of asking for money. She spends ¼ of her time abroad in the field checking-up on the actual ministry work in the field. It is common – and perfectly proper from an accounting standpoint – for that latter ¼ (\$25,000) of the CEO's salary to go into Program Services. In other words, part of that 80% commitment is going to pay for part of the CEO's salary.
- Let's also assume that the organization publishes brochures, videos and other materials about the AIDS pandemic in Africa. The organization does so to raise awareness and educate people here about AIDS in developing nations, and considers that this education is part of its Program Services. It is common – and perfectly proper from an accounting standpoint – for the money spent developing and distributing these brochures and videos to go under Program Services. In other words, part of that 80% commitment is going to pay for US brochure and video production.

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- In the same ministry, the organization funds in the field its field managers, administrators, accountants, project managers, doctors and nurses who execute the actual ministry to the AIDS patients in the field. Obviously, these field expenses fit within the 80% commitment.
- With respect to the above examples, there should be no surprise among donors that the staff and other expenses in the field would be within the 80%. That's the most narrow and obvious view of Program Services. However, most donors would be surprised to know that part of the CEO's salary and the brochure/video production costs are within the 80%. They would be very surprised to know that in the same ministry, if you pulled these types of expenses out of the Program Services bucket so that just the field expenses went into Program Services (the narrowest view), the percentage of a donation going to Program Services may be closer to 50%.

In short, non-profits can very legitimately and appropriately broaden Program Services such that expenses donors would consider obvious "overhead" fit within Program Services, making the perceived % to the work in the field higher than what actually goes to the field.

### 3. How Does GO Project's 100% Commitment Work

At GO Project, we have 2 types of Program Services:

- (1) Orphan Care Program Services;
- (2) GO Project Trip Program Services (group trips and vision trips).

Our 100% Commitment applies to our Orphan Care Program Services. This means that when a donor makes a donation for orphan care, ALL of it goes to our Orphan Care Programs Services in the field. We define these program services in a most narrow and strict sense – far more narrow than what accounting rules would allow – to the benefit of donors.

- Our Orphan Care Program Services expenses consist of (1) construction/project expenses and oversight, such as building a children's home; (2) costs of the day-to-day care of the kids (food, school, local village staff, clothing, healthcare, and other child care expenses); and (3) GO Project field staff (Moise, etc...) and related expenses to assist with orphan care oversight, training, assessment, and communications – all of which are as essential to orphan care as the food the kids eat.
- We do not allocate ANY of our U.S. staff expenses or U.S. operating expenses to Orphan Care Program Services.
- By using a very conservative definition of Orphan Care Program Services to the benefit of donors, this makes our total annual expenses for Management and General / Fundraising more than \$800k in 2010. These expenses are covered by Mike and Beth Fox (our founders), other operations donors, and other dedicated income sources. None of these expenses fall to your orphan care donations.
- If we were to broaden what U.S. expenses we place within Program Services, as most other non-profits do and as would be permissible accounting practice, we could reduce the total amount paid by the operations donors by \$300,000 plus!

Our 100% Commitment obviously does NOT apply to GO Trips. In other words, the operations donors do not fund vision trips for people who go to visit the children in Haiti or Africa. Trip-goers make donations to cover all expenses associated with their trips. It is our desire that total donations for trips will slightly exceed our total actual expenses associated with the trips, so that trips do not operate at a net loss to the ministry.

Furthermore, and equally obvious, our 100% Commitment does not apply to merchandise or event tickets.