

Interpretation of Administration & Fundraising Costs

Stated costs for administration and fundraising need to be placed in context, and require a clear understanding of the following:

ADMINISTRATION

1. Even the smaller, single-plane MAF programs in the middle of the bush cannot function without an administrative support system exclusive to aviation: logistical support that includes purchasing and shipping parts and equipment; aircraft modifications and overhauls; recruiting and training of pilots and mechanics; implementation, monitoring, and updating of aviation safety programs; accounting and financial transactions in multiple foreign currencies with some 3,000 vendors worldwide; placing aviation insurance to cover a worldwide fleet; and negotiating premiums on costly high-risk workman's compensation. Additionally, standard administrative support functions such as personnel and benefits as well as donor services are also necessary to support every field program.
2. The cost of aircraft and aviation fuel has risen dramatically over the past five years. The cost of the Cessna 206 bush aircraft used by MAF has increased nearly 30 percent over the past six years. In one MAF program, the cost of aviation gasoline (avgas) increased 116 percent in the past year, from \$6.00 to \$13.00 per gallon.

Remedial Actions

- 2.1. To significantly reduce the cost of aviation operations, over the next seven years MAF is replacing 20 of its Cessna 206 aircraft with the KODIAK 100, a versatile aircraft which uses inexpensive and readily available jet fuel instead of the scarce and costly avgas used in the C206. The KODIAK 100's unique features will allow MAF to continue operations while greatly reducing costs.
- 2.2. In July 2008, MAF instituted a 10 percent reduction in its operating budget followed by another 12 percent reduction for FY2009.

FUNDRAISING

1. Five percent of all missionary staff salaries and benefits is allocated to fundraising based on the practice of sending prayer letters to supporters, staff visits to churches, etc.
2. Dramatic increases in healthcare (MAF is self-insured) have further increased the cost of fundraising by virtue of increasing the total cost of benefits. Although these costs are outside MAF control, their impact is significant both through the missionary staff cost allocation (item 1 above) as well as through the benefits paid for Development staff.
3. Total fundraising costs, including two capital campaigns, have been reduced to **nine percent**, compared to 15 percent in 2002, exclusive of the missionary staff salary allocation stated above. Each year, every fundraising function and program is evaluated for cost-effectiveness (ROI). Zero-based budgeting is diligently applied across the board.

