

# NONPROFIT INVESTOR

## INDEPENDENT RESEARCH FOR PHILANTHROPY

### VisionSpring

Nonprofit Investor Rating:

**NEUTRAL**

#### Mission Statement

To ensure everyone in the developing world has access to eyeglasses

#### Financial Overview

*\$ in MM, Fiscal Year Ended December 31*

	<u>2008</u>	<u>2009</u>	<u>2010</u>
Revenue and Support	\$1.7	\$2.3	\$1.3
Operating Expenses	\$1.3	\$1.4	\$1.6
% of Total:			
Program Expenses	56.9%	52.4%	52.1%
G&A	29.5%	28.2%	24.5%
Fundraising	13.6%	19.4%	23.5%

**Year Founded:** 2001

#### Contact Details

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October 1, 2012

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#### SUMMARY

VisionSpring, Inc. ("VisionSpring"), formed in October 2001, trains villagers in the developing world to conduct outreach & vision screenings and sell high-quality, low-cost eyeglasses in their communities. VisionSpring Vision Entrepreneurs sell reading glasses, sunglasses & eye drops and refer customers needing prescription glasses to optometrists or partner eye health institutions.

#### STRENGTHS

▲ **Addresses critical need.** According to AMD Alliance International, the annual cost of vision loss on the global economy is \$3 trillion, with 90% of this cost falling on low and middle-income countries.

▲ **Social enterprise business model.** In addition to increasing access to glasses, VisionSpring also empowers Vision Entrepreneurs as small business owners. NPI would encourage additional tracking and disclosure of Vision Entrepreneur profitability.

#### CAUTIONS

▼ **Corporate structure disclosures inadequately documented.** While VisionSpring staff has indicated that Vision Spring India (a separate entity receiving \$255k of grants from VisionSpring) is exclusively supported by VisionSpring, no documentation to that effect has been provided. Clearer documentation is necessary to ensure that VisionSpring's disclosed impact is exclusively attributable to contributions to the U.S. entity.

▼ **Incorrect calculation of economic impact.** VisionSpring's \$230MM economic impact disclosed on its website is based on a 35% estimated increase in productivity. Based on review of the underlying impact study, VisionSpring should be using the measured 20% growth in income for this calculation. As such, VisionSpring's economic impact is overstated by \$101MM, or 43%. **UPDATE 10/19/12:** VisionSpring has acknowledged this issue and plans to update the calculation after a website overhaul in November 2012.

● **Significant decline in fundraising effectiveness.** In 2010, each dollar spent on fundraising brought in \$3.47, representing a 58% decline from the prior year.

#### RECOMMENDATION: NEUTRAL

VisionSpring has developed a unique way to address a critical social need. While VisionSpring's impact on clients seems logical, NPI notes discrepancies regarding impact which should be corrected immediately. Also, VisionSpring's corporate structure must be publicly documented to provide assurance that disclosed impact is exclusively attributable to the U.S. entity, Visionspring, Inc.

## OVERVIEW OF VISIONSPRING'S ACTIVITIES

VisionSpring trains local villagers to conduct outreach & vision screenings and sell high-quality, low-cost eyeglasses in their communities. VisionSpring Vision Entrepreneurs sell affordable reading glasses, sunglasses & eye drops, and refer customers needing prescription glasses to a VisionSpring optometrist or a partner eye health institution.

### ***Vision Entrepreneurs***

VisionSpring empowers local individuals to launch their own businesses. Each Vision Entrepreneur:

- Conducts marketing & educational outreach
- Screens & sells eyeglasses
- Refers those requiring prescription glasses to optometrists

Vision Entrepreneurs generate awareness and provide access to VisionSpring products in hard-to-reach communities across the globe.

### **Business in a Bag**

Each Vision Entrepreneur receives his or her own Business in a Bag, a microfranchise sales kit containing all the products and materials needed to market and sell eyeglasses. Vision Entrepreneurs undergo a three-day training in basic eye care and business management and receive close, ongoing support from staff. NPI would be interested in learning more about the robustness of the training process and ongoing support.

Equipped with their Business in a Bag, Vision Entrepreneurs conduct educational outreach on vision care and offer screenings in their communities. To maximize their efforts, Vision Entrepreneurs partner with reputable local institutions such as schools and churches to host mobile vision campaigns.

### **Comprehensive Eye Care**

Vision Entrepreneurs conduct screenings to determine if their customer has up-close vision problems, which are easily treated with over-the-counter reading glasses like those available in drugstores across the United States. If the customer has more complex vision problems such as astigmatism or myopia, the Vision Entrepreneur will refer the customer to either a VisionSpring Optical Shop or a partner eye hospital.

### **Partners**

VisionSpring directly manages a comparatively small group of Vision Entrepreneurs who sell glasses. To efficiently address the scale of need for vision care in the developing world, VisionSpring also partner with like-minded organizations who sell its glasses and manage their own network of Vision Entrepreneurs.

### **Program Overview by Country**

#### ***India (41% of 2010 Program Expenses)***

VisionSpring's first work in India began with a pilot grant from George Soros and the LV Prasad Eye Institute in 2001. In 2005, VisionSpring officially opened its India office in Hyderabad. Vision Entrepreneurs in India refer patients requiring prescription eyeglasses to local partners including the world-renowned eye hospital, L.V. Prasad Eye Institute, Vision 2020 India and Aravind Eye Hospitals.

VisionSpring India enables entrepreneurs in the rural areas of Andhra Pradesh to sell glasses and acts as a learning laboratory for its global partnerships. VisionSpring also supports partners across India bringing eyeglasses to four underserved states: Bihar, Andhra Pradesh, Uttar Pradesh and Delhi.

### *El Salvador (30% of 2010 Program Expenses)*

In 2002, VisionSpring began working with the Salvadoran Association for Rural Health (ASAPROSAR), to launch its first Vision Entrepreneur program. In 2004, VisionSpring branched off to form its own local entity. In April 2010, the Santa Ana office hired a full-time optometrist, thereby dramatically expanding its services & transforming its office into a full-service optical shop. In September 2010, VisionSpring further expanded operations by opening an additional optical shop in San Salvador in response to a growing demand for increased services in the community.

The Santa Ana office serves as a base for reaching the rural Western part of the country and as a storefront for Vision Entrepreneurs to conduct vision screenings and sell eyeglasses.

El Salvador is VisionSpring fastest growing program with nearly 20,000 pairs of glasses sold, including over 1,000 pairs of prescription eyeglasses. The El Salvador program includes two full-time optometrists on staff at two locations.

### *Bangladesh (9% of 2010 Program Expenses)*

VisionSpring operates in Bangladesh through a partnership with BRAC, the world's largest non-governmental organization. VisionSpring works with BRAC's extensive all-female network of Shastho Shebikas or community health workers in Bangladesh to sell eyeglasses utilizing VisionSpring's Business in a Bag. These workers are trained to recognize and treat the most common illnesses in the region as well as sell health products and reach nearly 80% of Bangladeshi villages.

BRAC's deep local infrastructure helps VisionSpring reach the rural poor, while VisionSpring's Business in a Bag provides critical additional income to BRAC's community health workers.

**UPDATE 10/19/12:** Significant changes to VisionSpring's program model are not yet reflected on VisionSpring's website. In addition to the Vision Entrepreneur program, VisionSpring has also been setting up VisionSpring Optical Shops in an effort to increase sustainability and reach. NPI will look forward to updating this section once additional detail is provided on the organization's new website, expected to launch in November.

## **PROGRAM RESULTS AND EFFECTIVENESS**

VisionSpring calculates its social impact based on enhanced earning potential of VisionSpring customers:

$$\begin{array}{l} \text{\$2 average daily income} \\ \text{x 275 working days per year} \\ \text{x 2 years useful life of glasses} \\ \text{x 35\% estimated increased productivity} \\ \text{- \$4 average cost of our eyeglasses} \\ \hline \text{\$381 average enhanced earning potential} \\ \text{over those two years} \end{array}$$

VisionSpring multiplies the \$381 figure from this calculation by the 610,000 glasses sold to date to determine the \$232 million of total economic impact the organization has made since 2001.

These figures were developed in collaboration with the University of Michigan. While the full impact study is not published, VisionSpring staff provided Nonprofit Investor with a more in-depth documentation regarding the study. Based upon review of the document, increased earning potential should be calculated based on "income growth" rather than "increased productivity", which includes non-income generating productivity. Using the measured 20% increase in income vs. the control group, enhanced earnings potential per VisionSpring customer is \$216, rather than \$381.

Based on the 610,000 glasses sold to date, VisionSpring's impact calculated using the \$216 figure results in \$132MM of economic impact, or \$101MM less than the figure disclosed on VisionSpring's website.

**UPDATE 10/19/2012:** Subsequent to NPI's initial publication of its evaluation of VisionSpring, VisionSpring has acknowledged this issue (corrected in some but not all VisionSpring disclosures). VisionSpring is in the process of updating their website and will aim to incorporate revised numbers in November 2012. While the impact multiplier per VisionSpring customer should be \$216 rather than \$381, the total number of glasses sold by VisionSpring has also increased substantially since the last website update.

Upon request, VisionSpring has provided NPI with total number of glasses sold on a yearly basis. With this new information, we are able to calculate the all-in cost per pair of glasses delivered by VisionSpring:

	2007	2008	2009	2010	2011	Source:
Glasses Delivered	41,300	98,000	201,000	209,221	312,747	Email from VisionSpring Staff
Total Expenses	\$802,004	\$1,342,982	\$1,424,750	\$1,586,983	n.a.	IRS Form 990
<b>All-In Cost Per Pair of Glasses</b>	<b>\$19.42</b>	<b>\$13.70</b>	<b>\$7.09</b>	<b>\$7.59</b>	n.a.	

From 2007 to 2009, all-in cost per pair of glasses delivered decreased by 63%, representing greatly improved efficiency. In 2010, cost per pair of glasses delivered increased slightly. Based on discussions with VisionSpring staff, this increase may be due to the delivery of more prescription glasses for nearsightedness, rather than reading glasses. This trend is not a concern for NPI. However, if non-reading glasses become a significant portion of VisionSpring's product mix, NPI recommends disclosure of glasses delivered by type.

Furthermore, the information regarding glasses delivered each year enables NPI to connect the organization's expenses to the economic impact generated by the organization over time:

	2007	2008	2009	2010	Source:
Glasses Delivered	41,300	98,000	201,000	209,221	Email from VisionSpring Staff
Economic Impact Per Pair of Glasses	\$216	\$216	\$216	\$216	Updated Calculation (see above)
<b>Total Economic Impact Each Year</b>	<b>\$8,920,800</b>	<b>\$21,168,000</b>	<b>\$43,416,000</b>	<b>\$45,191,736</b>	NPI Calculation
Total Expenses	\$802,004	\$1,342,982	\$1,424,750	\$1,586,983	IRS Form 990
<b>Impact Multiplier</b>	<b>11.1x</b>	<b>15.8x</b>	<b>30.5x</b>	<b>28.5x</b>	NPI Calculation

This calculation shows the rapid increase in VisionSpring's impact per dollar. Please note this information in the context of the "Corporate Structure" section below.

In addition to the impact on purchasers of VisionSpring glasses, NPI would like to better understand the impact on VisionSpring entrepreneurs selling the glasses. If VisionSpring entrepreneurs operate profitably, this would be additive to VisionSpring's economic impact metrics. Profitability of its vision entrepreneurs is critical to VisionSpring's viability as a social enterprise (especially important as VisionSpring faces volatility in donations).

## **TRANSPARENCY**

### *CORPORATE STRUCTURE*

NPI suggests that VisionSpring provide documentation regarding corporate structure. VisionSpring provided \$255k of grants to VisionSpring India (a separate entity) in 2010. VisionSpring's disclosed impact metrics include all glasses sold by VisionSpring and its affiliates. In order to understand what portion of VisionSpring's impact is attributable to donors contributing to VisionSpring's U.S. entity, it must be made clear whether VisionSpring India receives any support directly from sources other than the U.S. entity.

VisionSpring staff has indicated over email that VisionSpring India is 100% supported by the U.S. entity. However, NPI suggests that VisionSpring provide actual documentation to that affect to provide assurance.

### *IMPACT METRICS*

VisionSpring disclosed "glasses sold" for 2010 but does not do so on a consistent, annual basis. As such, impact per dollar over the organizations 11 year operating history is not possible to track

VisionSpring provided NPI with the University of Michigan impact study. NPI recommends VisionSpring publish the full study on its website as it provides information critical to understanding its results.

**UPDATE 10/19/12:** VisionSpring has provided NPI with the number of glasses delivered each year from 2005-2011. The information provided is critical for correlating impact with contributions over time. NPI encourages regular disclosure of this information on public record to provide outside users with increased assurance of the reliability of data. Additionally, consistent publication of this critical information could ultimately ease the burden of VisionSpring staff providing this information on a one-off basis to requestors.

### *FUNDING SOURCES*

NPI recommends that VisionSpring provide information regarding key funding sources and expectations given historical volatility. This information would be valuable to donors interested in supporting VisionSpring's growth towards self-sufficiency through earned revenue.

## **FINANCIAL OVERVIEW**

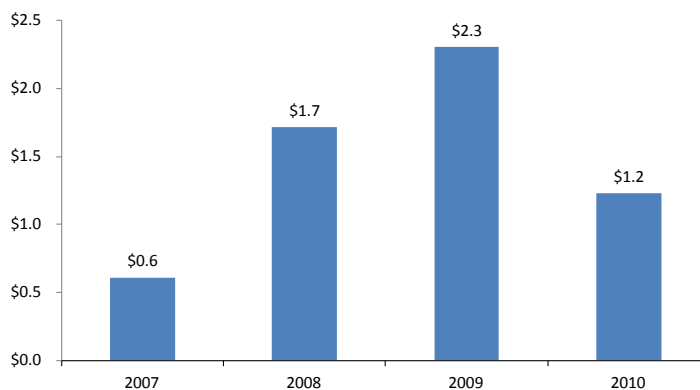
### *TOTAL REVENUE AND SUPPORT*

After rapid growth from 2007 to 2009, VisionSpring's total revenue and support declined by 47% in 2010. The reason for this decline is not immediately apparent.

**UPDATE 10/19/12:** VisionSpring's Total Revenue and Support is comprised of two main types: 1) sales revenue from glasses and 2) philanthropic input. Based on conversations with VisionSpring staff, sales revenue has increased significantly in 2011, from \$285,000 in 2010 to \$967,000 in 2011. NPI looks forward to seeing these numbers published by VisionSpring in an annual report or other formal disclosure.

## Total Revenue and Support Over Time

\$ in MM



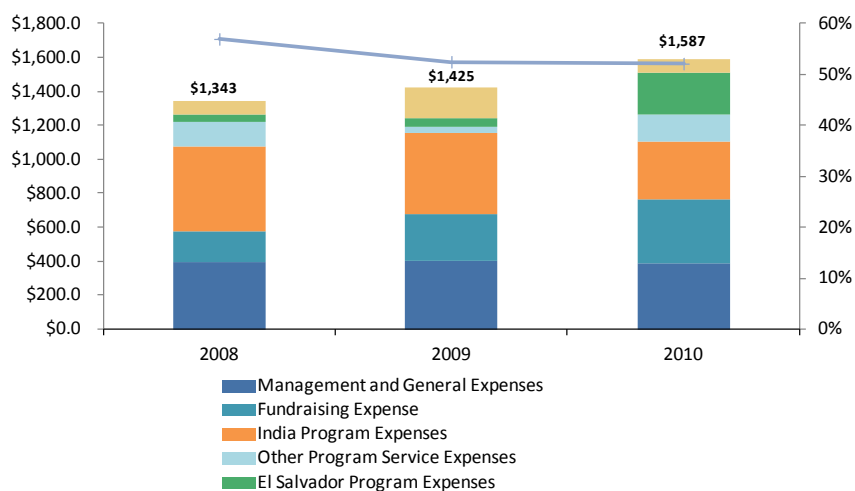
## EXPENSES

Program expenses as a percentage of total expenses have remained relatively flat from 2008-2010, fluctuating between 52% and 57%.

While expenditures increased by 11% in aggregate, India program expenses declined by 28%, Bangladesh program expenses declined by 59% and El Salvador program expenses increased 4.6x. Operating information from each individual program location (India, El Salvador and Bangladesh) would be helpful in understanding the volatility in expenditures by country.

## Expense Breakout Over Time

\$ in MM



## FINANCIAL OVERVIEW (Cont'd)

VisionSpring had an operating loss of \$358k in 2010. With \$693k of cash, the organization is not in immediate financial danger. However, operating losses of such magnitude are sustainable for less than two years.

### Detailed Financial Information

\$ in MM

Fiscal Year Ended December 31

#### Revenue and Expenses (Tax Accounting Basis)

	2008	2009	2010
Contributions	\$1,605,053	\$2,274,839	\$1,290,069
Investment Income	4,084	3,163	1,435
Net Income (Loss) from Sales of Inventory	87,684	21,997	(71,025)
Miscellaneous Income	16,394	3,883	8,263
<b>Total Support and Revenues</b>	<b>\$1,713,215</b>	<b>\$2,303,882</b>	<b>\$1,228,742</b>
<i>% Growth</i>	180.0%	34.5%	(46.7%)

#### Expenses:

India Program Expenses	\$493,948	\$474,630	\$341,126
El Salvador Program Expenses	42,554	44,430	248,363
Bangladesh Program Expenses	81,983	186,674	77,436
Other Program Service Expenses	145,749	41,311	159,331
Management and General Expenses	396,524	401,437	388,555
Fundraising Expense	182,224	276,268	372,176
<b>Total Expenses:</b>	<b>\$1,342,982</b>	<b>\$1,424,750</b>	<b>\$1,586,987</b>
<i>% of Revenue</i>	78.4%	61.8%	129.2%

<b>Increase in Net Assets from Operations</b>	<b>\$370,233</b>	<b>\$879,132</b>	<b>(\$358,245)</b>
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<b>Program Costs as a % of Total Expenses</b>	<b>56.9%</b>	<b>52.4%</b>	<b>52.1%</b>
<b>G&amp;A as a % of Total Expenses</b>	<b>29.5%</b>	<b>28.2%</b>	<b>24.5%</b>
<b>Fundraising as a % of Total Expenses</b>	<b>13.6%</b>	<b>19.4%</b>	<b>23.5%</b>

#### KEY BALANCE SHEET INFORMATION

Cash and Cash Equivalents	\$610,601	\$527,748	\$692,887
Total Assets	\$1,049,523	\$1,815,955	\$1,498,182

Source: IRS Form 990 (Tax Accounting Basis)

## OTHER THIRD PARTY RATINGS

Charity Navigator rates VisionSpring 3 out of 4 stars. VisionSpring is not currently covered by GreatNonprofits or Philanthropedia.

GiveWell has considered VisionSpring: <http://www.givewell.org/international/charities/income-raising-goods>

VisionSpring has received recognition from the Skoll Foundation, Aspen Institute and World Bank, amongst others.

## GET INVOLVED

The primary way to support VisionSpring is to make a donation: <http://www.visionspring.org/donate/>

## DISCLOSURES

Kent Chao certifies that he does not have any affiliation with VisionSpring and has never made a donation to the organization. Additionally, Kent has not supported directly competing organizations in a greater capacity than a nominal donation. NPI analysts and NPI as an organization do not receive any form of compensation from reviewed charities.

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## REVISION HISTORY

Subsequent to publication of NPI's report on October 10, 2012, VisionSpring staff reached out to NPI to provide feedback on our independent evaluation of their organization. Based on additional information provided and a conference call with VisionSpring staff, NPI has made several additions to this report, each labeled "UPDATE: 10/19/2012".

Additionally, NPI has made the following changes:

- Financial Overview. Corrected typo: total revenue and support declined by 47% in 2010, not in 2012 as previously written.
- Other Third Party Ratings. VisionSpring's rating on Charity Navigator increased from 2 stars to 3 stars during the NPI research process. This rating is updated in this version of the NPI report.