

# THE ANNUAL FUND

Most non-profit, charitable, non-governmental and faith-based organizations need to raise money. Even with an army of volunteers they need to raise money. They may need money to supplement the governmental funds they receive. They may need money to match the generous grant funds they have been awarded. They may need money to pay salaries, to pay for utilities, liability insurance and even purchase the food supplies they give to the poor. These organizations need a successful, reliable, and ongoing way to raise money. They need to generate gifts and donations which will become part of their annual fund. Only a very few non-profit organizations don't need to raise money.

Except for the rarest of the rare, all faith-based or non-profit organizations deal every day with urgent needs that go unmet. Every day they face long lines of hungry people. They see illiterate children, young people, and even older adults who face a life of continued underemployment or unemployment. High quality non-profit organizations comfort battered and abused spouses and help them find shelter from the terror and pain they have lived with for far too long. Non-profit organizations provide a hand up to those with disabilities.

In other non-profit organizations, well-meaning people are striving every day and in many ways to "save the planet." They seek to reduce the use of pesticides on our crops or the use of antibiotics on our livestock. Others work to save wildlife habitat. Some people work to preserve the last vestiges of untouched wilderness areas in the most remote reaches of our world. At the local level many groups are actively advocating for: abandoned puppies, cats, and neglected horses and even humane treatment for livestock.

Other caring people are concerned with bringing clean drinking water to the poorest of the poor. The Rotary Foundation, working with the World Health Organization and others is in the last stages of its plan to "eradicate polio from the world." On a smaller scale, the family of a young man who had crippling spinal injuries is striving to help both him and others to regain and then to maintain a high quality of life

High quality faith-based organizations sometimes provide similar services. But they also strive to share the message and hope that their faith gives them. Day upon day they go about living their Mighty Mission. After they feed the poor, they preach a message of faith or give a personal testimony.

All around the world caring people working with non-governmental, charitable, non-profit and faith-based organizations are striving to fulfill their own Mighty Missions. Every day, every week, every month and every year these organization need money to fulfill the very reason they exist. They need MONEY now! Without the funds to pay expenses the almost overwhelming needs they face will never be met. These fine organizations need an effective way to every year fill and then refill their annual fund. Every year they need to be successful at raising money for their Might Missions.

Most successful charitable, non-governmental, faith-based and non-profit organizations have an ongoing process they use to generate annual income, to maintain, to fill, and to re-fill their annual fund coffers. Most organizations have determined that all undesignated donations go into the organization's general fund and are then reported on an annual basis. The annual fund most often does include all net revenue earned from special-event fundraisers and operational grants or governmental funding. The annual fund normally does not include: capital grants or capital (or other

special) campaigns. The annual fund also does not include donations to the organization's endowment fund or wills and bequests.

Your organization can take action and significantly increase the amount of its annual fund. Successful non-profit organizations have a well-designed plan for annual fundraising. They establish specific and measurable goals and strategies to attain those goals. They put in place active systems to monitor and as needed to redirect efforts to: contact all regular donors multiple times each year, increase the total number of donors, increase the average size of donations, increase the number of large donors, and also to do all that they can to minimize the number of lost donors.

## **A PHENOMENAL ANNUAL FUND SUCCESS STORY**

The Northwest Arkansas Children's Shelter is ready when, at two o'clock in the morning the sheriff brings a three-month-old baby wrapped in a blanket and wearing only a dirty diaper. In moments, in this place of warmth and love, the diaper is changed, the baby gets suitable clothes and the baby is being cuddled and is being loved. Yet day after day the Northwest Arkansas turns away children because "there is no room at the shelter."

The leadership of this wonderful organization realized that turning away children was not acceptable. They also knew that at any time the changes in state budgeting priorities or state fiscal shortfalls that state funding could be dramatically cut. When this happened in 2003, direct care and other employees were laid off. Even worse, more and more children were turned away. The leaders said this has to stop. They determined that depending so heavily on governmental funding was not in the best interest of the abused and neglected children.

Northwest Arkansas Children's Shelter began an aggressive effort to increase its annual fund. It listened to the community, it put together a plan, and then it acted with the swiftness the abused and neglected children it serves deserve. In 2003 governmental funding, which at one time made up nearly 75 percent of all the shelter's income, was being supplemented with annual donations. But those donations were not growing fast enough to meet increased costs and certainly not fast enough to offset sudden decreases in governmental funding.

Service club after service club, church group after church group began hearing about the children of the shelter and their hearts were touched. The Children's Shelter had the courage to spend funds on a professionally designed public awareness campaign. They purchased billboards; they bought radio ads; and they even paid for primetime television spots. They paid for professionally designed newsletters; purchased some mailing lists; and began a well-planned direct mail campaign.

The organization's leadership listened closely and then picked the best advice they got from the fundraising consultants they engaged. The organization began systematically upgrading its special events. In but a few years, their special events grew from mediocre events to events that zinged and had real appeal. They began a systematic process of building relationships with prospective sponsors, and their special events grew from nice friend-raisers to genuine fundraisers.

All this worked and worked well. While governmental funds stayed the same or increased a small amount they became a smaller and smaller part of the organization's annual income. By 2008, private donations grew to 73 percent of the organization's entire annual income. The Annual Fund of the Northwest Arkansas Children's Shelter grew in but a few years from \$300,000 to over one million dollars! Private donations, corporate donations, some grants, and special event net income broke their dependence on governmental funding. Their efforts opened new opportunities for hope. In 2010, an entire new campus will welcome all the children served by this wonderful organization. A multi-million dollar grant from the Donald W. Reynolds Foundation, blended with a successful multi-million dollar fundraising campaign, will fully pay for this new campus and put millions of dollars in an endowment.

All this happened because of the love, the caring, the hard work and, of course, the donations of many. It is highly likely that had the Northwest Arkansas Children's Shelter never had the courage to undertake a major re-design of their annual fund none of this would have ever happened.

The Donald W. Reynolds Foundation conducted extensive study and worked a great deal with the Northwest Arkansas Children's Shelter before agreeing to put millions of dollars into building it an entire campus. Other organizations dealing with large or complex grant projects are very careful before releasing their funds. The Rotary Foundation utilizes a cadre of technical advisors to conduct a five part review of every major grant request. These technical advisors evaluate: feasibility, involvement of individual Rotarians, implementation plans, anticipated impact, and compliance with The Rotary Foundation guidelines.

The Northwest Arkansas Children's Shelter succeeded in a major capital campaign, it generated funds for an endowment, it obtained funds for construction and it also increased its annual fund. Your charitable, faith-based, non-governmental or non-profit organization can do the same. It will take the commitment of the time, the talents, and, of course, the personal (and perhaps corporate) finances of your board members, your senior leadership and a wonderful cadre of volunteers. Your leadership and your Board must step up first.

The board members and senior paid leadership of any organization that wants to raise money need to be giving to that organization. Inherent in all well-designed annual fund planning is the expectation that 100% of all board members annually make a significant stretch gift. As appropriate they are also expected to annually obtain significant gifts from their business or their employer. In addition, all of the organization's senior leadership must care enough to also make a personal stretch gift. If the board members and if the senior leaders of the organization don't care enough to give a stretch gift every year to the organization, why should anyone else? If they are only willing to give a handful of dollars, why should you or I give any more than a handful of coins? After your organization's leadership has made personal financial commitments, they then need to tell the world of your wonderful organization. They need to speak often with personal passion about your organization and about its Mighty Mission.

Your organization must speak in many ways and many times each year with everyone in your organization's donor database and with everyone on the organization's mailing list. Donors should always be contacted every time they make a gift. Personally signed thank-you letters help the organization's senior paid leaders stay aware of donors and also provide an opportunity to add a handwritten personal note on the margin of the thank-you letter. Donors really appreciate this personal touch. Of course, a personal phone call thanking a donor can have immeasurable positive impact.

A very touching annual appeal letter should be sent to those on the organization's mailing list in November. Some organizations have chosen to segment their mailing lists and to send only one appeal letter per year. Other organizations have determined that sending appeal letters out two or three times per year is effective. Some organizations have even chosen to send different newsletters to different segments of their donor database. Donors that have a primary contact of participation in an annual golf tournament are indeed different than donors who annually make gifts in excess of \$1,000. It can also be very productive to do a phone follow-up when a larger donor has not responded to an annual appeal letter.

Those who know and care about your organization need to feel connected and to feel that your organization is doing great things. Sending newsletters at least three times per year will keep your organization in their awareness. When donors lose track of your organization you lose their

donations. Newsletters should always catch the eye and be almost awe-inspiring. Be sure that the newsletters are timely and do not report out-of-date information. Always use emotionally touching photos and personal testimonies. An annual report can also be a great communication tool. It needs to have much of the same feel as a newsletter but to also have some statistical data about positive outcomes achieved and include some global financial data. It is important to give careful consideration of how statistical or financial data is presented and all the data presented needs to be accurate and based upon documentable information.

To grow your annual fund, you may want to increase the average size of donations it receives. Increasing the average size of donations is relatively easy to do when an organization has sufficient data about its individual donors. For example, if a donor has been giving \$100 per year, that same donor may be willing to establish an automatic bank transfer of \$10 per month. When donors allow this to occur, they don't feel any financial pain when they write a check even though they have increased their donation a whopping 20%. Another strategy is to create annual giving recognition categories that are just slightly larger than the average size current gift within each giving range. For example, some donors will increase their donation to move up from the bronze level to the gold level.

Another technique to help increase the average size of donations is to use a very limited and highly personalized phone-a-thon to selected donors. When someone who knows them calls and asks for a pledge for this year at just 5% more than the donor gave last year, the donor will often agree to the increase. Of course, a personal call from the organization's senior paid leader or its board chair will almost always produce a larger gift if the person called is asked properly. Finally, donors may well raise their annual donation if they realize that in so doing they will reach a cumulative giving level more quickly and that this alone might inspire other donors to do the same. Another way for your organization to increase the size of its annual fund is to increase the number of large donors.

Increasing the number of large donors can produce a significant increase in money raised for the annual fund. Having a good understanding of the donation history of the larger donors is very important. Some of your organization's large donors may be willing to identify other individuals who might be prospects for large gifts. Some of your organization's larger donors will even enjoy bringing their friends and relatives on as donors. They may have never helped you raise funds, but most likely you have never before asked them to help you in this way.

Increasing the number of large donors can have an amazing return on your organization's investment of time, talents, and donor solicitation material. When your large donors open the doors for you to call on prospective new donors, the rate of solicitation success soars. It is not at all unusual to obtain one new large donor for each four calls upon prospective donors and one smaller donor from the same calls. For this example, we will say that a large donor is one who gives \$5,000 annually. If only five of your large donors each helped you obtain one large donor (\$5,000) and one smaller donor (\$500), the annual fund contributions would increase by \$27,500. By comparison, your organization would need to add a total of 1,100 new \$25 annual donors to have the same financial impact.

Another approach to increasing your annual fund is to increase the total number of donors. Increasing the total number of donors is expensive and it takes a lot of hard work. Those who have casual contact with your organization only become donors when they have a sense that your organization is doing great things. When they not only know of, but when they personally identify with your organization's Mighty Mission, they will become donors. New donors may be those who were in the audience when your organization gave a talk at a service club such as Kiwanis, Lions, or

Optimists. New donors may be family members of a person you serve or of a staff member of your organization. Building a relationship of trust with new donors takes time. Before a prospective donor gives more than a few dollars, more than a little trust has to have been established.

Newsletters can help build an awareness of your organization and its Mighty Mission. Testimonials from people served or from donors will pique the interest of prospective donors. If you can get a prospective donor involved the likelihood of a donation increases immensely. If you can get a prospective donor to volunteer some time and get involved they will most likely make at least an annual donation. An old saying among professional fundraisers says, "If I can get your attention, I can touch your heart. If I can touch your heart, I can get your time. If I can get your time, I only have to 'make the ask' and your donations will follow."

Minimizing the number of lost donors is another way to increase the size of your annual fund. When you and your organization work so hard to develop a relationship with a donor, losing even a single donor is especially painful and costly in the time and talents it will take to replace that donor. Don't ever lose track of your donors. Don't forget them. Treat them with high regard. So many organizations don't pay attention to this and lose out on oh so much.

An organization in the Northwestern part of the United States has a regular donor base of nearly 8,000 donors. They are so proud that each year they add nearly 300 donors. However, it was only recently that they noticed every year 225 donors stop giving. Until this organization noticed this, they had no real program in place to stop this loss.

Always respect and honor your donors—they are special. Do not ever make fun of a donor behind their back. The author's wish that we had never seen this happen, but all too often someone chooses to see a donor in a bad light. It is almost beyond belief that a staff member of an organization would make fun of a person who has freely given their organization money.

A donor who dies is a loss indeed. A donor lost due to organizational insensitivity or abuse will harm your organization for years and years. A happy donor tells two or three friends every year about your organization. An unhappy and lost donor will, in just one year, tell 50 to 100 people all sorts of unflattering things about your organization.

Make sure that all donors are kept keenly aware of your organization's Mighty Mission. Make sure that they all get thank you letters. Make sure that they are invited to every appropriate function. Make sure that they know you love and cherish them. Treat your donors as if your job and your organization's future and its very survival depend on your donors. Well-planned action can significantly grow your annual fund. Watch it ZOOM to new heights.