



Key Principles of the Annual Fund

The annual fund is the cornerstone of a sound development program for virtually all nonprofit organizations. It is surprising, then, that many nonprofits' annual giving programs are not as well developed as they could be. Because of this, Skystone Partners is often called upon to provide counsel regarding ways to improve their annual giving programs. Such consulting arrangements often involve an initial assessment of the organization's existing annual giving program and making recommendations for improvement, followed by a schedule of visits to assist with program implementation.

Over the years, we have found there are key principles or elements of a strong annual giving program. As we work with nonprofits to increase annual fund success, we focus upon these essential steps and truths.

Establishing a Realistic and Attainable Financial Goal

There is value in identifying a specific amount that is to be raised by the annual fund each year, and reporting regularly throughout the year on the status of attaining that goal. It should be based on the best evaluation of what constituents can give: while this can often be measured, at least partially, by previous annual fund results, it often also requires prospect screening and rating meetings. While it may be helpful to establish internal sub-goals for each division, phase or constituency, it is generally not helpful to *publish* such sub-goals, as they tend to lower the giving sights for major donors. Such prospects need to focus on the total goal, not a smaller sub-goal.

Identifying Annual Fund Needs and Expressing Them in Program Terms

While an annual fund may help balance the budget, it is an ineffective appeal to suggest that as its purpose. Instead, it is desirable to identify specific activities, programs or services that will be underwritten by the annual fund, along with the costs for each of them. The total needed to provide these items equals the annual fund goal. This can include items that have been traditionally funded through the budget, or it might include new/increased allocations. Such an annual fund case also invites the development of a list of gift opportunities, items which are in the annual fund objectives and for which gifts can be specifically designated. Ideally, the annual fund case will be sufficiently broad to include allocations to at least three and as many as six areas of operation.



Developing a Written Annual Fund Case Statement

This case statement should be prepared at the beginning of each annual fund year as a core document from which all promotional materials will be derived. Ideally, such a document will incorporate the rationale for an annual fund and how it relates to the mission and plan of the organization, a description of the specific allocations for support to come from the annual fund, and how a specific total dollar amount so raised will help the organization in important ways this year. Most annual fund programs create variations on the case for distribution to different audiences: the trustees may receive a fairly formal presentation, leadership gift prospects may see the case presented in the form of a gift proposal, and for other audiences it may take the form of a brochure, a small leaflet or a letter with enclosures. These materials usually include a listing of key volunteers involved in planning the effort, a description of the proposed uses of funds raised, an overview of the importance of the annual fund to the nonprofit, information about gift clubs, and an explanation of how the organization plans to ask for support.

Developing a Workable Plan and Timetable in Advance

The key sections of an annual fund plan identify each constituency group to be solicited and, thus, the organizational structure to accomplish this; the composition and role of an annual fund committee of volunteers; a timetable for planning, launching, soliciting and reporting gifts from each constituency phase; an explanation of solicitation mechanisms to be used (usually a combination of personal solicitation, telephone, direct mail and special events); and descriptions of publicity, mailings, donor recognition plans, special events, budget considerations and staff support. The clearest and most useful plans often have a separate page or two describing the plan for each constituency phase. This annual fund plan should be approved by the annual fund committee or the development committee and then serve as a working tool throughout the year.

Organizing the Annual Fund by Constituency Groups

Each nonprofit has a different mix of constituents; almost all good annual fund programs focus on soliciting prospects within such groupings. These may include trustees, leadership gift prospects, members, alumni, parents, vendors, foundations, organizations, and so forth. For each organization, the audiences are different, of course. In any case, it is vital to begin an annual fund with top prospects, soliciting first those most likely to give readily and generously, and then moving on to other groups.



Using the Best Fundraising Techniques with the Best Prospects

We know that personal solicitation is the most effective way to raise large gifts; it is vital, then, to be sure this method is used for solicitation of at least the top gift prospects. This often entails using rating and evaluation meetings to help identify the best prospects. The results of such meetings, plus information from previous annual giving, will identify the prospect pool to be approached through the leadership gift phase of the annual fund. Solicitation of prospects in this phase may be the assignment of the annual fund committee itself. We also know that the results of telephone solicitation have almost always proven superior to that of direct mail, as measured both by average gift and percent giving. Thus, it is important to plan a telephone appeal as the second-level approach mechanism for all good prospects who cannot be solicited face-to-face. Mail appeals, no matter how personal, should be the last direct solicitation technique in an annual fund. Finally, indirect solicitation methods, including memorial gifts, benefits, special events, and so forth have a role in an annual fund as well, but should be used within the context of an overall program, using the preferred solicitation methods for top prospects.

The Annual Fund Should be Volunteer-Based

Most nonprofits have a development committee of their board. The development committee should appoint an annual fund committee each year, comprised of selected volunteers who are coordinating each phase of the annual fund appeal. Typically, a key volunteer will serve as the annual fund chair and, as such, will be a member of the development committee (even if not a trustee). In this way, an annual fund committee will be comprised of anywhere from five to 15 individuals, each responsible for one phase of the annual fund (i.e. the employee gifts chair, auxiliary/boosters chair, the chair of the associates or gift club, corporate gifts chair, the special event chair, and so forth). This annual fund committee should meet just prior to the beginning of the annual fund year to approve the annual fund plan and goal, and then it may meet two or three times during the year to receive status reports from each member regarding the plans and results for the various phases. Additionally, the group should receive regular written and/or one-on-one reports of progress from the annual fund chair.

Annual Fund Gifts Follow a Typical Giving Pattern

As with all fundraising, annual giving does not come in equal amounts from all donors. Instead, the pattern of giving typically shows that about two percent of the donors give half the total amount received, about 20 percent of the donors give the next 30 to 40 percent, and all other donors account for the remaining 10 to 20 percent of the amount given. Knowing this, it is important to organize an annual fund solicitation strategy accordingly, and develop a scale of giving to use as an aid in solicitation. This is particularly useful at the trustee and leadership gift levels. Variations are often developed, based on this pyramid of giving expected. These include creating gift clubs



which attach names, recognition and benefits to gifts received at each of the various levels needed. Other aids include designated gift listings and memberships in the organization. All such aids are designed to focus constituency attention on the different levels of giving needed for success.

Asking for as Specific a Gift as Possible

Within each phase of the annual fund appeal, solicitors should be instructed to ask for a specific contribution in each solicitation. Accordingly, it is vital that the annual fund plan identify gift asking amounts for all prospects. At the upper giving levels, this is usually done on a case-by-case basis; at lower gift levels it can be done through the simple use of gift club promotion, joining at certain membership levels, and so forth. It should be noted that the best annual fund programs also provide opportunities for donors to make payments subsequent to the occasion of the actual solicitation. Often this is accomplished by inviting the donor to make a gift to be paid before the end of the fiscal year, or by offering to send a gift payment reminder on an agreed-upon schedule.