

**CHAPTER 1**

# What Is the Annual Fund?

**After reading this chapter, you will be able to:**

- Understand the various components of the annual fund program.
- Begin to see that the annual support campaign is a foundational piece of the overall financial development effort.
- Describe possible annual fund options for your nonprofit organization.
- List the various aspects of your overall annual fund program.

Before we begin to discuss the annual campaign specifically, it is helpful to understand the context of the overall annual fund within a nonprofit organization. In order to do this effectively, we must first understand the components of a typical annual fund.

The components of the annual fund usually include the annual support campaign, grants, special events, Internet fundraising, federated campaign efforts such as the United Way or Earth Share, direct mail, individual appeals, telephone fundraising, and corporate appeals. While additional components are discussed at the end of this chapter, the components just mentioned often make up the entire annual fund for most nonprofit organizations. Each of

## What Is the Annual Fund?

these components also has importance in the overall organizational financial development plan.

### **Annual Campaign**

A well-run annual support campaign is the cornerstone of most great annual fund programs. Performed properly, the annual support campaign is not only the most valuable public relations and marketing tools that an organization has; it also is one of the most highly effective ways of raising contributed support. Well-run annual support campaign teams thoughtfully utilize volunteers to engage prospects and donors in the philanthropic process. An effective annual support campaign has four components: staff, board, major gifts, and community gifts. By engaging staff, board, volunteers, donors, and prospects in the philanthropic process of the annual support campaign, you help to ensure that your organization will raise the most money possible with the best possible return on investment. Volunteer-driven annual support campaigns represent one of the most lucrative returns on investment of any nonprofit activity. It is quite common for fundraising costs of well-run annual support campaigns to be only 8% to 12% of the overall annual support campaign goal. This shows that annual support campaigns are worthwhile and effective methods of raising funds for the smallest nonprofit organization or the largest. Compared to other methods of fundraising, annual support campaigns can be a highly efficient way of raising contributed income. More details on this integral cornerstone of your financial development program are given throughout the book.

### **Grants**

Every day nonprofits around the world receive grants from entities ranging from the federal government to the smallest of family foundations. Every new financial development professional's dream seems to be identifying a project and then writing a huge grant to fund it in its entirety. In reality, getting grants

## Grants

is far more laborious than it would first appear. Additionally, grants tend to be less reliable as a long term funding stream for nonprofit organizations. While foundations theoretically exist just to give away money, the demands on their time and treasure are usually very high. Foundations often want to fund new and exciting projects; typically they are not excited about sustaining long-term funding to any particular organization. This makes operational grant getting for annual programs and projects challenging.

Grants typically come from one of these sources:

- Government
- Corporate foundations
- Private foundations
- Family foundations
- Community foundations

Depending on the funder that you approach, you can get grants for different projects, programs, or purposes. Although this text is not focused on grants specifically, it may be helpful for you to know and understand that foundations boards are just groups of people brought together around a foundation's purpose. My point in stating this is to highlight that foundation boards are just people like you and me. Approach them with the respect and cultivation process that you would approach any donor, and likely you will meet with a much higher chance of success.

Often you can research foundations that are of interest to you at your local public library. You can also learn a great deal about foundations and their interests through the Foundation Center and its resource collections. For more information about the Foundation Center and its resources, go to <http://fdncenter.org>.

In the context of the annual fund, I encourage you to track grants separately from your annual campaign and other fundraising efforts. Each of the annual fund components that your organization has should have its own focus, budget, time, and attention.

## What Is the Annual Fund?



### IN THE REAL WORLD

## Live and Learn

In one of my early development positions, my chief executive officer (CEO) asked me to meet with him and a local foundation board member. The meeting was to be about the possibility of the foundation providing us with a grant for a key program.

The mission of the foundation had virtually nothing to do with our program area, and I told my CEO that I firmly believed that he was wasting his time and mine. The foundation's mission simply did not align with our key objectives. He asked me to humor him and give my best efforts to the meeting. We prepared fully and scheduled the appointment with the foundation board member. What I was unaware of was this individual's deep and long-standing relationship with our organization.

After the meeting and appropriate proposal submission, we were given a fairly large grant for our program. The board member had been impressed with our service to the community and with our program offering.

I learned two huge lessons at this meeting:

- ❶ Foundations can support programs of interest whether they align with their stated purpose or not.
- ❷ Having strong relationships with foundation board members can make great things happen for your nonprofit organization, regardless of the mission of the foundation.



### TIPS AND TECHNIQUES

## Tips to Remember When Submitting a Grant Proposal

Have you:

- Directly contacted the foundation via telephone, well written introductory letter or personal visit?
- Checked to see who else in your community might be making a similar request or doing similar work?

*(continued)*

## Special Events

- Involved the foundation board or key foundation staff in actually planning and structuring your proposal?
- Followed the grant request presentation format and guidelines exactly as outlined?
- Outlined the community challenge and your organizational solution without using acronyms that may be unclear to the reader?
- Considered collaborations with other agencies as a possible solution to a community need or challenge?
- Taken the time to make sure that your proposal is well written and grammatically correct?
- Made the foundation deadline for submission and review?
- Focused on what makes your grant request special or unique from other requests that they may receive?
- Developed a plan on how you will evaluate the success or failure of your efforts once you receive a grant?
- Described your organization in terms that adequately tell of your mission and purpose?
- Sent all appropriate copies and signatures?
- Made sure that key individuals (such as your CEO, chief volunteer officer, and key foundation contacts) know that you are submitting your proposal?

Grants can play a valuable part in a financial development program, yet relying on them solely as a funding source can lead to very hard times over the course of an organization's life. A well-run annual support campaign can keep you from depending too heavily on grants as a funding source.

## Special Events

I believe that fundraising special events, especially at smaller nonprofit organizations, are one of the most overused and overestimated forms of fundraising used in America today. You can certainly raise money through special events, but often there are easier and more effective ways. Still, special events are great for building awareness about your nonprofit mission and about your organization's

## What Is the Annual Fund?

efforts in your community. Special events can also help generate publicity, visibility, and awareness for a nonprofit mission that might otherwise not receive a lot of attention. Special events can even provide venues to recognize key volunteers, programs, or staff members when utilized strategically.



### TIPS AND TECHNIQUES

## Ten Reasons to Do Special Events

Special events can:

- 1 Be energizing and fun.
- 2 Create needed funding for immediate use.
- 3 Increase an organization's visibility in the community and improve its image.
- 4 Be another opportunity for donors to give to and support your organization.
- 5 Be an occasion to identify and cultivate new donors.
- 6 Be another chance to promote the organization's mission.
- 7 Be used as a focal point for showcasing key programs or services.
- 8 Be a great time to honor and recognize people important to the organization.
- 9 Be a chance to create volunteer participation around an uplifting and motivating experience.
- 10 Be a good arena to highlight corporate sponsorship opportunities and create venues for corporate sponsor exposure.

Special events range widely and are as creative and diverse as the people and organizations that sponsor them. There is virtually no limit to the ideas and themes that can be utilized in an effort to raise visibility and funding for needy organizations.

Special events represent opportunities for people to become involved with your organization who might not otherwise join in assisting you with your important mission work. Often people are attracted by the special event itself rather than by the organization's mission. The key with special events is to get

## Special Events

people interested in your organization while they are at the special event. Remember that after you introduce people to your organization through this special event, you need to create a way to somehow follow-up with them and ultimately to show them an even more meaningful way to get involved.



### TIPS AND TECHNIQUES

## Some Things to Think about Before the Event

- What is the best location for this event?
- How should we price this event?
- How many people are expected?
- How much should we budget to spend per person?
- Have we contacted the local or appropriate media as appropriate?
- How can we make sure that people have a great time?
- What will we need to purchase or rent in order to hold this event?
- What should we do in case of inclement weather?

In my experience, people very much underestimate the real costs of special events and overestimate the amount of actual money raised. Most special events take an inordinate amount of staff and volunteer time with minimal return on investment. I often challenge organizations to consider whether the event is truly a fundraiser or whether it is better utilized as a donor cultivation or marketing and communications event. Nonprofit organizations often call these events “friendraisers” as they are more about making friends than raising funding. Many events may be worth doing for publicity or visibility purposes but are not effective fundraisers. Also, do not be afraid to stop doing a specific event; just because you have been doing an event for a long period of time does not mean that you have to do it again this year.

Almost always, the biggest benefit of a special event is not in the money raised but in the awareness and goodwill generated by it. Ideally, people in your community who have never heard of your organization prior to the event

## What Is the Annual Fund?

become aware of it through their special event participation. Then they become involved in your organization, ultimately becoming more meaningfully connected over time.



### TIPS AND TECHNIQUES

## Creative Ways to Build Your Prospect Lists around Special Events

- Use your own lists and directories to identify people who might want to be invited to your event. Ask these individuals to bring additional friends and colleagues who might be interested in learning more about your organization.
- Call your key contacts, and ask them to bring people who might be able to move your organization forward through their involvement.
- Consider giving complimentary tickets (as appropriate) to key individuals as thank-yous for previous efforts as well as to encourage attendance.
- Consider inviting key public relations personnel from major companies in your area.
- Publish and promote your event in your newsletter and email notifications.
- Promote your event through the local media. Take advantage of community calendars and other venues to publicize your event as widely as possible.
- Attend networking meetings that make sense for your type of organization. Focus on getting business cards and contact information from others, and follow up after the meeting.
- Promote your efforts on your Web site. Keep your Web site as up to date as possible, discussing the event beforehand and reporting back on it after it has occurred.
- Post your upcoming event on message boards as appropriate.
- Consider writing blogs or other web articles about your upcoming function.
- Review what companies sponsor events like yours in the community to see if they would be interested in sponsoring your function.
- To get information on all guests who attend your event, hold a drawing at the event that people sign up to participate in or have a sign-in sheet at the door.

(continued)



## Special Events

- Consider offering prizes for people who connect your organization the most to others in the community. Who brought the most people? Who sold the most tickets?
- Consider asking and encouraging participation from local politicians at your special event.

Building prospect lists from special events can help strengthen your other fundraising efforts. Remember that the main goal of special events is to bring people closer to your organization. As mentioned, special events are rarely the best method to fundraise. As with any component of your financial development plan, keeping your special event focused by having clear objectives, will help it to be most successful.



### TIPS AND TECHNIQUES

## Some Things to Do after the Special Event

- Thank people for coming and let them know how their participation made and could make a difference.
- Call key people to let them know how much their help was appreciated.
- Write key individuals to thank them for their efforts in hosting and holding the event.
- Report back to donors, corporate sponsors, and participants about how much money was raised and how it will be used to help advance your mission.
- Have a follow-up meeting to evaluate what worked well and what could have gone better so that you can learn from your successes and your failures.
- Write an article and include a picture of the event in your organizational newsletter.
- Consider sending an article with a photograph to your local newspaper.
- Post updated photos and information about the event on your website, blogs or other appropriate electronic media.

*(continued)*

## What Is the Annual Fund?

*(continued)*

- Thank your event committees and consider honoring key individuals and supporters as appropriate at a board meeting or other event.
- Consider thank-you gifts if appropriate for key people and sponsors. These do not have to be expensive. Personal is almost always the best answer.
- Decide if the event is worth doing again next year. If the event has not been successful, consider stopping it or modifying it.
- Review the budget and all expenses to see where you could or should have improved.
- Prepare the next year's planning calendar.

Most of these things should be done within one week after the event. Timely wrap-up is important for several reasons:

- You capture the most from the review process while it is still fresh in people's minds.
- Employees have not moved on to other things and are too busy to finish up these details.
- You capitalize on the momentum from the event to engage your new constituents.
- Thank-yous are best when timely.

Well-run special events can help build your donor list, raise money, get media coverage, and get to know volunteers and donors in addition to, it is hoped, implementing your mission through the event itself. Remember, however, that special events can be extremely time-consuming and typically are not a highly recommended focal strategy for annual fund efforts. The well-run annual support campaign typically raises far more funds far more effectively than special events.



### IN THE REAL WORLD

One of my first positions in development was as director of marketing and special events, and one of my first professional responsibilities was to plan

*(continued)*

## Federated Campaigns

and implement our annual fundraising auction. Working with a committee of dedicated and committed volunteers and staff, we planned a sock hop auction/dinner/dance. Part of my job was to secure the donations necessary to hold the event in our local gymnasium.

I worked tirelessly for the months leading up to the event itself and managed to get a ton of donated food items, auction items, and other goodies in an effort to make the auction one of our most successful ever. It was; it raised approximately \$9,000 for the charity. That may not seem like much, but the organization had a very small operating budget, so this was considered a big success.

The problem was that I knew how much time and effort all of us had put into the event. I knew that it had not actually raised anything at all when one accounted for my salary, the volunteer time, the gas and other expenses collecting all of the auction items, and all of the other variables that went into hosting and implementing this event. The next year we stopped doing this auction and put our efforts into our first annual support campaign. We raised more than \$50,000 on the annual campaign and did a much better job of telling our story in the community—all while raising our image and status as a nonprofit mission-based organization. A much better return on our investment!

## Federated Campaigns

A federated campaign is a fundraising program that is run by a non-profit organization that then distributes the funds to other nonprofit agencies. Federated campaigns such as United Way, Earth Share, Combined Federal Campaigns, State Employees Campaign, and others play an important role in America's philanthropic process. Workplace giving campaigns can be very enthusiastic, and employers across the United States utilize these campaigns to raise the community awareness of charitable organizations in many positive ways. As of this writing, the United Way of America remains the top charity organization in the United States in terms of raising contributed dollars. Federated efforts can be highly effective ways to raise money for charitable organizations that fit within their funding parameters. Federated efforts can also allow nonprofit organizations to gain access to the hearts and minds of some of the most influential and

## What Is the Annual Fund?

affluent companies in your region. The challenge with relying on these entities as a sole source of funding, however, is in your individual organization's long-term sustainability and in making sure that your organization gets the community time and attention that it deserves. When these federated campaigns do well, there is more money for everyone involved. When these federated campaigns do poorly, however, every nonprofit organization suffers as well. If your organization is to be truly self-reliant, it is critical that you develop and strengthen your own financial development programs. A well-run annual support campaign is a great way to build awareness about your organization and raise dollars through contributed support.

### **Advertising**

While there are exceptions to every rule, advertising usually does not generate a substantial result in generating from donors much of a philanthropic response. There are simply too many charities and too many good causes for people to be motivated to give by a billboard or a newspaper advertisement. Think about the last time that you were driving down the road and saw a billboard for a good cause. Did you stop, pull over, grab your cellular telephone, and call in a pledge? Probably not. While advertising and promotional information about your worthy cause may help you to build your brand or generate positive feelings, rarely will advertising alone generate any actual response.

In the case of universities, advertising the campaign or other philanthropic efforts in alumni publications and newsletters is a positive way to educate and develop the constituency for philanthropy. But again, typically it does not produce fantastic direct results.

The exceptions to this rule usually concern very public disasters or other unique occurrences in our society. Advertising can have tremendous impact after national and international disasters. On the effectiveness scale of the annual fund, however, advertising usually ranks very low when compared to the annual support campaign.

## Games of Chance

### Commemorative Giving

Nonprofit agencies often promote or create opportunities for individuals to commemorate the life or death of a loved one or a respected member of the community. Some agencies place these funds into their endowment to fund future programming; others put these funds into the annual fund. Because commemorative giving is often a one-time occurrence, I typically recommend placing these dollars into the endowment of an organization. Some nonprofit agencies, particularly young, less established organizations, utilize these funds in the year that they are generated for annual fund purposes.

### Commercial Sales Concepts

There exists an almost countless variety of ways to utilize commercial sales opportunities as a part of the overall annual fund. A couple of examples include:

- Marketing any number of products or services to create revenue streams that support the nonprofit organization.
- Collaboration between for-profit and nonprofit, as when a company, such as a cereal company, gives a certain amount of sales for each product unit sold.
- Collaboration between a credit card company and a nonprofit. Sometimes MasterCard or Visa allows for a percentage of the purchases utilized on a card to be donated to charity. Credit cards can also be a part of an organization's marketing and awareness efforts.

These types of arrangements are unlikely to generate enough revenue to support the organization effectively but may act as an additional income stream for some organizations. Although these sources offer some opportunity to generate funds, the money raised is usually related to purchases by a consumer and are considered to be less philanthropic.

### Games of Chance

Nonprofit organizations sometimes become involved with any number of gambling efforts or games of chance. These include casino nights, bingo, charity

## What Is the Annual Fund?

game tickets, keno, raffles, frog races, cockroach races, and everything in between. I do not encourage these types of efforts in my consulting work as they seem to encourage gaming more than philanthropy. Some organizations have found these to be successful and fun events for their constituencies although others have had issues with permitting and the local government. Before embarking on any charity effort associated with a game of chance, make sure to look closely and fully understand the laws associated with such efforts.

## Door-to-Door and Street Solicitation

The challenge with door-to-door solicitation is that it is a truly random method of fundraising. It also takes a large amount of human resource effort to accomplish. Additionally, it typically leads only to smaller gifts as people are generally reluctant to give large amounts of money or intrinsically personal information to someone whom they seem to meet by chance. Recently, however, street solicitations have taken on new life, especially in major cities, where there has been some success with subscription-type sign-ups. This is where someone approaches you representing a charity and encourages a gift of \$X per month to help save a child or adopt a wild animal or the like. Large recognizable organizations are likely to have much greater success with this type of effort than smaller and more obscure nonprofits with less name recognition.

## Mass Media

In this context, “mass media” is related to fundraising efforts such as infomercials and televangelism type shows. If you think about the last time you saw a religious evangelist on television who was also raising money for their church, you will get one image of a multimedia fundraising effort.

Another example is infomercials that have often been citing children’s or other poverty issues in developing countries. These expensive multimedia efforts use television as a powerful medium to share and state their case for support as well as to portray the need of their constituency, whether as saved children or saved souls. While these can be successful in raising funds and building

## E-mail and Instant Messaging

larger constituencies, most nonprofit organizations do not have the resources necessary to undertake such ventures.

### Telethons and Radiothons

If you have ever watched television over Labor Day weekend in the United States, you may have seen a dramatic example of a telethon with the Jerry Lewis Labor Day Muscular Dystrophy Telethon. This strategy is also widely used by the Corporation for Public Broadcasting. The ability to take over the airwaves of a station or stations to espouse your cause and story can be a broad reaching method for spreading the story about the fundraising needs and concerns of a nonprofit organization.



#### IN THE REAL WORLD

I worked with a nonprofit in the rural western part of the United States that used a radiothon as part of its public phase efforts to finish up a large campaign project. The nonprofit was in a small town that served as a hub for a broadly dispersed community that utilized it as the community center. Because of the geographical challenges associated with being in an extremely rural environment, the radiothon enabled the nonprofit to convey and explain their efforts to a larger audience than it would have been able to without a broader media effort. It was highly successful in raising more than \$250,000. This strategy is being used more and more by local hospitals and other nonprofits to tell the story of children's issues and medical concerns as well as to generate philanthropic funds to serve the local community. Such efforts, however, can be difficult for most nonprofits to organize and implement due to the resources that must be mobilized.

### E-mail and Instant Messaging

As technology changes and advances, there is an increased use of email, instant messaging, texting, and other electronic communications for education and

## What Is the Annual Fund?

solicitation. In my mind, these represent a hybrid extension of the direct mail concept (personal letter) and the telephone solicitation. In some ways, these concepts bring the urgency of a telephone call to the written message of a personal note or letter. An electronic message can convey a timeliness and immediacy that a phone call traditionally has taken and also may be more readily read and accepted than a telephone call. These efforts are becoming more and more commonplace as a method of donor and prospect communication. These tools can be highly effective methods for fundraising—if they are utilized properly and as part of an overall fundraising strategy. E-mail and instant messaging are discussed later in this text in the community gifts section of the annual support campaign.

While each of the additional sources of annual fund revenue listed have merit, the best method of annual operational fundraising for most nonprofit organizations remains the annual support campaign. The remainder of this text focuses on this preeminent method and model for generating annual fundraising and philanthropic support.

### Summary

The annual fund is made up of many different components depending on the nonprofit organization, its level of maturity, and the other fundraising efforts it has under way. Many nonprofit organizations utilize a highly diverse group of fundraising strategies to raise the funds needed to sustain their missions on an annual basis. These may include everything from credit cards to games of chance to participation in federated campaign efforts like United Way.

There are many different ways to raise additional contributed support on an annual basis. Although these methods can generate valuable dollars for some organizations, I contend that for most nonprofit organizations, the annual support campaign remains the best way to tell the story of your organization and raise contributed funds. Whatever efforts a nonprofit undertakes to raise charitable funds on an annual basis, the annual campaign should be a foundational component of the annual fund. Track and monitor the various



## Summary

fundraising methods of the annual fund such as grants, special events and raffles independently and separately from the annual support campaign in order to adequately monitor and evaluate each method. Evaluating each unit of your annual fund effort separately will allow you to assess each component's effectiveness on a case by case basis. This will allow you continue to do those that generate the most positive returns and ultimately create a better short- and long-term fundraising program.

<http://www.pbookshop.com>

<http://www.pbookshop.com>