

Strategies for Supporting Advancement and Development

Reporting *for* Advancement

Donor Stewardship Reports

What are your strategies?



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Donor Stewardship Reports

Donor Stewardship Reports

One of the most important stewardship activities are reports sent to donors on a periodic basis informing them about what has been done with their investment in your organization. These reports fall under different monikers such as "Stewardship Reports" and "Donor Financial Reports".

Although it would seem that the generation and distribution of these is straight forward, like other specialized reporting, the reality is more involved than theory.

As one of the best tools for helping set the stage for the next gift, it's extremely important to implement these so they provide the best communication possible to the recipient.

A secondary benefit is that they're good for helping advancement ensure that their data is correct, and to double check that distributions from funds are done in accordance with the donor's wishes.

Who Receives Them?

The first decision in the stewardship report process is to decide who receives them. This is based on individual factors or a combination.

- Major donors. May be individuals, organizations or both.
- On an as requested basis. i.e. A stewardship report for a smaller gift may set the stage for a larger one. Donors may also request a report on what they've given to.
- Anyone who has given to a fund(s) or a combination of funds where the total fund(s) balance is greater than or equal to a threshold amount. i.e. All endowment accounts with a balance of \$100,000 or greater.
- Special gifts. A valued collection of books to a library may not have an associated fund. A stewardship report with circulation statistics or other information conveying the value of the institution having the collection is a very useful communication to donors.
- Information on a memorial fund sent to survivors. May encourage additions to the fund. Helps the survivors reflect on the life of the individual which could lead to a new bequest intention.
- Donors who have given consistently or consecutively for a number of years. It may be worthwhile to send a report as it may lead to an increase in the amount of regular giving.
- Reports for challenge gifts or other special fundraising projects where there may be a group of donors.
- A summary report for a donor that has given to a group of funds.

You'll also need to decide priorities. Priorities are usually in descending order of fund balance, but there may be situations where the priority is set differently:

- Donors who are important to the institution regardless of fund balance.
- Donors to multiple funds or those getting multiple reports should have the priorities of their reports set the same so they get them all at the same time.
- Reports that are harder to reconcile.

Who receives the reports can also be guided by your imagination since they are such a good tool.



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However, temper this with your available resources and budget. You need to do these well. Don't stretch your resources too thin and send out an inferior product.

It's important to remember that most of these reports will be produced on an annual basis for many years. The number will increase over time as your donor pools increase. Choose a manageable amount to start with and realize that additional resources will need to be applied to this process every year.

If you're maxed out the first year, it will be more difficult next year. It will be even more difficult if you go into a campaign and are raising more major gifts where you need to send reports.

| | # of Reports | # of New Major Gift Donors | # of Hours to Prepare Each Report | Total Hours |
|---------------------------------|--------------|----------------------------|-----------------------------------|-------------|
| Year 1 | 100 | 25 | 3 | 300 |
| Year 2 | 125 | 30 | 3 | 375 |
| Year 3 (Campaign starts) | 155 | 50 | 3 | 465 |
| Year 4 | 205 | 75 | 3 | 615 |

Even though the work has doubled, it's unlikely that the budget for staff devoted to the task has doubled.

The Process

You need a signoff and approval process for development of the package. Make sure all involved understand the lead time required to decide the format and to make changes. This is especially important the first time you implement the reports if multiple departments/staff are involved.

Most organizations do the reports annually, but some do them more frequently and also on an as needed basis. Timing may be centered around the organization's fiscal year, at times when distributions are made to the endowment accounts, or around the calendar year end.

Make sure you define the "ultimate" owner of the reports so you can assign responsibility and accountability.

Data is typically provided by advancement services and then forwarded to development staff, but the model can get a little more complicated. For example, since the reports are primarily financial in nature, they may be generated and the process managed by the central finance department.

The process can be further complicated in larger institutions if there are multiple departments/staff. It also depends on the information contained in the reports.

Consider the following where a stewardship report contains endowment and fund balance changes, donations received in the year and student awards.



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To further demonstrate the complexity, the advancement environment is decentralized. The central finance department is the one responsible for producing the financial components of the report. The central advancement department is the ultimate owner.

The process will then be something like the following:

1. Financial services produces the report and sends it to advancement services.
2. Advancement services reconciles the donation totals on the report.
3. The report is sent to the various schools and colleges so they can have their business officer reconcile the disbursements.
4. The admissions and awards office reviews the recipients for awards from each of these funds to ensure the accuracy of recipient information.
5. Once all the reconciliations are done, the approved drafts are received in the advancement office. They are distributed to the colleges and schools so the final packages can be delivered or sent to donors. Some will be sent out centrally.
6. The completed packages are then copied, scanned and archived. The sending of the package is logged in the database as a contact.
7. In addition to all of the reconciliations, data corrections also need to be completed in the related systems.

Considerations

A complicated and involved process like this gives rise to the following considerations:

- You'll need a dedicated staff member(s) to manage and keep control of the entire process.
- Consider the timing and how long everything takes. If the donor gets the report too long after the fiscal year end, it doesn't cast a favorable light on your organization's efficiency.
- The reconciliations are absolutely critical. Your data is being shared with external constituents who have a vested interest in accuracy and reliability since it's related directly to their investment. Make sure everyone understands the importance and necessity of ensuring accuracy.
- You'll need to have education and training sessions for a wide variety of staff to ensure they all understand the process, who to contact, the need to expedite their portion of the work and the benefits of doing this.
- The politics of adding additional duties to people that don't report to central advancement needs to be managed. In some cases the only "carrot" will be the discussion of the increase in intangible goodwill created with donors. This may be a hard sell to staff who may already be working to maximum capacity.

Make sure your "taskmaster/coordinator" understands the role they need to play in convincing and cajoling people to get the job completed.

- Once the toothpaste is out of the tube ...

Donor Stewardship Reports

Create a protocol to respond to donor questions.

Summary information usually leads to questions about details. Make sure you have a business officer that knows how to find the information. They will have to know multiple systems rather than just finance or development since a question can be on any/all of the information in the report.

- You may need to provide an explanation of any obvious anomalies such as expenditures or receipts that were made outside the fiscal period and are not included in the report.
- Very often we're not able to award all of the money in a scholarship account. Be prepared to field questions about under spending just as you would for over spending. Donors normally expect all of the income in a fund to be used.
- Since the reports are going to higher level donors, you'll be subject to never ending edits. Factor this into your efficiency equations. Know when to say "enough".
- How are the donors going to receive the reports? The delivery of reports is a great opportunity to schedule a personal visit. Courier is a good second choice and mail a distant third. Leverage your work as much as possible to get your foot in the door.

All of these considerations will be mitigated by the size and complexity of your organization, the information you provide in the reports, and the volume and variety of reports that you produce. By the same token, don't underestimate some of the complications that can surface in a smaller "uncomplicated" organization.

Elements Included and General Style

Marketing theory suggests that a personalized approach is best, so design the packages accordingly.

Most stewardship reports have some or a combination of the following elements:

1. Fund balance at the beginning of the period.
2. Donations added.
3. Income credited to the fund.
4. Disbursements.
5. Fund balance at the end of the period.
6. Highlights of any leverage to the gifts received as a result of any matching from government or corporations.

Some may also include more descriptive elements as part of the body such as activities of a chair holder and other similar information of interest to the donor.

An important factor – a more journalistic styled report with more anecdotal information can take significantly more time to write. Compared to a strictly financial report you'll be more vulnerable to a writer not having enough time. You'll need to add additional elements of creativity to the piece each year to keep it interesting.



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You may also have completely different reports depending on the purpose such as a special report for a gift in kind.

Do a critical evaluation of the complete package for form as well as substance.

A good conceptual strategy is to follow the format a company uses for its “glossy” financial statements. These have financial information and descriptions of what the company has done during the year. The information is organized, structured and usually well branded.

You’ll have to balance the marketing aspects of having a great looking package against the perception your organization may have spent a lot of money putting it together. Your target market is the one you’ve pleaded the “hardship” case to. Don’t lose sight of this when designing the package.

At a minimum, be consistent. Use the same paper stock, fonts, and format particularly if you’re including information from multiple departments. Remember that external constituents generally don’t care about your organization chart. Organize the report in a fashion that reflects the donor’s interests and why they invested in the first place.

Tailor your language carefully. i.e. Sample language when the financial performance of investments has not been good.

“During the last fiscal year, the long-term investment pool was impacted by the turbulent financial markets and suffered a negative return. Given expectations for continued volatility, we are reviewing our investment policies to align with uncertain times ahead.

Despite these disappointing results, the endowment has averaged a 15% return over the last 10 years. Currently, we are adopting asset targets that place greater emphasis on preservation of capital while pursuing moderate long-term growth.”

It may be prudent to have an explanation during good times also. Donor expectations should always be managed.

Attachments and More Decisions

Attachments also depend on the type of report. If you are using a financial statement format, attachments make more sense. For a more narrative type report, information in the attachments could be included in the body.

Covering Letter(s)

Obviously a letter from the president or someone of importance. People generally give to people, so choose the person most important to the donor. If there are multiple letters have the one from this person as the first one in the package. Letters should all be personalized. A personal handwritten note is a nice touch.

If the donor has not received a stewardship report before, it’s appropriate to explain what it is and why they are receiving it.



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Activity Reports

These can cover a wide spectrum, but are particularly valuable for chairs or capital projects which are larger gifts that usually have a variety of activities associated with them.

Glossary

A glossy of terms is a valuable addition to the report.

We all understand our own jargon but others don't. Not everybody understands fund accounting or some of our academic terms.

Some items that can be included in a glossary:

- Endowments
- Long Term Capital Appreciation Policy
- Endowed Account, Expendable Account
- Statement of Endowment Fund
- Book Value, Market Value
- Statement of the Expendable Fund
- Distributed Investment Income from the Endowment Fund
- Preservation of Endowed Capital
- Scholarships, bursaries and other relevant academic terms.

Investment Policy

A discussion of the investment policy and return on endowments is always a good attachment.

Donors often feel they could get better returns themselves. A thoughtful presentation of investment strategy and asset management helps them understand that the organization is fiscally responsible and prudent. Emphasis the idea of perpetuity.

Have your central financial staff review the language.

Student Thank You Letters

A great idea that really conveys why the donor invested in the first place. They are interesting and mesh nicely with the mission of your organization. You can include a brief student bio. Make sure you are in compliance with confidentiality policies and government regulations when releasing this information.

As an aside, if you don't already have a student thank you letter writing policy in place, it's time to initiate one.

Other Attachments

While you can include additional attachments, you probably want to keep the overall piece clean and uncluttered. The primary purpose is to demonstrate responsibility, accountability and the value created by a donor's investment.

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Additional attachments such as a planned giving brochure may actually take away from the value of the message you're trying to convey.

Managing and Monitoring

Get executive commitment and resources from all the major areas involved. This should be at the vice presidential and the presidential level. The commitment should be visible and documented and obtained in advance.

Have clear goals and expectations of the participants and clearly outline these well before the process starts. Schedule information meetings with all players.

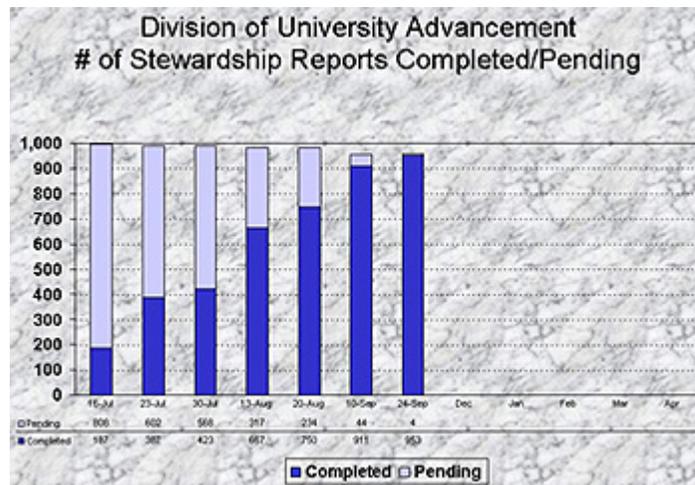
You may have to do the same groups more than once, but don't skimp on training and informing. Change management of organizational culture is difficult but not impossible.

Have a central coordination mechanism to keep track of progress and follow up regularly with those who need to complete their tasks.

Sample columns for a tracking spreadsheet:

- Fund and fund balance, fund name and other identifying characteristics.
- Donor id(s), donor name(s) and other donor information.
- College or School including when and who report was sent to for further work.
- Stewardship report primary contact person with contact information.
- Priority this year, priority last year.
- Reconciliations completed and contact information if required.
- Notes column.

Create graphs and statistics to monitor progress and each year use these to do comparative analysis and look for problems. Discuss ways to increase your efficiency. You may have to do system enhancements to facilitate.





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Publicly reward and acknowledge those that get their tasks completed ahead of time.

Be relentless in chasing the goal since the value of doing this accrues to the institution. Keep extolling and selling the benefits whenever you can.

Job descriptions should be modified to include duties related to stewardship reports. The process should also be explained as part of the employee orientation, and included in your policy and procedures documentation.

Part of the management process will also be to follow up with key donors and get feedback on reports. Ask them what changes would make them more useful.

Summary

The large number of corporate scandals over the last decades, coupled with the increase in the number of charities have placed non profits are under increased scrutiny to provide a higher level of accountability for the money they raise. Donors expect value given and value received.

Stewardship reports are extremely useful in this regard:

- They help align your most important constituents with the mission of the organization.
- They keep the lines of communication open.
- They reinforce charitable intent.
- They provide a robust and concrete example of the benefits of the financial partnership with your organization.

Invest the time and resources to initiate a business process to get these reports done in the most efficient and effective manner possible.

Your donors will thank you.



Donor Stewardship Reports

More Information

Supporting Advancement

<http://www.supportingadvancement.com>

Under the reporting and systems pages you'll find additional information on reporting, data warehouses, business intelligence and related links.

