Notes from the Field

A high level annual fund without the annual ask

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ABSTRACT The annual fund is an important component of a strong development program. It tends to be the entry point for donors to test the stewardship and professionalism of an organization. One drawback of the program is the need to ask donors for gifts on an annual basis, which requires considerable time, effort and budget. This article focuses on an innovative annual fund that builds donor loyalty through a donor-centric model.

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INTRODUCTION

Institutions of higher education throughout the country have been affected by the recent global economic crisis. By fall 2008, institutions quickly began freezing or cutting budgets by delaying or canceling building projects, freezing or reducing salaries, and, at the extreme, laying off personnel. Advancement programs were not immune to these cost cutting efforts. A recent survey of member institutions by Eduventures (January 2009) indicated that 75 percent of public institutions and 45 percent of private institutions had already made advancement budget cuts in fiscal year 2009 and many anticipated more cuts in fiscal year 2010. It concluded that 'the first phase of budget reductions focused on operating budgets and not filling vacant positions; subsequent cuts will likely affect programming and current staff level and roles to a greater extent'. Operating in this new environment will require innovation coupled with tried and true fundraising techniques to maximize the return on investment for organizations relying on philanthropic support.

BACKGROUND

The advancement program at the University of Rochester required a major paradigm shift. Before the arrivals of the new university president and senior vice president for advancement in 2005, fundraising was lacking the financial resources and programmatic sophistication to launch a successful capital campaign. Schools and units operated completely independently of one another. The decentralized approach created an environment in which immediate institutional needs drove fundraising

priorities without regard for the donor's interests. Advancement was generally seen as a tool to pay the bills or solve specific short-term problems and lacked an articulated 'ennobling' purpose to inspire transformational contributions.

The University had to rethink the 'how' and 'why' of its fundraising practices. Significant human capital was immediately directed toward this critical task. The first steps in building a modern, sophisticated development operation were to centralize services (research and prospect management, information technology, human resources and so on) and to develop University-wide program initiatives. The George Eastman Circle was the first visible deliverable of this re-organized advancement organization.

A donor-centric approach was adopted to steer the advancement program in a new direction. It is the art and science of building relationships with donors by focusing on their dreams and aspirations and discovering ways to align them with your organization. Organizations that are not donor centric often form weak, transactional relationships with limited donor engagement. Some institutions treat their donors as property, owned by specific schools or units. They discard their competitive advantage by prohibiting donors from expressing their interests regardless of their institutional affiliation. This may lead to limited donor engagement, involvement and financial support. They can alienate prospects who have the ability to transform the institution. 'Donors have choices where to bestow their generosity. Nonprofits that maintain a product focus instead of a customer focus will fail to optimize

their share of philanthropic dollars' (Greenberg, 2004, p. 256).

Philanthropy is dependent upon the generosity of the human spirit. Donors who are involved and understand what drives an institution tend to make larger gifts (Worth, 1993, p. 102). 'Giving is visceral. Individuals will view your long list of details and specifics with pious and quiet admiration, but this will seldom move mega givers to audacious action' (Panas, 2005, p. 129). They tend to be interested in ennobling purposes and visions rather than tactical details.

THREE PART GIVING

To develop the donor-centric philosophy, a three-part giving model was employed. The first and most important component of the model was to listen to the donor to become familiar with their philanthropic hopes, dreams and interests. Once this was understood, each donor strategy began with an annual fund component followed by a major gift, typically solicited during a campaign, then eventually a conversation centered on an ultimate gift including a bequest. The strategy may take years to execute, with adjustments over time, however, keeping the end in mind is the guiding principle.

The next part of the strategy was to build the donor relationship by developing consistent and loyal leadership annual giving and stewarding these donors in both traditional and unique ways. To achieve this, a new annual fund program was developed, fostering a habit of giving over a minimum 5-year period and embody the philanthropic spirit of the University's greatest benefactor, George Eastman.

This article will focus on the annual giving portion of the three-part giving model that we believe is foundational to a successful development program.

PROGRAM OVERVIEW

The George Eastman Circle is a University-wide leadership annual (unrestricted) giving society that recognizes aggregate giving of US\$1500–50 000 per year for 5 consecutive years. This program is the University of Rochester's first central platform to cultivate, engage and steward alumni, friends, parents, grateful patients, faculty and staff. Members of the program comprise a special collection of University leaders joined by a common vision to transform this institution much the way George Eastman did in the first decades of the twentieth century. Nearly 100 years later, with a new call to action, George Eastman Circle Charter members are our early philanthropic partners who have pledged their confidence in the University's mission and leadership.

A critical outcome of the program will be a donor base that is better prepared for a comprehensive University campaign. The use of the multi-year strategy serves two critical purposes. First, it builds a 'book of business' ensuring reliable support year to year. This is particularly important in a down economy. Second, consistent high-level annual giving breeds loyalty and larger giving; it is the best behavioral predictor of major gifts in a campaign. According to Jim Thompson, 21–29 percent of donors who give at the \$1000 level for 5 or more years make a major gift during a campaign (Thompson, 2004).

The George Eastman Circle provides a platform to vet donor inclination and capacity and serves as the engine to generate a healthy prospect pipeline. As one of the cornerstones of a University-wide coordinated advancement program, the George Eastman Circle will drive high-end annual giving both during and in between capital campaign cycles.

The loyal donor base has helped to mitigate the recent national decline in charitable giving. At the close of the 2009 fiscal year (30 June), the Annual Fund posted a remarkable 12.3 percent growth over fiscal year 2008. Approximately 33 percent of George Eastman Circle members joined between 1 July 2008 and 31 December 2008. The member growth rate from calendar year 2007–2008 was 280 percent. These multi-year commitments are more easily filled than either acquiring new donors or repeating single-year donations. At the time of writing, the default rate on Eastman Circle pledges is less than 5 percent. This year the Eastman Circle program has not only buoyed the annual fund, but is responsible for year-over-year growth that would be significant even in a strong economy.

MISSION

The George Eastman Circle is a group of alumni, parents, friends, grateful patients, community leaders, faculty and staff who

- set an example of philanthropic leadership in the tradition of George Eastman;
- designate their unrestricted gifts to schools and units throughout the University, which align with their greatest interests;

- work to encourage and inspire other alumni and friends to follow the high standards of philanthropy established by George Eastman at the University;
- promote the interest and participation of alumni and friends in the affairs of the University of Rochester.

The mission of the program is to

- practice the donor-centric philosophy by listening to the donor's dreams and aspirations thereby building a lifelong relationship;
- build a culture of leadership Annual Giving to the University, providing a highly flexible and reliable source of unrestricted operating funds;
- cultivate, steward and delight donors, ultimately creating an expanded major gift prospect pool;
- double the annual fund by 2012, raising unrestricted funds for the schools and units from national constituencies (alumni, parents, faculty, staff, grateful patients, community leaders and friends);
- elevate donor performance and identify prospects for major, leadership and principal gifts;
- deploy a national, central sales force that will match the goals and aspirations of the donor and the institution.

CHARTER PHASE

Owing to the breadth and complexity of the program as well as the changing environment of advancement at the University of Rochester, the George Eastman Circle was rolled out in several phases. Staging the program in phases was a tactical decision to

manage momentum and modulate expectations with operational readiness (that is to ensure adequate infrastructure is in place), as well as to enable the organization to engage its 'inner circle' of prospects before rolling the program out to a broad audience. Additionally, it allowed the annual fund to work in tandem with the organization to achieve the broader operational objective of campaign planning.

The initial constituencies for the Eastman Circle program were those who had a high level of engagement with the institution, including the university board of trustees, medical centerboard, school/unit board of advisers, and high-level academic and administrative personnel. Formal program presentations were made by the senior vice president of advancement along with personal solicitations. Frontline fundraising staff made thousands of face-to-face visits to inform donors of the new direction the University was taking.

As the donor population grew, heightened recognition and stewardship were needed. In fact, recognition and stewardship protocols for this group have been designed to function more like major gift treatment in order to enhance donor performance and strengthen donor inclination. Upon joining the program, members received a welcome package consisting of an autographed copy of George Eastman's biography along with a branded bookmark and welcome note from the National Co-Chairs. Members are invited to high-end events featuring world-renowned speakers (Doris Kearns Goodwin, David McCullough, Colin Powell and Anderson Cooper).

VOLUNTEER PROGRAM MANAGEMENT

In keeping with the donor-centric philosophy of engagement and involvement, a group of nine trustees served as an advisory committee to the program. They included National Co-Chairs representing the East and West Coasts, Chair of Annual Giving Programs, and six Vice Chairs representing major geographical regions. The group met two to three times per year during the duration of the Charter Campaign. The role of these volunteers included helping establish the strategic direction of the program, conducting solicitations, serving as ambassadors for the program, hosting cultivation events, chairing stewardship events, speaking as part of the program at all major events, and providing input on stewardship and recognition protocols. These were the core group of 'believers' in the new paradigm shift of the University. Not only were they key donors, but also the most enthusiastic exemplars and proponents of the University.

PROGRAM INNOVATION

The program was innovative in several ways. The launch was modeled on the nucleus phase of a capital campaign with the enlistment of key volunteers and stakeholders, a case statement and charter statement, a defined period of time with special kick-off and closing events. A strategy of making a 5-year pledge to build donor loyalty and secure a long-standing 'book of business' was aggressively employed. 'Ritz-Carlton' caliber services were offered to Charter Members including a concierge, hospitality suite at events, VIP seating, special parking, and

special receptions and photo opportunities with keynote speakers for top-level donors. A large, portable donor wall was designed to be used at key events, providing prominent recognition for these contributors. In addition, a permanent listing will be displayed at the University.

A new tradition was created for members to lend their signature to the charter statement. Volunteer leaders drafted a Charter statement to articulate values and a renewed commitment to building a greater University. The Charter was debuted at the Inaugural Gala. Following a reading of the statement, board members signed the Charter using a commemorative pen. Signatures were collected and digitally assembled in a special illustrated volume to be kept in the University archive and displayed at key events. Charter Members were invited to sign a card that will be incorporated into a new volume also to be housed in the archives as an important historical artifact. Finally, a statue of George Eastman has been commissioned to commemorate the launch of this new program and celebrate the 1082 charter members.

BENEFITS

The benefits of the George Eastman Circle are both tangible and intangible. In the first year of the program the board of trustees increased its annual fund contributions by over 300 percent. The initial goal of 250 Charter members and \$10 million raised was quickly surpassed as momentum increased. At the conclusion of the Charter phase, 1087 members had joined, representing over \$21.5 million in 5-year commitments.

One of the stated objectives of the program has been to drive the growth of the annual fund. In a year when the national economy was in crisis mode, the annual fund was up over 12.3 percent, one of the stronger growth rates in the country.

Another benefit of the program is the 5-year commitment. This allows staff to devote more time to the stewardship of new members and the solicitation of prospective members rather than asking annual donors to renew every year.

Many of these new members are the volunteers who will become engaged in the National Councils and Regional Cabinets, which are high-level volunteer opportunities. These councils and cabinets will help to guide the University in its quest for *Meliora*, or 'ever better', the University's motto. This program has become a strong common denominator uniting an otherwise diverse university community.

CONCLUSION

Although the program was launched before the economic crisis facing the nation arose, over 50 percent of the membership joined in the midst of the recession. This is a testament to the mission and leadership of the institution. To date, the success of the program has been very encouraging. Not only has the original membership goal been far surpassed, but the unrestricted funds made available to the institution are anticipated to double in another year. This program has increased the reliability and predictability of an important and foundational funding stream to the institution. But most importantly, it has created a vanguard of a new

generation of donors in the great tradition of George Eastman, whose first gift to the University was for the Annual Fund.

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