



# WHAT YOU NEED TO KNOW

## Annual Reports

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COUNCIL *on* FOUNDATIONS



## Annual Reports

**A**n annual report is your foundation's report to the community—a year-end summary of your activities, a record of grants and issues funded, and a description of donor contributions. The annual report is likely your community foundation's most important public relations tool and part of your larger marketing plan. If yours is a smaller community foundation, it may be the only publication you produce—and you'll want to make it count.

### What should an annual report look like?

With annual reports, there are no easy answers and no norms. Every community foundation does something different based on its budget, its region, and its resources. Some annual reports are simple, typed documents listing the previous year's donors and grants. Others are elaborately designed, full color documents. They can take the form of a newsletter, an insert, a brochure, a booklet, or a webpage.

An annual report should be attractive and command the readers' attention. You want to convey your message in as few words as possible, and you want your cover to say, "Open Me. Read Me."

### What should an annual report contain?

An annual report may include any of the following:

- the foundation's mission, purpose, and brief history
- a statement by the board chair and/or the executive director highlighting some aspect of the foundation or discussing the importance of philanthropy
- an overview of the organization and governing structure, including the names of board members, officers, and staff

- a report of gifts received during the year, accompanied by a section recognizing individual donors
- a guide for prospective donors, explaining gifts and types of funds the foundation accepts
- a statement of grant activity during the year, identifying the program category, recipient, and amount of each grant
- a narrative description of several key grants and donor stories
- an outline of the foundation's grant program and policies, including application procedures
- a list of the financial institutions holding the foundation's funds
- a report from the independent public accountant who audits the books, accompanied by financial statements
- the foundation's contact information, including web address

### What are the goals of an annual report?

An annual report is one of your best marketing opportunities for current and prospective donors. Rather than a list of all your activities, it should be a summary of what you accomplished with activities. It's your chance to explain the meaning behind the work you do every day, and the difference you are making by implementing your mission and goals.

Your report should be tailored to your community foundation's priorities. Generally, your goals in your annual report are to:

- demonstrate your community knowledge and expertise
- highlight your work with donors, charities, and community partners

- showcase your performance and ability to make an impact
- describe your mission and vision for the future
- recognize current donors for their support
- develop and maintain your credibility and the public's confidence in your foundation
- encourage donors to expand their connection to and involvement with your foundation
- serve as an archival historical record and ongoing reference tool

### Who reads annual reports?

According to community foundations that have conducted annual report surveys, the top readers are board members of nonprofits (whether or not those nonprofits have received grants), foundation donors, staff members of nonprofits, and financial advisors.

### What gets the most attention in an annual report?

According to surveys, the most-read sections are grant overviews, donor lists, and the letter from the president/board chair.

### How do we create an annual report?

**Start a folder** (both hard copy and electronic) at the beginning of the year. In it save lists of grants, speeches by board members and staff, newspaper clips, news releases, fund reports, photos, etc.

- **Make a list** of donors and volunteers to recognize, and keep adding to it throughout the year.
- **Write** about grants and events as they happen, when the details are fresh.
- **Ask grantees for photographs** and record events that occur throughout the year by hiring a photographer or taking photos yourself.

- **Decide on a take-home message or a theme** (e.g., education, environment, community partnerships). One question you might ask is “What three things are we most proud of from last year?”
- **Develop an outline** for the report and its major sections.
- **Consider the tone** you want to use when writing your report. Most foundations strive for balance, using a down-to-earth, accessible tone while still presenting the foundation as a trustworthy resource and partner in philanthropy.

### What lists should we include in our annual report?

You will want to include some lists in your report, such as your grants and funds. To keep them short, you might list only categories of grants or lump together smaller grants. If your lists get too unwieldy, you might publish a partial list in print form, with a note to find the full list as a downloadable link from your website.

Some options:

#### For grant lists:

You might include all grants or just discretionary ones. You can include the name of the organization only, or the purpose and amount of the grant as well. You might include the actual amount of the grant and whether it was pledged or multi-year. You can link grants to the funds they came from. Grants can be listed alphabetically or by category.

#### For fund lists:

You might include the name of the fund only, or its purpose and amount. You can include the names of donors, the deceased or in memoriam. You might want to highlight new funds. Funds can be listed alphabetically or by type.

Other lists you may consider including: committees, recent contributors, legacy gifts, affiliates, board members, and staff members.

## How can we maintain donor confidentiality when listing grants?

Donor advisors seldom want everyone to know their giving patterns. Some fear they will be badgered by grantseekers if you list them in your annual report by the grants they made. To protect the privacy of your donors, consider doing the following when crafting your annual report:

- Limit the inclusion of donor advisors to a brief blurb indicating their general interest, without connecting them to an actual grant.
- List grants by recipient and amount, but do not list which fund recommended the grant.

In your fund agreement or donor intake form, ask donors if you can publish their information in the annual report and other publications as needed—or send an individual letter asking their permission.

*“We list our donor-advised funds on several pages, and then have a separate alphabetical list of all the donor-advised grant recipients. We do not say which fund gave to which specific grant. We do not give the amount of grants from individual donor-advised funds, only a total dollar amount from all donor-advised funds. This helps protect our fundholders from being solicited.”*

— Community Foundation of Greater Greensboro

## What if we need help in creating our annual report?

Many foundations, both large and small, hire outside help for their annual reports—from writers, photographers, and graphic designers all the way to full-scale project managers who produce the report from start to finish. If you decide to hire a consultant, ask

for a proposal and work plan from a few different people. Interview them and check references to get a feel for who would be the best fit for your foundation and your budget.

For a list of consultants that work with community foundations, contact the Council at [community@cof.org](mailto:community@cof.org). You might also want to post a request on an electronic discussion list (such as [www.cof.org/faog](http://www.cof.org/faog) or [www.cof.org/ceonet](http://www.cof.org/ceonet)), or contact any of the following professional associations:

- National Network of Consultants to Grantmakers: <http://www.nncg.org>
- Public Relations Society of America: <http://www.prsa.org>
- Your state nonprofit association (check the state directory at the National Council of Nonprofit Associations): [www.ncna.org](http://www.ncna.org)

## How much information is too much?

There are different views on this. Here’s what your colleagues said about what to include—and what *not* to include:

*“We would probably kill twice the trees if we listed all of our donor-advised grants in the report. The trend I’ve noticed is LESS information about grants (leaving out the grant purpose, for example) is better than more.”*

*“We’ve done away with the narrative section of our annual report, figuring it costs time and money and paper. We’ve knocked down the annual report process from six months and \$60,000 to one month and \$18,000.”*

*“We are a small foundation and I have found it useful to list all of our funds. We make that part of the package—you get a photo or graphic and a paragraph to talk about your fund in our annual report. This makes it more readable, more a story of people’s passions and an interesting document.”*

*“Our annual report is 104 pages—half of it fund descriptions. We’ve learned that lots of people care about the descriptions—not just the donors, but also their lawyers, other prospects, children, friends, etc.”*

#### **How do we reduce the cost of our annual report?**

Some community foundations produce a high-budget, corporate-level annual report. Others assemble theirs on a shoestring. It all depends on your budget, what you want to accomplish, and what your audience wants. Some ways to save money on your report:

- **Make it short and sweet.** Cut down on the endless lists of donor advisors, grants and gifts. Follow the adage “less is more”: Leave out the long-winded descriptions and use pie charts to summarize.
- **Reduce your print run.** One community foundation cut its print run from 25,000 to 2,500! They made their annual report available online, and mailed complimentary copies to those who requested them.
- **Target your mailing.** Only mail the annual report to targeted contacts, rather than doing a blanket mailing.

- **Find report sponsors.** One community foundation solicits and secures underwriters to offset costs. For a donation of \$1,000, each sponsor gets its logo or name printed inside the report’s back cover. This pays for up to 80 percent of the total costs, keeping the community foundation’s net cost below \$3,000 (including postage) for an 11,000 print run.
- **Publish the report (or a portion of it) online.** No doubt this will save you dollars, but before going electronic, be sure to read the considerations below.
- **Ask your local newspaper to publish your report as an insert.** Although they will probably charge you a fee, you might find it more reasonable than printing and distributing annual reports yourselves. The newspaper may even help with the design for less than it would cost to hire a designer.

#### **Should we publish our annual report online?**

Some community foundations post a portion of their annual report on their website—a teaser, so to speak, for the entire report. Others publish the report in its entirety, sometimes in an interactive format and sometimes as a downloadable file.

For small foundations, producing an online report may make the most economic sense. “We are a small, regional community foundation, and for us, printing a full report could easily destroy our entire printing budget for the year,” said a communications staff person at the Foundation for Appalachian Ohio. “We’ve received a great response—no complaints from any audiences.” Small foundations aren’t the only ones using the web. Many large community foundations publish their reports online as well.

Yet not everyone agrees that web reports are the way to go. “Until our giving universe has completely changed to technology-embracing people, we’ll still need to be in print. They, and we, expect linear, visual, easily accessible, in-front-of-us, in-the-

mail communications. Anything else and we're wasting money on the design and production of the piece," says a representative of the Rhode Island Foundation.

One community foundation worked with a focus group of donors, and asked them about print versus web-based annual reports. Two responses:

*"While donors may think a web-based report is a fun idea, they never actually go to the websites of organizations they support to look at such reports."*

—The Denver Foundation

*"It will be a cold day in hell before we cease publishing and mailing a complete annual report to as many people as we possibly can."*

—Centre County Community Foundation

If you do publish your report online as opposed to (or in addition to) print, take as much care with the design and content as if you were printing the report as a hard copy. Be sure to send everyone on your mailing list a postcard announcing that the report is available online.

### **I'm bored with our annual report.**

#### **What are some ways we can spice it up?**

- **Create new features.** In 2001 the Greater Milwaukee Foundation created a main feature called "All Around You: 75 Ways Donors Touched Our Lives." Without discriminating between advised, designated, or field of interest funds, they listed 75 remarkable things that their funds did, along with 30 accompanying photos. According to the communication director, the feature "showed the flexibility, individuality and power of charitable funds."

- **Borrow ideas** from the annual reports of other similar-sized community foundations. Look for foundation annual reports at Council on Foundations conferences, at Community Foundation Marketplace: [www.cfmarketplace.org](http://www.cfmarketplace.org), or through the Council's Wilmer Shields Rich Awards: [www.cof.org/wilmer](http://www.cof.org/wilmer).
- **Look beyond the community foundation field** for ideas and inspiration. Check the annual reports of private foundations, corporations, and nonprofit organizations. Sometimes this can lead you to fresh ideas—and a designer or writer that can work with you.
- **Talk to a designer** about various art or photography schemes. Some community foundations commission an artist or photographer, for example, and use their work throughout the report.
- **Consider how you tell the story.** One community foundation told the same story from four different perspectives—those of the donor, the professional advisor, the grantee, and the community.

### **How do we get the word out about our annual report?**

Once your annual report is ready, you will want to distribute it widely. Here's how:

- Send the annual report to your mailing list (include current and past board members; current, past, and potential donors; grantees; reporters; elected officials; foundation colleagues; and philanthropic organizations).
- Take the annual report to conferences, workshops, community events, meetings with professional advisors, presentations, and other events.
- Create CDs with labels displaying the annual report cover.

- Send an email blast and/or a postcard announcing the release of the report and telling people how to access it.
- Announce the release of the report on your website homepage and in your newsletter.
- Keep copies of the report in your lobby and encourage donors and nonprofits to do the same.
- Ask your local newspaper to publish your annual report as an insert. Send a postcard to your mailing list in advance announcing the newspaper insert, and let people know they can pick up a copy if they miss it in the paper.
- Share copies with your public library and other local offices (dentists' and doctors' waiting rooms are always good ones!).

## Resources

Chmel, Janalee Card., "Annual Reports: How to Avoid 'Frankenstein,'" CausePlanet.org, August 21, 2006.

Community Foundation Marketplace. Developed by the National Marketing Action Team, a collaboration of the Council on Foundations and Community Foundations of America.  
[www.cfmarketplace.org](http://www.cfmarketplace.org)

The Council on Foundations' Wilmer Shields Rich Awards for Excellence in Communications.  
[www.cof.org/wilmer](http://www.cof.org/wilmer)

Gast, Elaine, *Community Foundation Handbook: What You Need to Know*, Washington, DC: The Council on Foundations, 2006. Includes a chapter on communications and marketing.  
[www.cof.org/cfhandbook](http://www.cof.org/cfhandbook)

Arkow, Phil, "The Full Report on Annual Reports." Presentation at the 2002 Fall Conference for Community Foundations, Atlanta.

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