The Philanthropy Committee: Part Three, the Annual Fund

The Annual Fund Case
The CSM Mary Principle on Philanthropy states that it is very important to:

- Raise money over and above operating income.
- Exercise and teach philanthropy.
- Develop a culture of philanthropy.
- Treat donors honorably and respectfully.
- Follow the highest ethical standards.

Your Annual Fund is the foundational driving force behind your philanthropy. But what’s the case for your school’s annual fund? What should people give to? Here are some real and current ‘cases’ that Christian schools are making for their school fund-raising in the actual words used on their websites:

1. **A donor selects a classroom and makes a contribution for the teacher to use and purchase much needed resources for the classroom.**
2. **Funds from annual giving provide operating monies that support the ongoing work at the school and bridge the gap between tuition and the actual cost to educate a student.**
3. **The primary purpose of the Annual Fund is to support the school’s operating budget for programs like tuition assistance, spiritual emphasis, athletics, music, yearbook, and other extra-curricular activities.**
4. And then there are the websites where the annual fund or annual giving has no page at all!

These examples are from three different major denominational school systems and a non-denominational Christian school. It becomes quickly clear as we travel from website to website that schools are either embarrassed by the idea of asking supporters for money, and/or needing the donations in order to make the operating budget work. Let’s think about each in turn.

For Christians, asking each other to be generous is both Biblical and healthy. If what we have is “ours” entirely, then it is possible to believe that I can do what I want with it, including being selfish and spending it only on myself. If what we have is a gift of God for us to steward, then the question changes from what I want to do with it, to what does God want me to do with it. God clearly intends us to take care of ourselves, our families, our communities, our neighbor, the widow, the orphan, the oppressed (Psalm 9:9; Psalm 10:18; Psalm 146:7; Isaiah 58:10; Mark 12:31; Luke 10:36; 1 Corinthians 16:2; 2 Corinthians 8: 1-15; 1 Timothy 5:4; James 1:27). Indeed, Jesus praises the generous giver in several stories and benefited himself from the fund-raising
that supported his own ministry (cf. Luke 8:3). If we have needs, we are to make them known to our God and to each other” “You do not have because you do not ask God” (James 4:2-3). The early church was clearly highly focused on meeting each other’s needs and asking those to whom God had given much to bless those to whom God had given less (cf. Acts 2: 44-45). We should never be embarrassed about asking for money to help others.

But needing the donations in order to make the operating budget work defies logic, common sense, and good stewardship. The operating budget should work because those who benefit from it – the families who come to the school – pay for it. Asking them for less than it costs makes no arithmetic, logical, or fiscal sense. We explicitly are telling our potential donors (who are mostly the parents paying the tuition) that the school will close in March or April or May when we run out of tuition money unless we get more money in the form of donations. This is a weak case for support. So why do schools so routinely do it? The argument is that lowering tuition makes it more “affordable”. What we don’t want to admit, irrespective of the level of our tuition, is that our schools are not affordable. It’s true! The moment that we ask for any money at all, a significant percentage of the population is unable to come. Even at a low $5,000 or $6,000 tuition level, a family has to have household income above the national average to afford one child’s tuition, let alone two or three. We just are not affordable. That leads to the next point.

Ironically, the more you charge, the more you can help those who cannot afford it. We can see the contrast in this simple example:

<table>
<thead>
<tr>
<th></th>
<th>150</th>
<th>150</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Students</td>
<td>150</td>
<td>150</td>
</tr>
<tr>
<td>Tuition</td>
<td>$5,000</td>
<td>$7,000</td>
</tr>
<tr>
<td>Income</td>
<td>$750,000</td>
<td>$1,050,000</td>
</tr>
<tr>
<td>Budget</td>
<td>$850,000</td>
<td>$1,050,000</td>
</tr>
<tr>
<td>Annual Fund</td>
<td>$100,000</td>
<td>$100,000</td>
</tr>
<tr>
<td>Financial Aid</td>
<td>0</td>
<td>$100,000</td>
</tr>
</tbody>
</table>

The seeming paradox is that the higher the tuition, the more the school can help those who can’t afford the school either entirely or in part. Not only that, but the higher the tuition, the more likely it is that the classroom teacher has appropriate resources to support excellence (case for support #1 and 3 above), that the teacher is paid at a level that doesn’t mean applying for food stamps (as is lamentably true in too many Christian schools), and that the school is able to support larger families and families with little disposable income (case #3 above), all through the operating budget.

The importance of this is extreme. The reason for financial aid in Christian schools is not to support socio-economic diversity. The reason for financial aid in Christian schools is to ensure that any Christian family (in some schools, even non-Christian families) can bring up children
with teachers who love Jesus, content that sees the world through a Creation / Resurrection lens, and a lifestyle/culture lived under and through grace. Financial aid is not to have more of “them”. Financial aid is to support all of “us” – the whole body of Christ (1 Timothy 5:8).

Donations are therefore ideally not to support the operating budget. The case for annual giving has a different purpose. The two purposes of the annual fund are:

- to provide access to Christian families beyond the financial aid already provided in the operations budget i.e. supporting the Body of Christ
- to enhance the student experience in the mission delivery of the school

These purposes are fundamental to CSM’s approach.

**The Strategic Operating Budget**

Many of our schools face the current reality that they do rely on annual giving (the Annual Fund that includes a direct solicitation appeal as well as a fund-raising event) for their operating budget. How do you get to the place where the Annual Fund can support the purposes above i.e. where the operating budget appropriately funds compensation, classroom resources, and provides financial aid to an extent?

The answer is to boldly raise your tuition by .5% or 1.0% a year above the usual tuition rise in order to cover more of your operations budget towards a 102% ratio. Each year you do that, you will free up the same amount in the Annual Fund to serve the two purposes above. Over time, all your fund-raising will be to grow the school (include the whole body of Christ and enhance mission delivery), not just maintain the operations budget. CSM advocates for this consistently – where schools do it, their quality of education improves and enrollment grows. It may be a paradox, but it is observably true, that tuition increases do not impact enrollment, except to the positive because the school is finally able to provide excellent mission delivery. Quality and enrollment strength go together.

**Asking People to Give**

**Motivation**

Followers of Jesus want to give. In fact, there are many generous people in the world who are not followers of Jesus who respond by virtue of being human and being convicted by the needs they see around them (Romans 2: 14-15). Jesus followers are even more motivated since our giving begins with the ultimate gift of Jesus himself to us for the healing of Creation (Romans 8:20-21) through death’s defeat (Romans 5:17). Giving is not painful but joyful – it is the ultimate stewardship of what has been given to us. This is critical if we are to be successful in asking donors to give. If we are apologetic, embarrassed, unsure, tentative, our solicitations will be ineffective. When we are confident, respectful, thoughtful, and prayerful solicitors, donors will respond with inspirational generosity. And we know a lot about donors. We know that donors want to do six (6) things:
1. Give to a genuine need, not to make up for poor stewardship by the school.

2. Give to assist children (as a part of that genuine need) to come to the school and experience God’s love surrounding them as an integral part of their education.

3. Give because they are inspired to, not because they are compelled to by the power of the school’s mission in the lives of children.

4. Give relative to their own prosperity and as part of their own stewardship of the resources God has gifted them with.

5. Give in a way that is not judged but, rather, respected and honored.

6. Give according to the heart, not just according to the accountant.

Preparation

The preparation for asking a donor for money is as follows:

1. Develop a Strategic Plan accompanied by a financial projection showing that the plan is both believable and doable. Create a simple document that can communicate the heart of the plan in a couple of minutes of reading. Donors at any level want to know that their gift made a difference, not that it disappeared into a black hole, that the school is forward-looking, not that it has the same issues every year.

2. Approve the 3 Promises and put them on the wall of the school. Ensure that all involved in donor solicitation know them and have taken them to heart.
   a. Promise One: We promise to be grateful to God and to you for your generosity to the “family of believers” in the school, ask you for gifts that fit your own prosperity, and honor you as a giver.
   b. Promise Two: We promise that asking you to invest in God’s work at the school will be accompanied by the School’s accountability and good stewardship in spending your money in the way you intended.
   c. Promise Three: We promise that we will use your gift to move the school forward on behalf of the children within the context of a strategic plan showing excellent stewardship and financial sustainability.

3. Identify current hopes of the school (the CASE) that will not be covered by the operating budget remembering the two purposes of supporting the Body of Christ and enhancing the mission-inspired child’s experience forward. In addition to financial aid, examples
might include; student experiences that deepen learning and make the curriculum come alive (e.g. taking the Middle School to the sea for a day of marine biology to extend and personalize the science program); investing in the progress of the school empowering it to take education to another level and/or improving the student experience (e.g. 3D printers, full class sets of musical instruments, an Outdoor Classroom, bringing in speakers to support the Bible program). Just note that because this is an annual fund, the experience cannot have any ongoing operational cost i.e. not increase the operating budget.

4. Develop a trifold that communicates the CASE

5. Establish a Philanthropy Committee as a Board Committee (see two previous articles on The Philanthropy Committee

6. Establish the Annual Fund Committee as a subset of the Philanthropy Committee (this Committee will typically be chaired by a member of the Philanthropy Committee to ensure strategic overlap)

Note: the list appears consecutive but, in reality, happens in different orders depending on where the school is in its journey.

The Annual Fund Calendar
There are a variety of ‘calendars’ that schools have used. This is probably the most typical. Consider it in the light of your own culture, history, current school calendar and so on. The elements are common, however you actually time it.

June / July Philanthropy Committee finalizes the CASE, the trifold, the ask letter. They make their own gift to the campaign. Leaders of the Annual Fund are recruited (see Annual Fund Leadership below).

August The Board is personally solicited for an Annual Fund gift by the Board President / Principal or the person with the closest relationship to the Board Member. Board members are taught that the school should be one of their top three philanthropic gifts. No other solicitations can be made till every Board member has given or pledged to give. The school administration is also asked and expected to give.

September Teacher Leaders present to the teachers as a whole. This is the only group where participation is more important than the amount given. $5.00 is fine. $1.00 is fine. Hopefully, the teachers and staff will want to do the best they can within their own circumstances. It is ideal if 100% of the teachers/staff give. Part of the motivation will be the knowledge that 100% of the Board and the Administration have already given or pledged. Some schools offer a monthly payroll deduction as a way to give – a $1 a month is a $12 gift! It may take a year or two to get to
100% if this has not been your practice to date. Note that this giving is primarily to demonstrate leadership to the school community at large.

Teacher/staff solicitation must be done by a peer, not a member of the administration, because of the power issues involved.

Leadership gifts are solicited (see Philanthropy Committee Part Two).

October
The letter to the school community goes out to ask for a gift. The trifold is included in the envelope. It is a mailing, not an email. The letter is to the person by name (not a generic Dear Parent). The total amount already raised through Board, teachers/staff, administration, and giving leaders is included and the fact that 100% of the Board / Administration / teachers-staff have given – this is inspirational.

November
The Community Annual Fund Leaders follow-up to those who have not given with personal and encouraging touches e.g. text or email. Follow up to those who are giving is done promptly.

December
Recognizing the December 31 deadline, there is someone available to accept donations through the last day of December.

January to June (or the end of your financial year if not June 30) Gifts are accepted at any time but your target should ideally be reached or well on the way to being reached by the end of December.

Appreciating Donors
There are three thank yous to every donor, irrespective of gift size:

1. The Philanthropy Committee and Annual Fund Leadership have as one of their tasks a phone call for each gift within 72 hours of receipt of the gift. The person making the phone call is the one who signed the letter. A signed note for each gift goes out within two weeks of the gift’s receipt (touches one and two).

2. By the end of January, each donor receives their donation tax receipt with a note (touch three).

3. The school produces an Annual Fund Report (touch four) after the end of the school year (some schools produce this for August publication) with at least three pieces of information:
   a. A breakdown of what was asked and what was raised.
   b. A clear identification of what the money was spent on reinforcing that the promises made have been kept.
   c. Direct examples of the impact of the Annual Fund in the lives of children e.g. a testimony from a financial recipient family; pictures of children using materials purchased through the Annual Fund.

Note: we no longer advocate for a list of all donors.
Since printing an Annual Report can be very expensive, a digital one, well designed, is just fine. It can, of course, be communicated digitally to all families / donors, put on the school’s website, used in social media e.g. link on the school’s Facebook page.

**Annual Fund Leaders**

You may or may not have a full-time philanthropy professional at your school. Certainly, at a minimum, you need someone who will enter information into the database to:

- ensure you have complete and accurate giving histories
- produce mail merged letters
- help with organization

In small schools, this could be the function of a volunteer on the Annual Fund Committee or Philanthropy Committee. Otherwise, there should be a school professional whose responsibility includes managing the database.

Annual Funds, well done, are a lot of work and the school needs a lot of bodies to help. Between the Principal, other members of the school staff, and the Philanthropy Committee (that should interact with the leadership givers), identify two parents for each class who already give to the Annual Fund and who are enthusiastic about the school. Ask them to be Annual Fund Leaders for their class. Their job is seven-fold:

1. come to a 30 minute meeting to understand the Annual Fund purposes and ask questions
2. pray for the Annual Fund
3. sign the October letter to parents in their class
4. talk about the Annual Fund to parents in their class
5. make thank you phone calls; sign the thank you notes for parents who give in their class
6. make follow-up texts / casual personal inquiries to those who do not give by a certain date
7. come to the thank you party for Annual Fund Leaders

Find similar volunteers for grandparents and alumni. Keep the task clear, limited, with an end date. This not only spreads out the workload but, more importantly, trains your entire constituency in philanthropy. Their task does not include those parents (grandparents, alumni) whose gifts are at the leadership level. That requires another pair of volunteers to organize and should be organized collaboratively through the Philanthropy Committee.

**Annual Fund Leadership Donors**

As part of the organization of the Annual Fund, determine what a leadership gift is. A simple way to do this might be to look at what the top 10% of donors gave. That becomes a leadership gift range e.g. $700 or $1,000 or more. Another way might be to look at the size of gift that produced 70% or more of the Annual Fund and make that the leadership gift range. It is typical
for 20% or less of your donors to give 80% or more of the total giving. While we appreciate the smaller gifts as much as the larger gifts, and while we might like to personalize the relationship between the school and the donor for everyone, the reality of time and resources means that we are only able to take the in-person solicitation approach with the leadership group. Leadership donors are thus by definition in-person donors. Each donor should be solicited in person and each donor must be approached and thanked in a personal way.

This means that solicitation of the leadership donor is done by either inviting the donor to the school for the conversation or by meeting the donor at a place of his/her choosing to make the request for a gift. The visit is in three parts: education (providing insight into the school’s current situation and sharing the main points of the Strategic Plan; preparation (making the Case for Support); solicitation (asking for the gift).

Often, the visit is made by two people (Jesus sent his disciples out in twos) – one has the relationship with the donor; they will take on the roles between them of education, preparation and solicitation. Key to the visit is giving the donor respect and finding the place where they would be most inspired to give. For some, helping families is deeply moving. For others, putting great opportunities into the lives of children is exhilarating. Of course, the donor may also just be happy to give (and unrestricted giving is always a bonus from the school’s point of view).

Thanks to the leadership donor includes the three items above as well as:

- an invitation to a leadership donor reception hosted by the Principal, Board President, Chair of the Philanthropy Committee (and Philanthropy Director if you have one)
- an invitation to at least one student event during the year

The Annual Fund Leadership pair do not do all the above, although they will have their own person to visit, but they will make sure everyone is provided the materials for the visit, are trained in what they are to do (along with the Principal and Philanthropy Director if you have one), and maintain the information about visits and outcomes so it can be put in the database.

Coda
Philanthropy in the Christian school must be done professionally, faithfully, and inspirationally.

Professionally means that the school is dealing with its operating budget well, covering its operating expenses with tuition and fees. It means that the school can account for its monies, able to look after both tuition and gifts legally, spiritually, and morally in the right way.

Faithfully means that the school is planning forward with prayer and thanksgiving. Faithful does not mean leaning on God for financial miracles year after year (cf. Luke 16: 11-12 and many other passages). It does mean being thankful for God’s generosity, planning with God’s blessing, and trusting in God’s arithmetic.
Inspirationally means making a case that turns the eyes to the future with dreams, even small dreams, that suggest success and motion and hope. It is not asking parents and others to plug budget holes. It is asking your donors to know that you have thoughtfully and prayerfully foreseen what the school will need, and that the school’s present success can be even greater in the future with their help.

May your Annual Funds be amazing opportunities for the grace of God to abound! (2 Corinthians 9: 8).

CSM is a 501(c)(3) dedicated to healthy, hopeful Christian schools. It works with Christian schools that have an average tuition K-12 under $13,897. 10% of its revenues is tithed into the CSMA Foundation in order to assist Christian leaders and schools with advice/counsel and to fund Christian school research. We charge for consulting based on the tuition level of the individual school to make it affordable for all.

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