



The Annual Report

Your ministry's best community builder

By Randon Samelson

EVERY MINISTRY LEADER I have ever met craves community with their constituents – especially their donors. Yet not one ministry leader I know believes they have remotely achieved this. Why?

Most public companies' annual meetings are attended by less than 100 people and last two hours. Warren Buffett's annual meetings last three days and are attended by over 30,000 people from every continent. Why?

Some would say he is a great investor who has performed well. He certainly has, and performance is necessary to create lasting community. However, others have performed well without building community. So what's the difference?

As a CEO, Buffett has taken the annual report to a higher level – not in cost, but in substance and style. His annual letter is remarkably unique, but it is well within the ability of every leader.

Most ministries, however, don't even produce an annual report. Those that do often create one that looks more like a sales brochure than a real report. Worse, almost all of them include a three-paragraph letter from the CEO that does more harm than good – it implicitly communicates that the CEO is too busy to share in a meaningful way.

Communicating well is just as important, if not more so, than performing well. And the single most important communication tool that a ministry has is an annual report.

So as you prepare to produce an annual report, remember that there are two different ways people process information: the right-brain way, which involves emotions, pictures and stories, and the left-brain way, which focuses on numbers, logic and facts. Your annual report should include both types of information to reach both types of people.

So where to start? Let's discuss the most important five elements that make a meaningful annual report.

1. CEO ANNUAL LETTER

The CEO's letter should be thorough, meaningful and transparent. Here's a tip from Warren Buffett: Imagine you're



writing to a family member who has been out of the country for a year. Bring them up to date as thoroughly as possible. (Buffett's letters are often 20 pages or more!) Don't be afraid to share the good, the bad and the ugly. The letter should also authentically reflect the CEO's personality and character. After a few letters, readers ought to have a sense that they know and share a personal connection with the CEO.

In your letter, state your most important message early and clearly — ideally in the first two sentences. If you could convey only one message to readers, what would it be? Whatever that message is, capture it in the first paragraph and then repeat it, year after year.

Also include an update on what happened with your organization during the previous year. Discuss how well you met — or did not meet — your goals. Never be afraid to share what didn't work out the way you had hoped. Such transparency is a critical element in building confidence.

Offer a clear description of three to five goals for the year ahead. It's always a good idea to include goals that have measurable outcomes, so everyone knows exactly where you're going and exactly when the goal has been reached. Then, succinctly describe the most important opportunity or obstacle the ministry faces. This is a great way to advertise to your community where they could impact the ministry in the most powerful way.

Don't be afraid to educate your reader. Do your best to help your constituents understand your ministry and the environment in which it serves. A well-informed and knowledgeable constituent is more likely to feel connected to your ministry. Thus, they are more likely to support you with their time, prayers, wisdom and money. All of this is extraordinarily valuable to the CEO and the ministry.

2. MINISTRY FOCUS

For many left-brain readers, this may be the most important section of your annual report. Left-brain donors often believe that ministries either lack focus or struggle to articulate their focus. Such a perception can undermine the donor's confidence in your ministry.

Thus, I encourage ministries to have no more than three operating "silos." This will demonstrate that your ministry is clearly focused. Dedicate one or two pages to each of your operating "silos," explaining what they do and where.

3. RELEVANT FINANCIAL INFORMATION

Obviously, you need to disclose pertinent financial information. This section should include a balance sheet and a cash flow or income statement. Also offer a pie chart detailing the percentages of funds dedicated to administrative, fundraising and program costs. These disclosures are especially helpful for people like me who believe financial documents tell important stories.

4. LEADERSHIP

Donors like to know who is leading the ministry — not just the CEO, but key executives and board members too. Include brief bios so donors can see individual qualifications as well as a board's diverse skill set (bankers, lawyers, pastors, etc.).

5. RELEVANT GRAPHS

Beyond these essential sections, there's plenty of room for pictures and creativity, and plenty of space to discuss the ministry's vision, mission, history, interesting case studies and donation requests. You can also sprinkle in graphs that detail the critical metrics of your ministry that your community can watch over three to five years.

So why should you go to such lengths in your annual letter? Is all of this really worth the time and effort? Consider some of the benefits. A quality annual report:

- Builds community with donors and other constituents
- Connects with the left-brain dominant donor
- Enhances ministry focus and effectiveness
- Builds confidence with donors by transparently reporting in a familiar format
- Distinguishes the ministry in the minds of donors
- Enhances the probability that the key message will be heard
- Creates a ministry history available for new donor prospects
- Demonstrates a commitment to excellence
- Reveals the ministry's cumulative impact over three or more years, which especially helps the left-brain dominant donor
- Creates an optimal "take-away" for donor presentations

This kind of annual report will cost money. Is it worth it? Only you can decide, but I believe that in most cases, the benefits dramatically outweigh the costs. In fact, not only do I believe it is worth the cost, but in my experience, it may also be one of the most valuable steps a ministry can take to create lasting community. Furthermore, most ministries have at least one business-oriented donor who would be thrilled to provide a designated gift to help the ministry pursue excellence in an annual report.

Of course, not every donor will read every page of such a comprehensive annual report. But the effort it takes to create such a document will get their attention in ways that previous efforts (or lack thereof) may not have accomplished.

Let me offer two final recommendations: First, commit to creating an annual report for at least the next three years. Don't expect just one annual report — regardless of how well it's done — to produce the kind of community you desire. An annual report that arrives regularly and maintains the same general appearance will soon feel like a "letter from home."

Second, everything about this report should communicate excellence. It should look and feel like an important communication. This alone will tell the recipient that you've created something special that deserves their careful consideration.

Such an annual report can be the first step in truly building community with your constituents. It's a win-win for everyone, and it might just be the most important step your ministry can take to advance the kingdom. ●

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