

THE GUIDE TO  
**ANNUAL  
REPORTS**  
FOR NONPROFIT  
ORGANIZATIONS



## **TABLE OF CONTENTS**

## **INTRODUCTION**

**PAGE 3**

## **CHAPTER 1**

Reasons to Write an Annual Report

**PAGE 4**

## **CHAPTER 2**

Basic Components of an Annual Report

**PAGE 6**

## **CHAPTER 3**

Annual Report Reimagined

**PAGE 10**

## **CHAPTER 4**

Trends in Annual Reports

**PAGE 14**

## **CHAPTER 5**

Planning and Timeline

**PAGE 17**

## **CHAPTER 6**

Distributing Your Annual Report

**PAGE 19**

## **CHAPTER 7**

Checklist for an Enticing Annual Report

**PAGE 25**

## **CONCLUSION**

**PAGE 26**

# Introduction

One of the best ways to communicate your nonprofit's wins each year is with an annual report. This not only helps keep current donors informed, it can also draw in new donors.

While annual reports are an important means of communication for your donors, they don't need to be tedious and time consuming for you. In fact, in recent years many nonprofits have turned to creating more innovative types of annual reports to showcase their cause and efforts, and they've seen great success from doing so.

And we want you to benefit from this trend. We created this guide to help you build an annual report that stands out from the rest. In this guide you'll learn not only what to include in your report but how to present that information in a digestible way.

Let's get started!

# Chapter 1

## Reasons to Write an Annual Report

As an increasing number of nonprofits vie for the same pool of supporters and dollars, accountability is more important than ever. People are more likely to support your organization, and feel good about their donation, when they see concrete evidence that donations are being used wisely and are creating a noticeable impact.

Not only does your annual report create transparency and trust with your current donors, it can

help convince someone who is on the fence about donating. When they can see a summary of your operations in a succinct package, it's easier for them to get behind your mission.



In addition to increased transparency and attracting new donors, there are several other reasons why you should write an annual report. It can help...

- **Familiarize readers with your nonprofit at every level:** objective, mission, financial status, projects, programs, and people
- **Improve your credibility**
- **Substantiate your nonprofit's contributions to the community**
- **Generate new donations, retain donors, and grow partnerships**
- **Share your mission with a wide audience**
- **Demonstrate accomplishments**
- **Provide valuable information for your target audience which may include:**
  - Donors
  - Volunteers
  - Community leaders
  - Future board members
  - Supporters (in-kind)
  - Elected officials
  - Potential partners
  - Grant funding entities

A well-written annual report can help you demonstrate your accomplishments to current and future donors, cultivate new partnerships, and recognize important people. It is essentially a year-round marketing piece—one that can make a significant impact and help boost donations.

# Chapter 2

## Basic Components of an Annual Report

Deciding what information to include in your organization's annual report is the first step to creating one. But you have to understand the basic components of a report. Corporate benefactors and others who read through a lot of annual reports expect to find information in a certain order.

Traditionally, annual reports are organized like this:

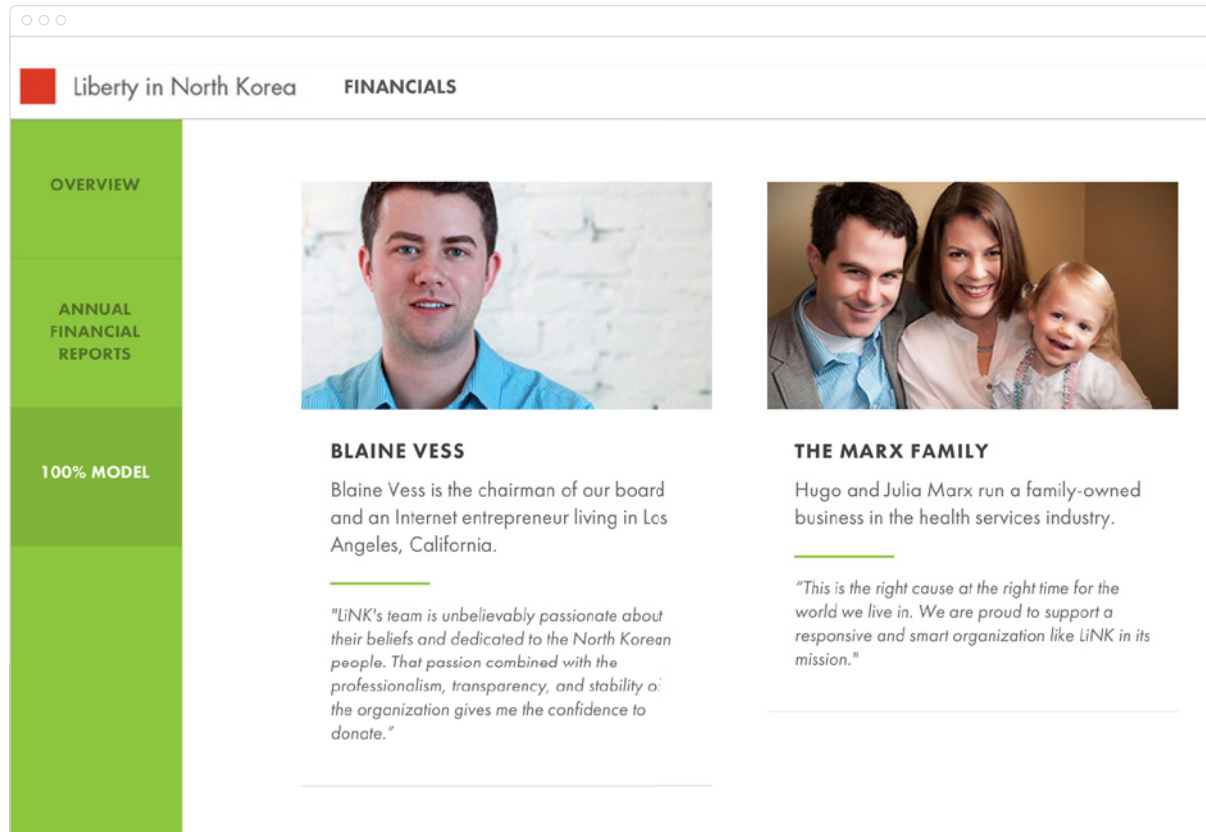
- **Front Cover.** Title and theme plus the organization's name and logo
- **Letter from the executive director or board president**
- **Mission statement**
- **History of nonprofit**
- **Philosophy and beliefs**
- **Statistics and profiles of people you serve**
- **Success stories**
- **Highlights of accomplishments for the year.** Projects, programs, services
- **Financial statements.** Audited or not audited is acceptable
- **Awards, grants, loans, and donations** your nonprofit has received
- **Roster.** The executive director's name, plus board members' names and affiliations
- **Acknowledgments of top contributors, supporters, and volunteers**



The trick when including all this information is to be as to the point as possible. Clear, concise writing that highlights only the most relevant and important information is what will engage your supporters and help your annual report stand out.

The following tips can help you tackle some of these key areas in your report.

1. **Accomplishments.** Readers want to know what you did, but more importantly why you did it. What was accomplished by doing those activities? How many people did you help? How much money did you save?



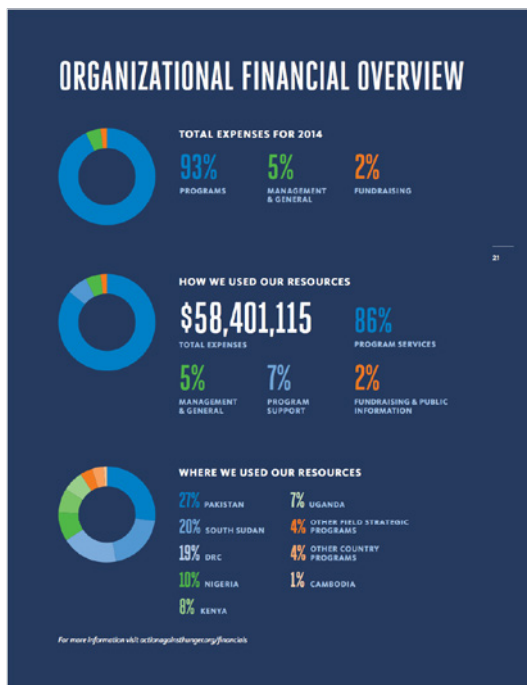
Liberty in North Korea shows off their accomplishments with stories from donors and board members.

Nonprofits sometimes make the mistake of assuming an annual report should include a description of activities. Instead it should provide a summary of what you accomplished while hosting those activities. Instead of focusing on the fact you hosted a trip to an orphanage, explain how your trip to the orphanage made an impact.

**2. Success stories.** Supporters want to hear powerful stories about the impact of your work. Feature people who have been impacted by your cause and let those voices tell your story. Get away from business writing and make your report a more personal piece. Include profiles, testimonials, and anecdotes that help demonstrate impact.

Use visual storytelling to describe the scene, and vivid language to make your readers feel as though they are part of the story. Use sidebars, videos, and photos to help bring the stories to life.

**3. Financials.** Your financials should tell a story, too. And that means they should be easy to understand. Printing full financials could cause more harm than good. Readers who are unfamiliar with financial statements will skip right over them rather than trying to understand what every number means. Even people who know how to read financial statements probably won't take the time to connect valuable meaning to the numbers.



Action Against Hunger's financials are provided in an overview format with bold statements and visual charts.

Financial statements can also be misinterpreted, especially if you have large one-time income and expense items that throw off your bottom line.

Leave out full financials and instead use abbreviated financial statements that are easy to digest. Use charts to document income and expense variations over time, and provide short explanations of financials in written format.

Unless you feel strongly about having your full financials in your annual report, leave them out. Instead, use graphics and a short narrative



description of how much you raised and how you spent the money. Include a note stating your full financials are available upon request or can be found on your website.

- 4. Acknowledgements.** Expressing your gratitude is key in this section of the report. Give your community of supporters the sense that you embrace them as partners in helping to bring about all the year's accomplishments.

In traditional reports, nonprofits often list the names of every single donor, but in short reports this is simply not possible. Instead use the stories you tell, the profiles and photos you include, and your overall tone to convey how important their support is to your success. This attitude of appreciation should permeate the entire report.

- 5. Call to Action.** While readers aren't necessarily expecting a call to action, it's an opportunity for your organization. After you've inspired your readers with your accomplishments, it's time to throw in an ask. Tell your readers exactly how they can help you. Include a box—or a full page—at the end of the report with a call to action or a request for help. Let readers know the different ways they can support your organization, even if it is not in the form of a financial contribution.

It may also be helpful to list the types of donations you accept. For example you may promote:

- **Gifts of stock**
- **Charitable gift annuities**
- **Memorial gifts**
- **Workplace giving opportunities**
- **Monthly memberships**
- **Volunteer opportunities**

# Chapter 3

## Annual Report Reimagined

You may be tempted to pack in a lot of info, but long gone are the days of producing a 30-page annual report that your readers just skim over. Instead, savvy social impact organizations are giving their readers something to get excited about. They are turning toward shorter reports—2-4 pages in length—that tell a story rather than list facts.

If your organization still follows any of the below traditional styles of reporting, it may be time to reevaluate how you can set yourself apart. Here's a look at the new style of reporting:



### TRADITIONAL OLD STYLE

- Laundry list of what you did the past year
- Full financials, including CPA's audit letter
- Long lists of donors
- Long executive letter



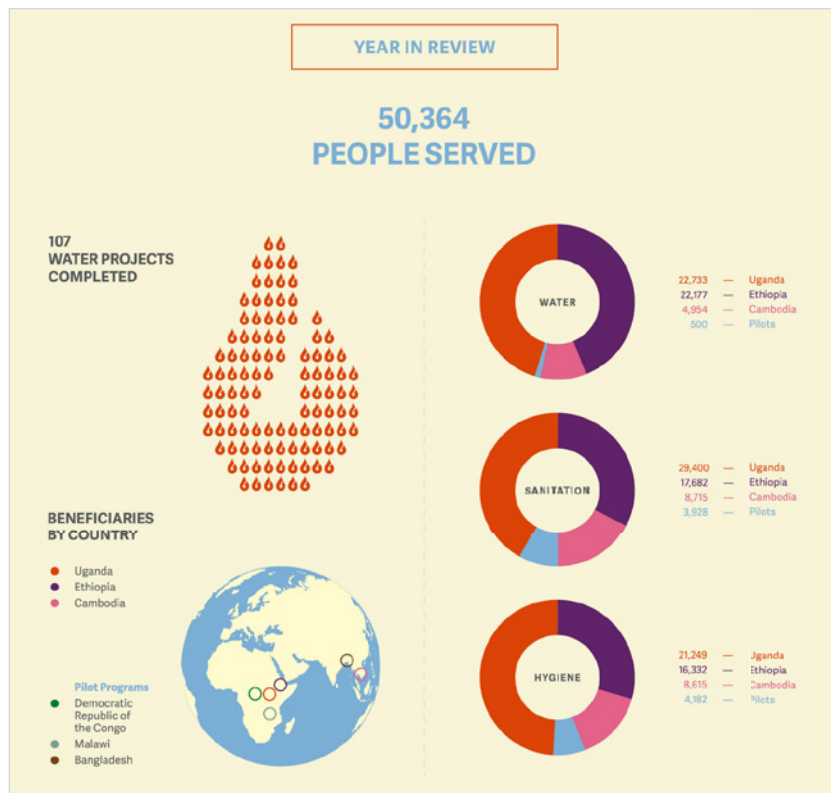
### NEW AND IMPROVED

- The changes you brought about
- Wise spending and stability at a glance
- Donors feel like they belong
- Whole report feels like a personal message

## Start with a Theme

If you'd like to avoid writing a traditional annual report from the start, there are several steps you should follow. The first step is to choose a theme in which you can package your entire report. Here are a few examples:

- Transformation
- Day in the life
- Milestones
- Critical issues
- Progress toward the future
- New undertakings
- Milestone anniversary
- Year in Review



In the graphic to the left, Life Water, a nonprofit Christian water development organization dedicated to effectively serving vulnerable children and families, chose their annual report theme to revolve around a Year in Review. In their short, five-page annual report, they focus on the outcome of their yearlong efforts, a year in the life of two of their success stories, and their year-end financials.

## Find a Key Objective

The next step is to choose your key objectives for the report. These might be:

- **To demonstrate accomplishments** (not activities).
- **To recognize important people** (donors, major funders, partners, volunteers).
- **To provide an account of your organization's impact the past year.**
- **To share your mission.**
- **To generate new donations, retain donors, and build and develop partnerships.**

## Consider your Entire Audience

Tailor your report to speak to a wide audience. This might include...

- **Donors, current and prospective**
- **Volunteers**
- **Community leaders**
- **Board members**
- **Elected officials**
- **Potential partners and grant funding entities**

You want to make current supporters feel good about their involvement with your organization and to build trust among your community and with prospective donors.

## Make Financials Digestible

The last step is to wrap it all up with easy-to-digest financials:

- **Use pie charts and bar charts** (use five or less elements in your pie charts to keep them clean).
- **Include short explanations about where your revenue comes from and how the money is spent.**

With a consistent theme, clear and concise financials, and a report that targets a larger audience, your information will be easier to digest at a glance. Instead of having the reader skim through wordy mission and impact stories, you can appeal to them emotionally, making supporters feel more invested in your organization and compelled to help.

# Chapter 4

## Trends in Annual Reports

While it's good to know what information to share, it's just as important to know what not to share. Organizations have traditionally used annual reports as an opportunity to update their supporters on everything they've done over the past 12 months. While this information may be important to your organization it isn't necessarily important to your readers. Condensed annual reports are becoming the trend. But how do you decide what to include and what to leave out?

Here's what the new and improved reports are leaving behind:

- **The Full Story.** Don't give more background details than supporters really need. Condense your copy so it is both interesting and readable.
- **Inner Workings.** Getting a new intranet, switching over your CRM system, or getting new fundraising software isn't likely of interest to donors. You may get really excited about the behind-the-scenes intricacies but your donors probably won't find that level of detail enthralling. Go ahead and leave it out.
- **Staff and Board News.** This is better suited for a newsletter rather than an annual report.
- **Full Financials.** Stick to the highlights.
- **Failures.** While more organizations are becoming transparent about failures, be sure to focus on the lessons learned from those failures instead of the details of what went wrong. The majority of your report should highlight your successes from the year.
- **Future Activities.** Hint at the future, but focus the overwhelming majority on the report on recent results.



NO  
FULL STORY



NO  
INNER WORKINGS



NO  
STAFF NEWS



NO  
FULL FINANCIALS



DON'T  
FOCUS ON WHAT  
WENT WRONG



DON'T  
FOCUS ON FUTURE  
ACTIVITIES

## How to Address Failures

More organizations are embracing failure reports. It may seem like a risk to publicly celebrate your stumbling blocks, but organizations are finding this allows them the chance to share the lessons they learned and creates a culture that encourages creativity and calculated risk.

This section doesn't focus solely on what went wrong during the past year, but rather how to learn and grow from those failures. While a failure report can be a section in annual report, some organization's are even turning it into its own report. One company that believes in transparency when it comes to failure is Canada's Engineer's Without Borders.<sup>1</sup> For four straight years EWB has dared to publicly speak about their setbacks, not only to improve the efficacy of international aid, but in the hopes of getting their peers to talk about their failures with greater transparency as well.

In their most recent failure report they wrote:



*“ Try as we might to eliminate failure from the natural process of achieving any goal, we instinctively seem to know that learning from it has a transformative, irreplaceable, propellant power.”*

---

<sup>1</sup> Engineers Without Borders Canada, “Failure Reports.” <http://legacy.ewb.ca/en/whoweare/accountable/failure.html>

Whether you choose to include your failures in your annual report or leave them out completely, it is essential to keep your annual report as short and simple to read as possible. Leave out the fluff and focus solely on the essentials.



# Chapter 5

## Planning and Timeline

Plan to spend at least 3 to 4 months putting together your annual report, from the time you first meet to discuss the content to the day you start distributing it.

Before you start, here are some questions you might ask yourself.

### WHO'S INVOLVED

- **Who will help prepare the report?** Will your development team be responsible for taking on the task? Will this be a project for marketing? Or will this be a combined effort from many different departments? Establish this from the beginning to set expectations and deadlines.
- **Do we need to engage an external freelancer (writing and/or design)?** Consider the time and resources you have from your internal staff. Then determine whether you have the funds to hire a freelance writer to help create your annual report or a designer to help beautify your end product.
- **Who will double- and triple-check our reported financials and donor list for accuracy?**

### WHAT WILL THE CONTENT BE

- **What will be our annual report's theme?**
- **What are our best stories to tell?** Your organization has plenty of stories to tell and your annual report is the place to tell them. How have you made an impact in the past year? Is there one story in particular that will be sure to capture your readers' attention?
- **Are we gathering photos all year long so we have enough come time to prepare our report?** Your organization should be collecting photos from your fundraising events year-round to showcase your impact in your annual report. If you have not been doing so, now is the perfect time to start.
- **What are our three major accomplishments/achievements from the past year?**
- **What calls to action will we include?** Your supporters need a specific and direct call to action to give. Make sure you are fully transparent with your ask.

## HOW WILL IT BE DISTRIBUTED

- Is our donor list accurate and up to date?
- Will we distribute in print and/or online?
- What time of year will we release our report?



Typically, annual reports are printed to coincide with annual meetings, board meetings, or other special events.<sup>2</sup> To ensure your annual report is ready and distributed on time, work backward from the desired release date. Planning in advance will allow you to work around travel, vacations, and staff and volunteer schedules. Here's an overview of what your timeline should look like:

- **3 Months Out.** Estimate budget, prepare detailed schedule, brainstorm theme, outline content, and start selecting photos
- **2.5 Months Out.** Select consultants, and draft, refine, and proofread copy
- **2 Months Out.** Approve initial design concept
- **1.5 months Out.** Draft layout, route for final approvals
- **1 Month Out.** Get final text, get final design
- **2 Weeks Out.** Complete final design, send report to printer (if applicable)
- **1 Week Out.** Prepare for distribution

---

<sup>2</sup> The Enterprise Foundation, "How to Write an Annual Report." <http://www.nonprofitmaine.org/wp-content/uploads/2007/04/How-to-Write-an-Annual-Report.pdf>

# Chapter 6

## Distributing Your Annual Report

The best part about shorter, trendier reports is that they don't take up as much space as traditional reports. That means you don't have to shell out big bucks to print and mail a 40-page document. Save money and revamp your report by using a new and improved format.



## Print Annual Reports

### TWO-PAGE AND FOUR-PAGE PRINT ANNUAL REPORTS

Mailing copies of annual reports is still a good method of delivery for an older, traditional donor base, however this can be done in a two-page or four-page format. You will be able to focus on the main highlights from the year while providing the right amount of information for that more “personal” feel.

#### Tips on Condensing

- **Focus on three accomplishments.** As painful as it may be to not describe all the little wins, focus on the big and most meaningful results.
- **Forget printing your full financials.** Instead, tell your financial story visually. Include a short note about how supporters can download your full financials on your website.
- **Use a handful of great images instead of a dozen.** Pick 3 or 4 that say the most about your work.
- **Share quick stories.** You don't have space for full profiles, but you can share some anecdotes about people you helped and worked with the last year, as they relate to the three accomplishments you decide to highlight.

- **Trim your donor list.** Set a minimum donation level and only print names of people who gave more than that amount.

## OVERSIZED POSTCARD

Stand out in the mailbox by producing an annual report in the form of an oversized postcard. Not only is this method less time-consuming to produce, it's also less expensive to print and mail than other forms of direct marketing.

### Tips for Mailing an Oversized Postcard

- **Pick 2 or 3 best photos of the year**
- **In addition to a few photos, leave plenty of space for a compelling message**
- **Bullet highlights**
- **Include a few testimonials**
- **Send them to your website for more details**
- **Splash across a big “Thank You!”**



Midwives for Haiti includes statistics on the problems they face on the ground, along with how their programs seek to address those issues.

Still apprehensive? Check out a few examples of [Nonprofit Annual Report Postcards](#) on Pinterest.

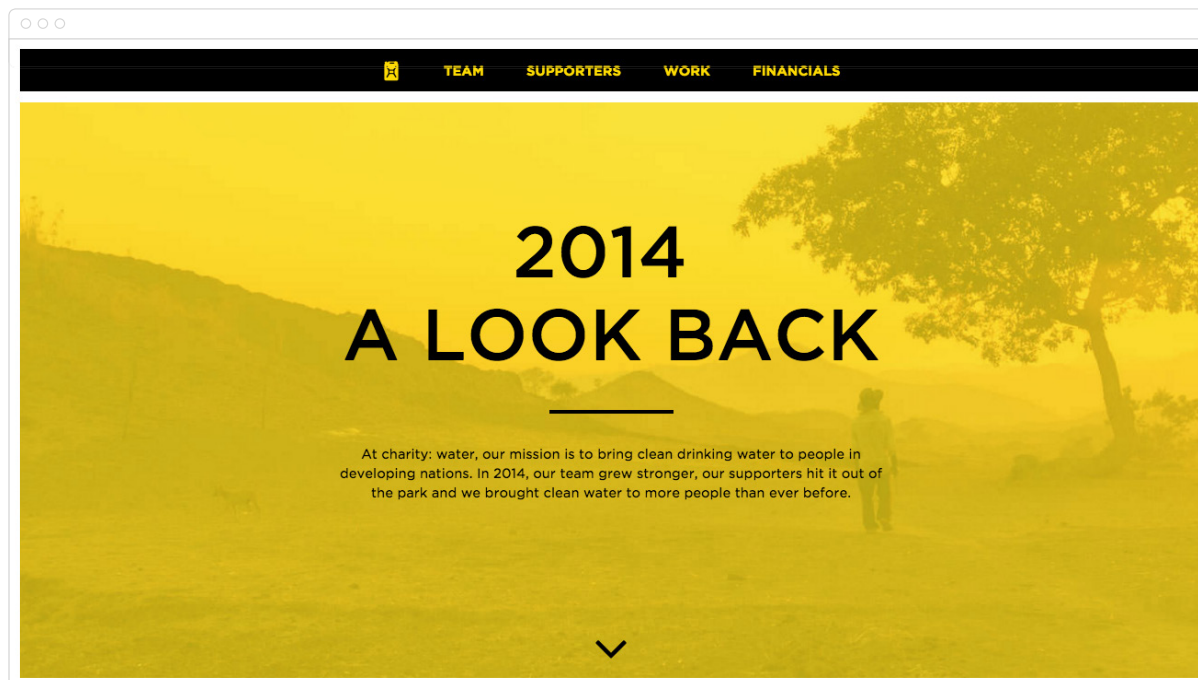
## Digital Annual Reports

Putting your annual report online gives you expanded reach, additional online fundraising opportunities, and the chance to put your most memorable foot forward in the form of video or interactive features that are shareable on social media. Due to the wide range of online formats available—from very simple to complex depending on the coding effort required—there are options for every budget that typically beat printed reports in terms of cost savings.

This format is also beneficial for nonprofit organizations who still wish to include a lot of supplementary information. Both PowerPoint and PDF formats allow links to websites so you can reduce the size of your annual report or include a link to the “full version” on your website.

### ANNUAL REPORT MICROSITE

If reducing the amount of content you want to share sounds impossible, consider creating a separate page on your website that’s dedicated to your annual report.



For 2014, charity: water built a microsite to showcase the year’s highlights and biggest fundraiser milestones. Each milestone includes a short description along with a link to read more about it elsewhere on their site.

## Include the Following on Your Microsite

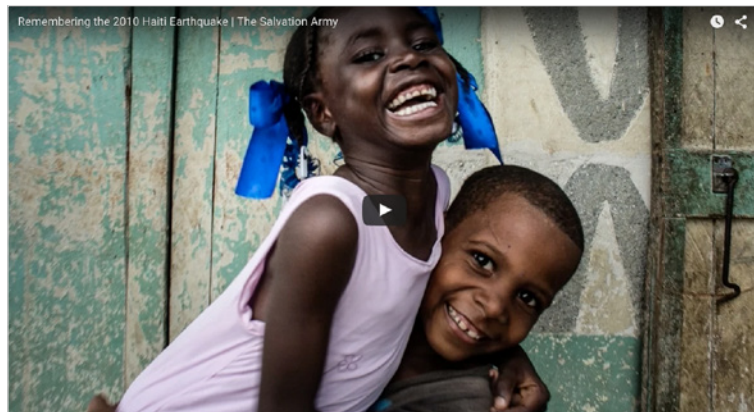
- **Photos**
- **Text**
- **Video**
- **Audio**
- **Relevant downloads**
- **Interactive questions**

## VIDEO

Connect more emotionally with your readers by creating an annual report in the form of a video. 70 percent of marketing professionals report that video converts better than any other medium.<sup>3</sup> Video promotion is also over six times more effective than print and online.<sup>4</sup>

### Annual Report Video Tips:

- **Release your annual report video near the end of the calendar year** and incorporate it into your year-end fundraising campaigns.
- **Highlight 10 to 12 accomplishments or victories in rapid succession.** What makes you special? What are you trying to accomplish?
- **Shoot your report documentary style.** It should be fast-paced and lively, but have a relaxed feel with natural conversation that allows the viewer to connect with the content.



▶ **Watch the Video**

The Salvation Army remembers the 2010 Haiti earthquake.

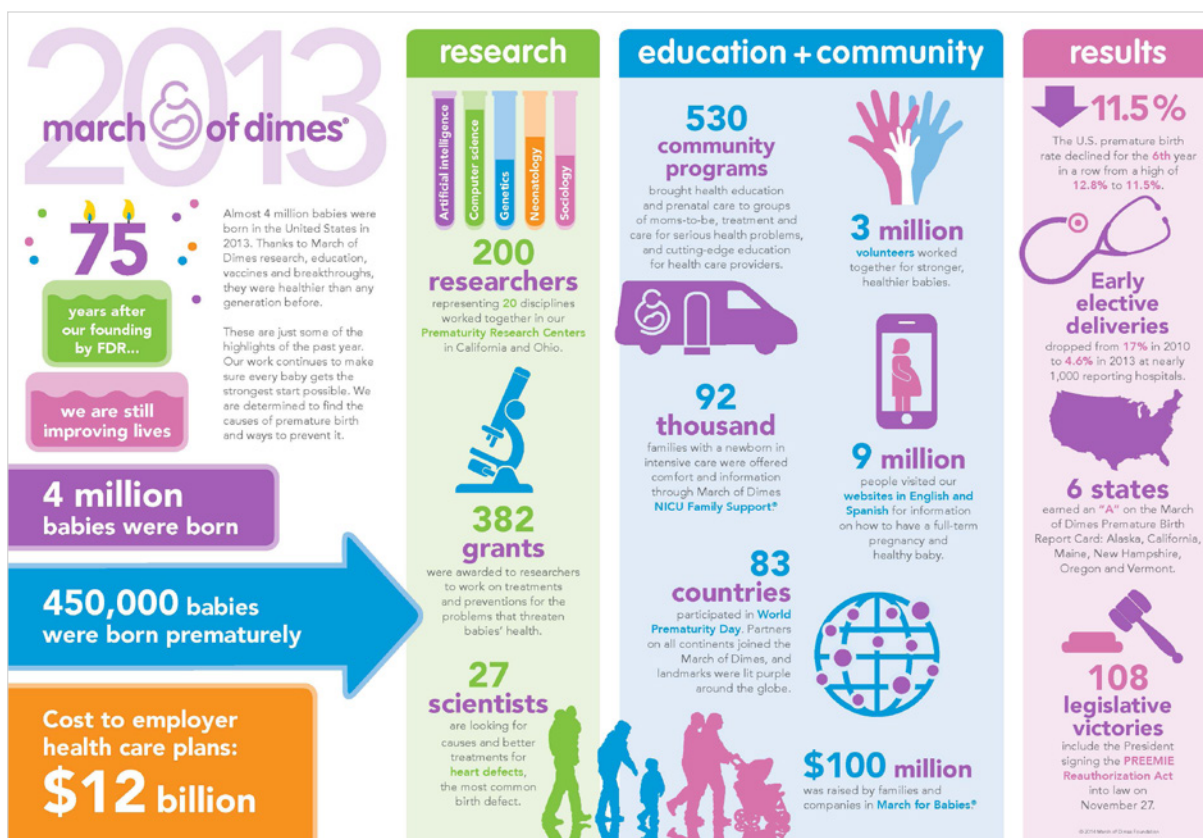
<sup>3</sup> Adelle Studios, "The Top 15 Video Marketing Statistics for 2015." <http://www.adeliestudios.com/top-15-video-marketing-statistics-2015/>

<sup>4</sup> B2B Marketing, "25 Stats Marketers Should Know About Video." <http://www.b2bmarketing.net/blog/posts/2013/06/06/25-stats-marketers-should-know-about-video>



## INFOGRAPHIC

Infographics are a visual representation of data that tries to convey complex information to an audience in a manner that can be quickly consumed and understood. In just over two years, infographic search volumes have increased by over 800 percent.<sup>5</sup> An annual report is a great way to condense complicated information into one, beautifully designed resource. When done well, infographics can help your organization communicate better with what Aeri Wittenborough, communications officer at Concern Worldwide, refers to as “an increasingly visual literate donor population.”<sup>6</sup>



March of Dimes highlights the success of their work using actual data in this infographic. Supporters can understand small milestones throughout the year among a bigger picture of their success.

<sup>5</sup> Unbounce, "Why Do Infographics Make Great Marketing Tools? [Infographic]." <http://unbounce.com/content-marketing/why-do-infographics-make-great-marketing-tools/>

<sup>6</sup> The Able Altruist, "4 Steps to Creating Stellar Infographic Annual Reports." <http://able-altruist.softwareadvice.com/4-steps-to-creating-infographic-annual-reports-0714/>

## Tips for Creating an Annual Report Infographic

- **Focus on 2 or 3 important data points.** Only essential data should make it into the infographic, such as the overall impact and where the money went.
- **Tell a personal story to communicate impact.** A good story to use is one that highlights the success of your organization while appealing to the cares and concerns of donors.
- **Align with your existing design elements.** You've likely started to develop a visual brand on your website and any other recent publications. Reinforce this brand by using similar design elements to present a cohesive look and feel.
- **Hire a designer with relevant experience.** If you do not have an in-house design expert, you'll need to hire a freelancer to complete this for you. Choose the right professional for the job by hiring someone with relevant experience and communicating the message and visual elements you want to include.



# Chapter 7

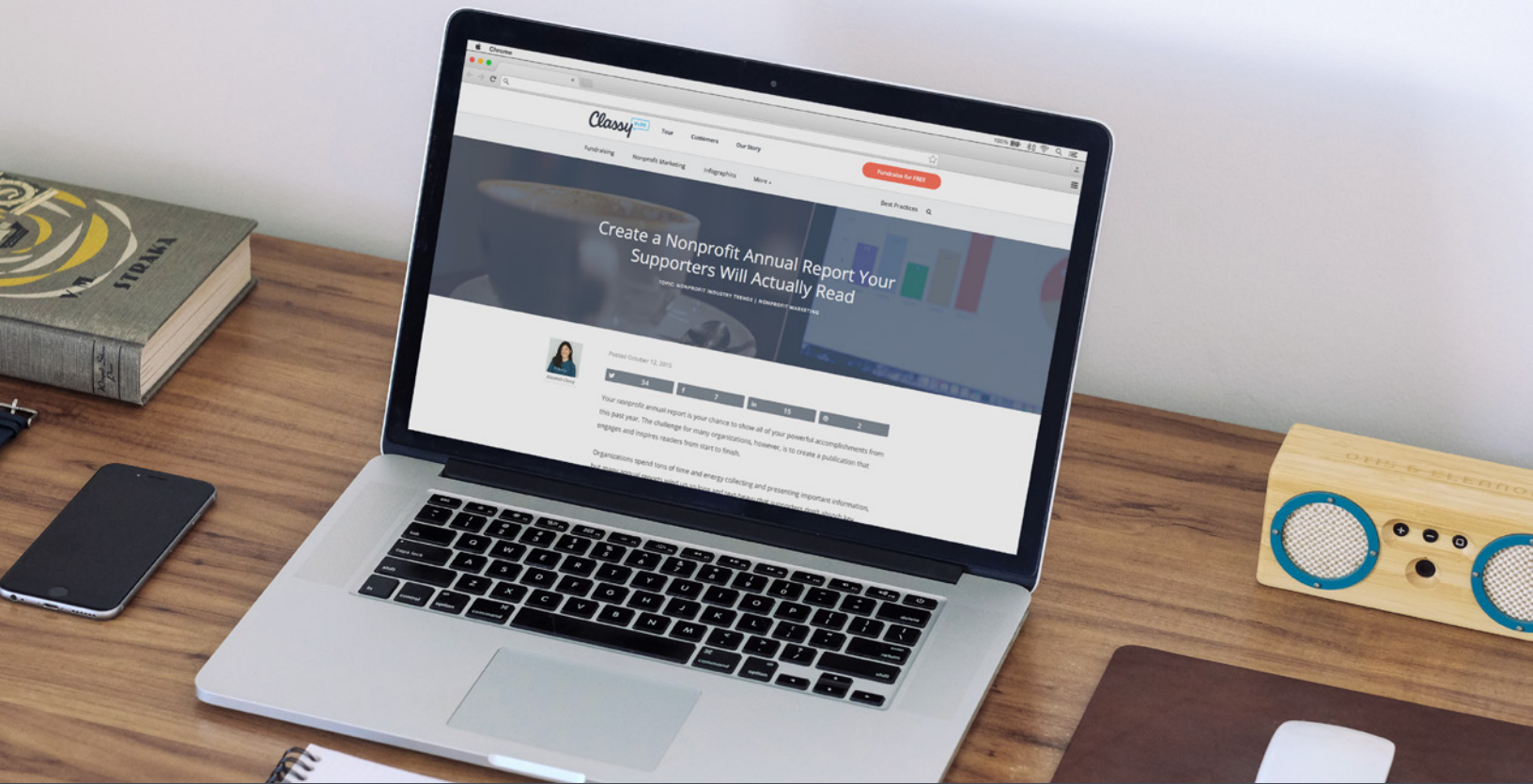
## Checklist for an Enticing Annual Report

- ☐ Identify target audiences
- ☐ Choose a theme
- ☐ Avoid printing dense blocks of text
- ☐ Abbreviate financial statements
- ☐ Inspire donors with accomplishments related to your mission
- ☐ Show the difference you made
- ☐ Feature compelling photographs
- ☐ Highlight your successes with stories
- ☐ Humanize your statistics with personal profiles
- ☐ Showcase top donors
- ☐ Have a call to action
- ☐ Be clear about the best ways to help
- ☐ Keep it four pages or shorter
- ☐ Proofread, multiple times
- ☐ Show how you helped the world rather than how you raised money for it

# Conclusion

Your annual guide is one of the most vital communication and marketing resources your nonprofit organization can write, but it doesn't have to be like the stuffy reports of old. Reimagine and revamp your annual report to stand out from the rest and motivate others to give to your cause. Do you have what it takes to be different?

# Classy



## Your next nonprofit marketing best friend — the Classy blog.

Get all the tips you need, from creating an annual report your supporters will actually read to crafting emails that convert supporters. We've got you covered.

[Subscribe today →](#)