

KNOW your TOP 10

By: Harvey McKinnon Associates

10 Commonly Used Fundraising Metrics Explained

Do you know your vital signs?

If you arrive at the emergency department on a stretcher, the first thing they do is check your vital signs.

Your pulse. Your blood pressure. Your temperature.

Nothing says more about your immediate health and your future viability than your vital signs.

The same goes for your non-profit.

But when was the last time you checked your vital signs? All 10 of them? When you monitor these vital fundraising metrics, you know how successful you are. Or aren't. And you know what you must do to improve your health.

If you need help making sense of your numbers, give us a call. We're here to help. You can count on that.

Sincerely,

A handwritten signature in blue ink that reads "Harvey McKinnon". The signature is fluid and cursive, with "Harvey" on the top line and "McKinnon" on the bottom line.

Harvey McKinnon

Net Annual Growth in Donors

Definition *The growth in your donor file when you compare the number of new donors to the number of donors lost.*

Why it's Important

Your donor renewal rate tells you the percentage of your donors who give again. And your donor attrition rate tells you the percentage of donors who stopped giving. But neither metric tells you if you lost or gained donors overall in a given year.

How to Calculate

- A. Count how many donors gave a gift last year (A).
- B. Count how many of these donors gave a gift this year (B).
- C. Subtract B from A. The result (C) is the gross number of donors who lapsed. Express this as a negative number.
- D. Count how many donors you acquired this year (D).
- E. Add D to C. This is your Net Annual Growth in Donors.

Example

A	B	C	D	E
# of donors who gave last year	# of last year's donors who gave this year	Gross number of donors who lapsed this year	Number of donors acquired this year	Net Annual Growth in Donors this year
5,000	3,000	-2,000	2,500	+500
Net Annual Growth in Donors				+500

Second Gift Conversion Rate

Definition *The percentage of new donors who make a second gift.*

Why it's Important

The most important gift in fundraising isn't the first, but the second. Most donors (around 55%, depending on the channel of acquisition) who make one gift to a non-profit never make another.

How to Calculate

- Count how many new donors gave their first gift in Year 1 (A).
- Count how many of these same donors gave a second gift (B).
- Divide B by A to get C, and express as a percentage.

Example

A	B	C
Number of new donors who gave their first gift in Year 1	Number of new donors from Year 1 who gave a second gift	Divide B by A and express as a percentage
5,000	2,000	40%
Second Gift Conversion Rate		40%

Tip: If you have a low Second Gift Conversion Rate, you either are attracting donors unlikely to make a second gift, not treating your first-time donors properly, or not asking for that vital second gift soon enough (or all three).

Remember: Second Gift Conversion Rates vary greatly by donor acquisition channel.

Net Cost Per Donor Acquired

Definition *The amount of money you must spend to acquire one donor.*

Why it's Important

Acquiring donors invariably costs money. The key to successful donor acquisition is to acquire as many long-term, loyal donors as possible at a reasonable cost. This metric helps you (and your board) know how much you should be willing to spend per donor to grow your donor base.

How to Calculate

Subtract your fundraising expenses from your gross income (resulting in your net income), and divide the result by the number of donors acquired.

Example

Fundraising Cost	\$50,000	Donors Acquired	500
Gross Income	\$34,000	Net Income	-\$16,000
Net Cost Per Donor Acquired			\$32

Tip: To justify your Net Cost Per Donor Acquired, calculate your Long-Term Donor Value. If the amount you receive from your average donor is much greater than the cost of their acquisition, you can justify the cost of acquisition.

Remember: Calculate your Net Cost Per Donor Acquired for every acquisition channel. You need to know this number to win board approval for your donor acquisition budget.

Donor Attrition Rate

Definition *The rate at which donors do not renew their gifts each year, expressed as a percentage of all active donors in a given year.*

Why it's Important

Monitoring this number (especially for each channel) helps you know what percentage of your donor file you need to replace each year through donor acquisition. A high attrition rate indicates that you need to improve your program.

How to Calculate

- A. Count how many donors gave a gift in Year 1 (A).
- B. Count how many of these donors gave a gift in the following year, Year 2 (B).
- C. Divide B by A to get C.
- D. Subtract C from 100 to get D, and express as a percentage.

Example

A	B	C	D
Number of donors who gave a gift in Year 1	Number of donors from Year 1 who gave again in Year 2	Divide B by A	Subtract C from 100 and express as a percentage
5,000	4,000	80	20%
Donor Attrition Rate			20%

Donor Renewal Rate

Definition *The percentage of donors who renew their support each year with a gift, usually within 12 months following their last gift.*

Why it's Important

High renewal rates indicate that you are doing a good job of engaging and stewarding your donors, and that you are likely not over-soliciting or under-soliciting them.

How to Calculate

- A. Calculate how many donors gave a gift in Year 1.
- B. Calculate how many of these same donors gave a gift in the following year, Year 2.
- C. Divide B by A to get C, and express as a percentage.

Example

A	B	C
Number of donors who gave a gift in Year 1	Number of donors from Year 1 who gave again in Year 2	Divide B by A and express as a percentage
5,000	4,000	80%
Donor Renewal Rate		80%

Remember: Getting second and subsequent gifts from existing donors is up to eight times cheaper than getting first-time gifts from non-donors.

Average Gift

Definition *The size of gift given by the majority of donors.*

Why it's Important

Indicates the depth of donor interest in your cause, and the average donor's financial ability.

How to Calculate

To calculate your mean average gift, divide your gross income by the number of gifts you received. To calculate your median average gift, sort all gifts by size and find the gift right in the middle of all the gifts.

Example

Gross income of \$21,786 divided by 239 gifts equals a mean average gift of \$91.15.

Tip: *The most common average gift in fundraising is the mean average gift. This average gift is usually larger than a median average gift because of larger gifts. For example, if you have 10 donors, and one donor gives you a gift of \$1,000 while the other nine give you a gift of only \$1, your average gift (unless you factor out the large gift) will be \$100.90, clearly not an accurate figure. But the median average gift in this case would be \$1, a more accurate average gift.*

Cost to Raise a Dollar

Definition *The amount you spent in fundraising costs to raise one dollar in gross income.*

Why it's Important

Useful in comparing the cost of fundraising year over year, and channel by channel (direct mail versus online versus special events, for example).

How to Calculate

Divide your fundraising cost by your gross income.

Example

Fundraising cost of \$45,989.76
divided by gross income of \$267,787.98
= 0.17, or 17¢ to raise \$1.

Tip: *Although this is one the most popular metrics in fundraising, it tells only part of your success. It does not tell you how much net revenue you raised.*

Net Income

Definition *How much (or little) money you have left over after deducting your fundraising expenses from your gross fundraising income.*

Why it's Important

Net Income is the only income that you can use to fund your cause. It's the reason you go to work each morning. Without net income your non-profit cannot survive.

How to Calculate

Subtract your fundraising expenses from your gross fundraising income.

Example

Your fundraising expense is \$45,989.76.

Your gross fundraising is \$267,787.98.

Your Net Income is \$221,798.22.

Tip: *Monitor both your annual net income from all channels combined, and your annual net income from each channel.*

Return on Investment

Definition *Gives you a score, expressed as a percentage or a dollar figure, that tells you how effective your fundraising investment is at generating net income.*

Why it's Important

Your chief financial officer wants to see this one—often.

How to Calculate

Divide your net income by your fundraising cost.

Add a dollar symbol and that is your return on investment.

Or, multiply the number by 100 and add a percentage symbol.
That is your return on investment.

Example

Net income of \$221,798.22 divided by fundraising cost of \$45,989.76 = 4.82. So the return on investment is \$4.82.

In other words, for every \$1 spent on fundraising, you raised \$4.82 in net income. Or, your return on investment was 482.27%.

Tip: *In the for-profit world, return on investment is called profit.*

Remember: *This metric has to be looked at in conjunction with others. You could have a lower ROI but actually earn more net income for your programs. There are always strategic decisions involved in choosing the most important metrics.*

Long-Term Donor Value

Definition *The gross income you receive from your typical donor during the time the donor gives to your charity.*

Why it's Important

When your average donors stay with you for a long time, and increase their level of commitment over time, you are clearly creating and maintaining meaningful, mutually beneficial relationships with your supporters.

How to Calculate

Pick a year in the past. Count how many donors you acquired that year. Calculate the number of gifts these donors gave and the value of those gifts for each of the years that followed. Calculate the average number of gifts per donor per year, and the average gift per donor per year. Multiply one by the other to calculate your Long-Term Donor Value.

Example for 6,856 donors acquired 5 years ago

	Year 1	Year 2	Year 3	Year 4	Year 5
Cumulative Gifts	10,912	19,227	26,553	33,286	38,376
Cumulative Gifts/Donor	1.6	2.8	3.9	4.9	5.6
Cumulative Revenue	\$3,002,975	\$4,877,466	\$7,051,333	\$10,781,172	\$13,695,731
Average Annual Gift	\$275	\$254	\$266	\$324	\$357
Long-term Donor Value	\$438	\$712	\$1,029	\$1,573	\$1,998

Here is another number you need to know...

If you need to acquire more donors, boost your net revenue, or increase the long-term value of your donors, we should talk. Please call us today.

- **Harvey McKinnon or Lynne Boardman: 1(800) 815-8565**
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About Us

Harvey McKinnon Associates is a team of passionate fundraisers who help non-profit charities acquire donors, boost net revenue, and increase long-term donor value. We do this primarily through direct mail, monthly giving, mid-level donor programs, and bequest marketing.

We are a full-service direct response fundraising agency. Our mission is to help you build ethical, loyal relationships between your donors and your organization. We believe that by using our skills to put your donors first, we can help you reach your fundraising potential.

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Working with
organizations
we believe in



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Call us today!
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