

Return on Investment (ROI) Analysis of Fundraising Campaigns by Muslim Organizations

Financial metrics are measures of financial performance of an organization. A critical measurement is return on investment (ROI) which summarizes the amounts earned from an investment and the amounts spent to generate that return. Over the last few decades, ROI has become a central financial metric for decision making for projects and programs of all kinds. Besides project financing, such analysis are made of capital and marketing campaigns over a period of time, and, depending on the scope of a project, can take weeks and months. The end result is summarized - typically on a single page - for the executives to make future decisions based on the past performance, as well as improve business results in the future by reducing costs and increasing revenues.

Just as businesses use such measures to determine the financial success (or failure) of their operations, non-profit managers can also monitor their effectiveness in fundraising by incorporating such analysis in their planning and decision making. In fact, these analytical tools are even more valuable in a non-profit environment where the resources are scarcer and risk tolerance is much lower. As a sign of maturity of our communities, our donors are much more interested in how our non-profit organizations spend their donations made at community fundraising events.

In very simple terms, ROI measures the amount of funds raised for each dollar spent on fundraising expenses, with the result shown as a percentage or a ratio. An ROI ratio greater than 0.00 (or a percentage greater than 0%) means the investment returned more than its costs. I also use an ROI per attendee to gauge an average monetary value of each participant's attendance at our fundraising campaigns.

In case of community organizations, businesses which support our causes often pick up the tab for various segments of an event. Such sponsorship (or discount) amounts must be included in computing any returns for an accurate measurement. Moreover, it is possible that a current year's sponsorship may not be available in subsequent years. Knowing such uncertainty would help plan better and without last minute surprises. In the graphic example below, the ROI is computed after subtracting any sponsored amounts from the aggregate numbers. Another metric can be added by calculating ROI without the sponsored amounts. The difference between the 2 ROI numbers would highlight the real value of the sponsors' financial contribution.

For large organizations, with many volunteers, an ROI analysis can be complex. Nonetheless, an analysis of the factors within our control will help us manage better and also allow us to showcase the results to our supporters with concrete data.

Unlike financial metrics in the business world, the ROI for a fundraising event is computed without the time value of money because almost all the receipts and expenses occur within a short time.

While it is imperative to keep fundraising costs as low as possible, there are other intangible and non-monetary benefits to fundraising campaigns, including donor relations, prominent supporters, volunteer recruitment, and public relations, hence occasionally justifying a higher expense.

Armed with such analysis and empirical data, an organization stands to benefit tremendously by focusing on the key factors of its capital campaigns, thus gaining efficiency in not only in its operations, but also in its decision making. Once an organization has developed and refined such historical data, it can start developing benchmarks for its fundraisers, such as maximum expense ratio and a minimum ROI expected.

This is first in a series of articles on leadership within Muslim organizations. Some of the future topics will *inshaAllah* be *Succession Planning*, and *Challenges of Organizing an Event in the Muslim Community*.

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		Return on Investments (ROI) Analysis							
	Date:	2008		2009		2010		2011	
	Keynote Speaker:	Cost	Sponsored Amount	Cost	Sponsored Amount	Cost	Sponsored Amount	Cost	Sponsored Amount
	Location:								
Event Expenses:									
Speaker Costs									
Speaking Fees		2,000		2,500		3,000		3,000	
Hotel		400		400		400		500	
Airfare		500		500		500		500	
Transportation		85		85		85		0	
Food		0		0		0		0	
Gifts for the Speaker		100		250		250		250	
Plaque		0		0		0		0	
Books (for book signing)		1,000		0		500		500	
	Any \$ back for book signing	-	(100)	-	0	-	(50)	-	(100)
Childcare & Kids' Entertainment									
Food for the kids		0		118		118		118	
Entertainment		0		100		100		100	
Baby-sitters		200		300		250		300	
Food for the baby-sitters		325		300		250		300	(50)
Security (3 helpers)		150	(150)	125	0	100	0	150	(150)
Banquets & Food									
Hall Rental		3,000	0	2,000	0	1,500		2,500	0
Food		1,500	(250)	1,500	(250)	250	(250)	1,500	(250)
Audio-Visual									
Sound system rental + help		300	0	215	0	300	0	300	0
Projection Screen		50	(50)	50	(50)	50	0	50	(50)
Projector		150	(150)	150	(150)	150	0	150	(150)
Miscellaneous									
Food & Bev for the Volunteers		0	0	125	(125)	125	(125)	0	(125)
Gifts for the volunteers		0	0	0	0	100	0	0	0
Ticket Printing									
Printing Cost		750	(250)	325	(125)	130	(30)	750	(250)
Design Costs		0		0		100		150	
Brochure Costs									
Designing Costs		200	-	200	-	200	-	200	-
Printing Costs		500	-	300	-	300	-	300	-
	Sponsored Ads:								
	Sponsor 1		(250)		0		0		(250)
	Family 1		(100)		0		(100)		(100)
	Individual 1		(50)		0		0		(50)
	Individual 2		(50)		0		0		
Gross Expenses for the Event:		11,210		9,543		8,758		11,618	
	Less sponsored costs	-	(1,400)	-	(700)	-	(555)	-	(1,525)
Net Expenses:		9,810	-	8,843	-	8,203	-	10,093	-
Event Revenues:									
	Ticket Price :	\$75		\$75		\$100		\$100	
	No. of Tickets Sold:	400		425		450		500	
	Table (of 10) Price:	\$750		\$750		\$1,000		\$1,000	
	No. of Tables Sold:	2		3		4		5	
	No. of Complimentary Tickets:	10		11		15		15	
Total of Attendees at the Event:		430		466		505		565	
Total Revenue		31,500		34,125		49,000		55,000	
Cost of Fundraising (Net Expenses/ Revenue)		31.14%		25.91%		16.74%		18.35%	
Return on Investment (Revenue / Net Expenses)		321.10%		385.90%		597.34%		544.93%	
ROI per Attendee		\$50		\$54		\$81		\$79	