

Charitable Giving Report

How Nonprofit Fundraising Performed in 2012

Presented by
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FEATURING A CLOSER LOOK
BY TODD COHEN, FOUNDER, PHILANTHROPY NORTH CAROLINA



The Charitable Giving Report combines findings from The Blackbaud Index of Charitable Giving and The Blackbaud Index of Online Giving to provide the largest analysis of overall and online giving trends in the nonprofit sector. The aim of the Report is to provide a benchmark for giving and help inform nonprofits' fundraising strategies in 2013.

The Charitable Giving Report includes 24 months of overall giving data from 3,144 nonprofit organizations representing \$7.9 billion in total fundraising. The report also includes online giving data from 2,581 nonprofits representing \$512 million in online fundraising.

Significant work has gone into building the analysis model and making sure the data meets strict requirements. This includes collecting giving data on a monthly basis over a period of 24 months, checking and rechecking for anomalies, classifying each organization

by sector using the National Taxonomy of Exempt Entities (NTEE) code, matching and retrieving reported total revenue information, and applying statistical expertise to the data.

In addition to this year-in-review report, The Blackbaud Index is updated on a monthly basis to showcase the latest charitable giving trends. Visit www.blackbaud.com/blackbaudindex for additional insights, to chart your organization's performance against the Index, and to sign-up for free monthly fundraising alerts.

SUMMARY OF RESEARCH FINDINGS

In 2012, overall charitable giving in the United States was up 1.7% on a year-over-year basis. Large organizations grew by 0.3%, medium organizations grew 2.7%, and small nonprofits grew 7.3% compared to the same time period in 2011.

Giving to religious organizations grew by 6.1% and this helped to lift overall giving as this sector receives the largest share of charitable dollars in the United States. Education institutions also had a positive year with 1.9% growth in fundraising compared to 2011. These two sectors combine for 45% of charitable giving in the US.

Arts and culture, as well as environment and animal welfare organizations were the only other sectors to experience fundraising growth in 2012.

2012 continued to show signs of a slow recovery for overall fundraising. International affairs, healthcare, and human services organizations struggled throughout 2012 to achieve fundraising growth. These three sectors all had negative growth rates in 2012 compared to 2011. Public and society organizations had a slight decrease in overall fundraising in 2012.

Online giving grew 10.7% in 2012 compared to 2011. Large organizations grew by 7.2%, medium sized organizations grew 14.3%, and small nonprofits grew 11.8% on a year-over-year basis.

Online fundraising's return to significant growth rates is an encouraging sign in the nonprofit sector. Education, public and society benefit,

human services, and arts and cultural organizations had positive online fundraising growth in 2012. Online giving for Superstorm Sandy relief helped to boost year-end fundraising results.

The impact of double-digit growth in online fundraising is reduced by the fact that it still represents less than 10% of total fundraising revenue. Overall giving is still dominated by traditional offline channels, in particular direct mail,

where fundraising performance has not returned to pre-recession levels.

Disaster giving to support Superstorm Sandy relief efforts contributed to a minor increase to overall giving in 2012. Most of the giving was primarily concentrated among a few large nonprofit organizations and some local groups on the East Coast of the United States. Historically speaking, retention of episodic donors has been poor, and reversing this trend will be critical for these organizations in the future.

Overall giving is not likely to increase significantly until there is sustained growth in new donors, nonprofits rebuild their multi-year donor base, and overall donor retention improves.

In 2012, overall charitable giving in the United States was up 1.7% on a year-over-year basis.

OVERALL 2012 GIVING TRENDS



Overall giving rose 7.3% among small organizations in 2012, while it only grew 0.3% for large organizations.

Overall giving in 2012 grew 1.7% on a year-over-year basis for the 3,144 nonprofit organizations in the analysis. This was a decrease from the 2011 growth rate and points to a continuing slow recovery to charitable giving in the United States. It is clear that larger nonprofit organizations are still trying to rebuild their fundraising to pre-recession levels.

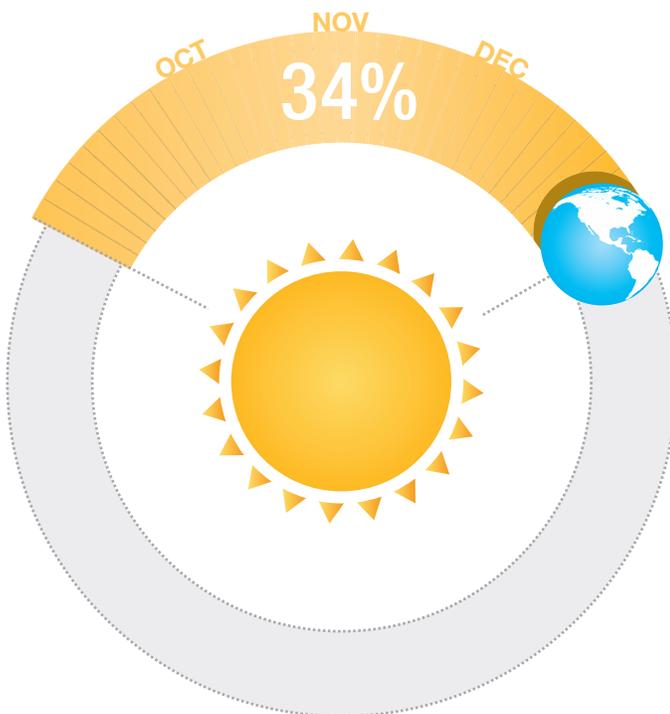
Nonprofit fundraising

performance had significant differences based on the size of the organization. Small nonprofits, with annual total fundraising less than \$1 million, grew their fundraising 7.3% compared to 2011. Medium-sized organizations, with annual total fundraising between

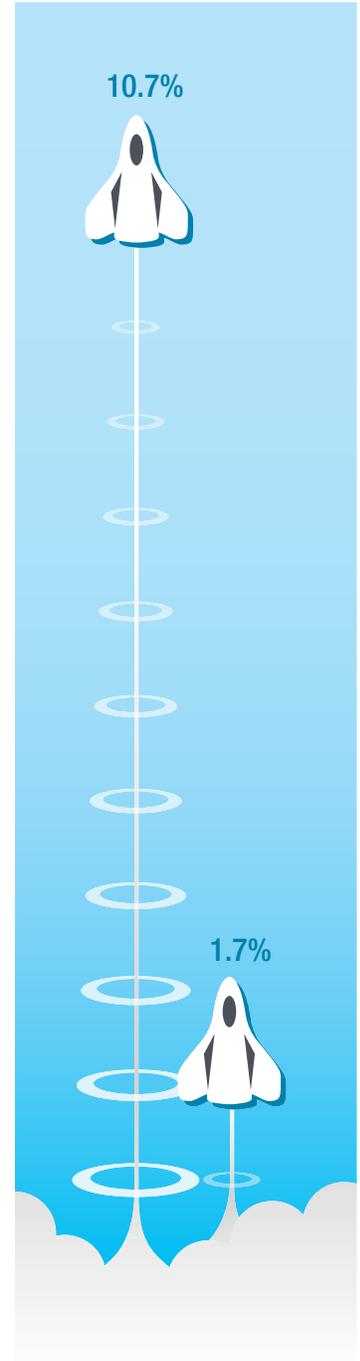
\$1 million and \$10 million, had an increase of 2.7% in 2012. Fundraising by large organizations, with annual total fundraising more than \$10 million, was up by 0.3%.

Online giving in 2012 grew 10.7% year-over-year for the 2,581 nonprofit organizations in the analysis. This was a positive sign for nonprofit organizations and continues to demonstrate the growth of the Internet as a giving channel. The Internet has now become the first-response channel of choice for donors during disasters and other emergency events.

There were differences between how the online fundraising results from organizations of different sizes performed in 2012. Medium-sized nonprofits, with annual total fundraising between \$1 million and \$10 million, led the way with a year-over-year increase of 14.3% in their online fundraising. Small nonprofits, with annual total fundraising less than \$1 million, grew their online fundraising 11.8% compared to 2011. Large organizations, with annual total fundraising more than \$10 million, grew their online fundraising by 7.2% in 2012 compared to 2011.



The last 3 months of the year account for more than a third of the year's overall giving (34% to be exact).



Online giving was up 10.7% in 2012, compared to the overall giving increase of only 1.7%.

Overall Giving Trends by Organization Size

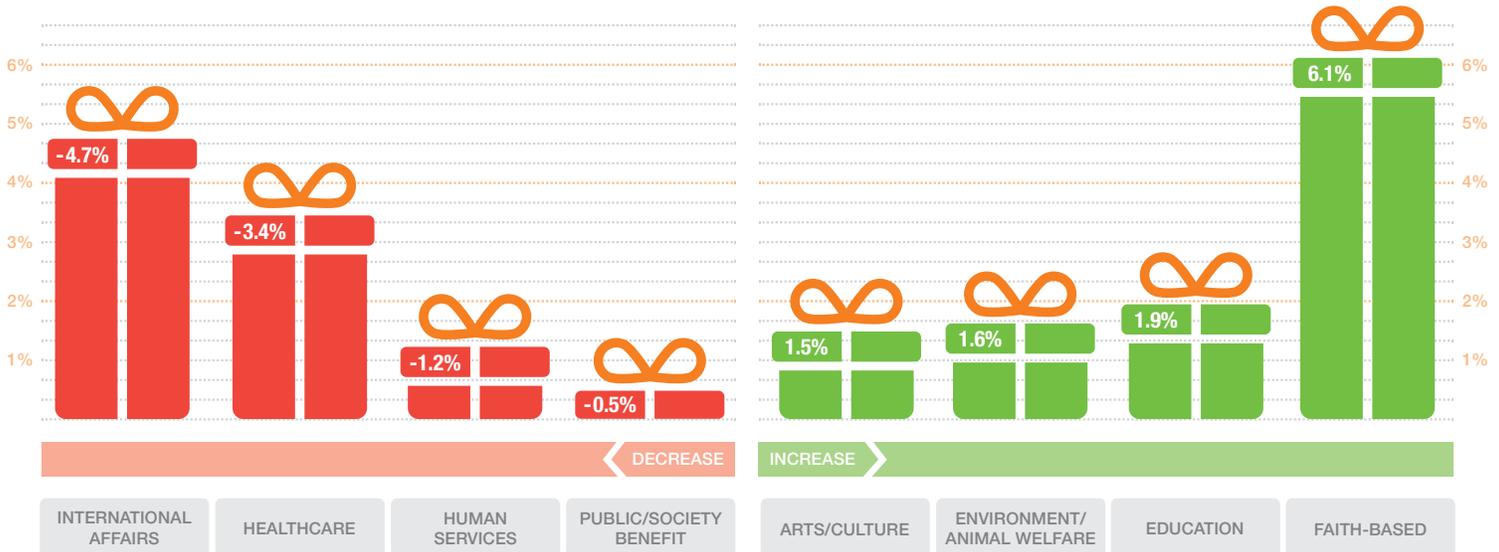
Size	YOY % Change
Small (Less than \$1M)	7.3%
Medium (\$1M - \$10M)	2.7%
Large (\$10M+)	0.3%
Total	1.7%

Online Giving Trends by Organization Size

Size	YOY % Change
Small (Less than \$1M)	11.8%
Medium (\$1M - \$10M)	14.3%
Large (\$10M+)	7.2%
Total	10.7%

GIVING TRENDS BY NONPROFIT SECTOR

2012 OVERALL GIVING TRENDS BY SECTOR

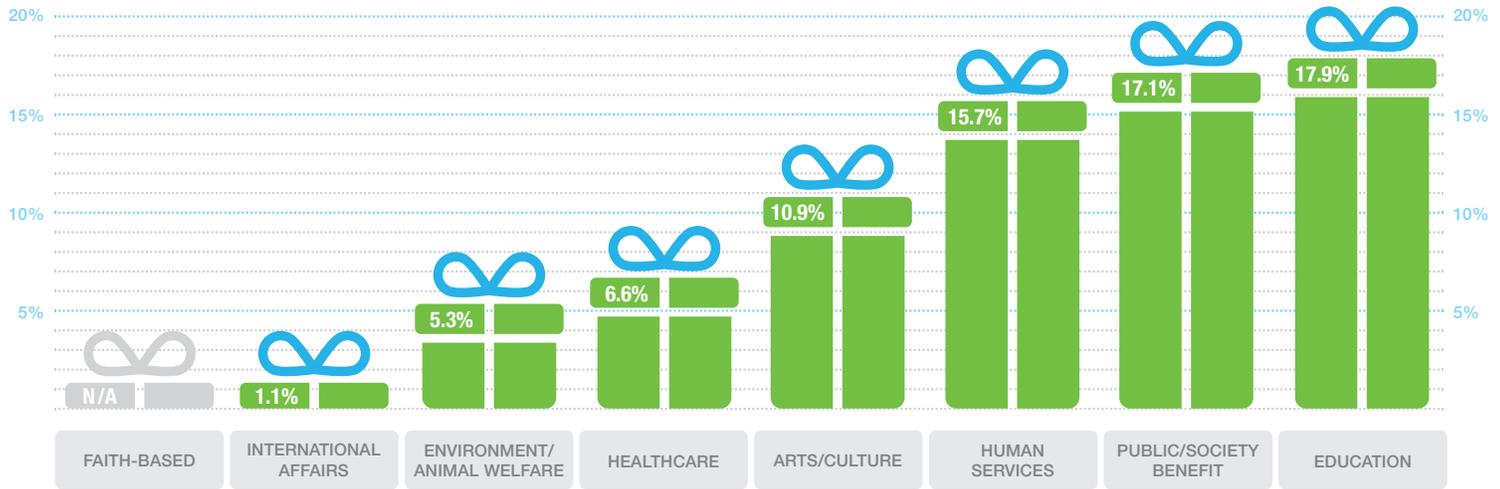


Each organization in The Blackbaud Index is categorized by one of eight sectors using its National Taxonomy of Exempt Entities — or NTEE code — as reported on its 990 tax return. These sectors are arts and culture, education (predominantly higher education and K-12 independent schools), environment and animal welfare, faith-based, healthcare, human services, international affairs, and public and society benefit. Each sector is weighted based on Giving USA data to ensure that no individual organization or sector is overrepresented in the analysis.

Faith-based organizations grew by 6.1% in 2012; this sector has the largest share of charitable giving in the United States. Arts and culture, education, and environment and animal welfare organizations were the only other sectors to experience growth in 2012.

In 2012, Public and society benefit groups dropped 0.5% compared to 2011. Nonprofits with an international affairs focus are still returning to pre-disaster levels and their overall fundraising in 2012 saw a drop of 4.7%. These declines resulted in overall flat fundraising results in 2012.

2012 ONLINE GIVING TRENDS BY SECTOR



Education organizations grew their online fundraising the most in 2012 with an increase of 17.9%. These nonprofits continued to have the largest growth rate for the second consecutive year.

Nonprofits in the public and society benefit sector grew 17.1% and human services grew 15.7%. These organizations continued to demonstrate the need for support to donors during challenging economic times. Several of these organizations also saw online giving increase in relation to Superstorm Sandy relief efforts.

International affairs organizations struggled again in 2012, but an end-of-year increase in online giving resulted in a 1.1% growth rate. This sector was negative for most of 2012 and continues a trend from 2011.

Faith-based organizations are currently excluded from the online analysis as the online giving data available for this group is not considered representative of the full spectrum of faith-based organizations raising funds online at this time. Blackbaud will release analysis based solely on our faith-based client population in an upcoming report.

GIVING TRENDS BY MONTH

2012 Overall Giving Distribution by Month by Sector												
Sector	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
Arts and Culture	6.58%	7.87%	9.27%	7.67%	8.40%	9.03%	5.94%	6.82%	6.36%	8.46%	7.68%	15.9%
Education	6.95%	6.32%	7.14%	7.32%	9.18%	9.76%	6.05%	6.29%	6.37%	8.11%	7.83%	18.7%
Environment, Animals	6.96%	8.05%	7.50%	7.06%	7.33%	9.11%	7.76%	7.22%	7.73%	8.15%	6.82%	16.32%
Faith-based	6.23%	7.51%	8.79%	8.14%	8.46%	8.01%	7.49%	6.18%	7.13%	7.70%	7.59%	16.78%
Healthcare	7.70%	6.95%	7.67%	7.12%	7.89%	8.25%	6.51%	6.70%	7.20%	8.62%	8.20%	17.19%
Human Services	8.46%	6.70%	7.29%	7.46%	7.24%	8.02%	6.74%	6.26%	7.32%	8.67%	8.10%	17.74%
International Affairs	6.06%	7.09%	6.82%	6.76%	6.63%	8.10%	5.84%	7.53%	6.27%	8.03%	10.41%	20.46%
Public/Society Benefit	9.55%	7.20%	7.87%	7.69%	8.05%	8.25%	7.67%	7.33%	6.82%	8.21%	9.58%	11.77%
All Sectors	7.44%	6.91%	7.49%	7.30%	7.88%	8.60%	6.52%	6.64%	6.91%	8.36%	8.27%	17.69%

The analysis looked at the distribution of giving across all of 2012. More than one-third of all charitable giving happens in the last three months of the year. The most giving happens in December with nearly 18% of the entire year's fundraising taking place during this month.

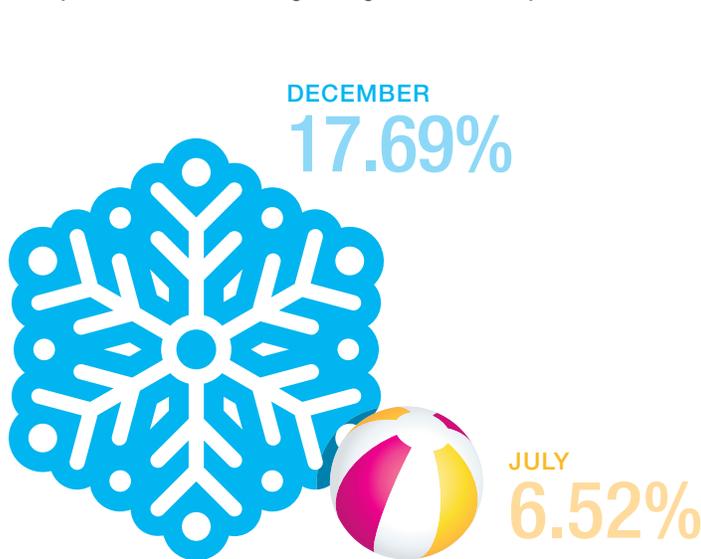
There is also a spike in June for many organizations that promoted end-of-fiscal-year giving.

International affairs had a sharp increase in giving during November and had the highest percentage of their annual fundraising happen in December. Public and society benefit organizations have the most evenly distributed fundraising throughout the entire year.

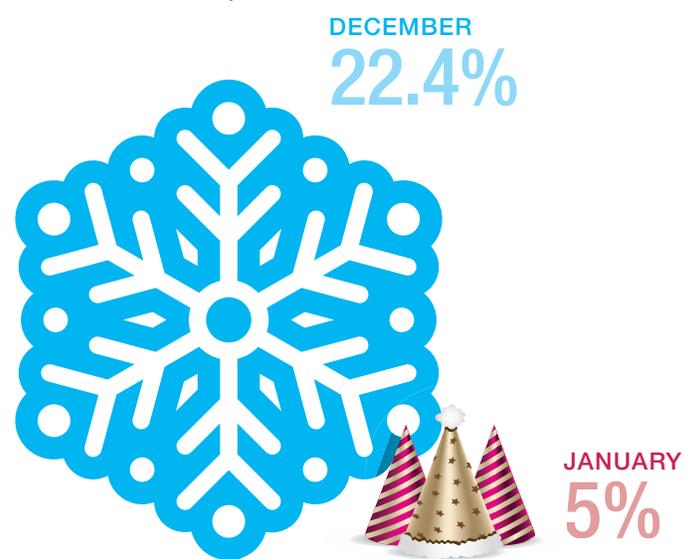
Online giving remains concentrated in the final months of the year. Healthcare organizations had close to 46% of all their online fundraising occur during October, November, and December 2012.

Nonprofits in the environment and animal welfare sector have a much more evenly distributed online giving profile. This could be influenced by a growing focus of developing monthly sustainer programs for online donors.

Education institutions continue to see a mid-year online giving spike in June. This can be traced back to a focus on soliciting donations as part of their end of fiscal year.



Overall giving reached the year's high in December — accounting for 17.69% of 2012's total gifts. July was the slowest month of the year for overall giving, bringing in only 6.52% of the year's total charitable contributions.



Online giving also reached the year's high in December — accounting for 22.4% of 2012's online gifts. January was the slowest month of the year for online giving, bringing in only 5% of the year's online donations.

2012 Online Giving Distribution by Month by Sector

Sector	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
Arts and Culture	5.7%	7.6%	9.3%	7.1%	7.4%	6.5%	4.2%	5.6%	6.3%	11.6%	7.7%	21.0%
Education	6.1%	6.0%	7.5%	7.7%	8.3%	11.5%	3.5%	4.4%	5.5%	7.3%	6.9%	25.4%
Environment, Animals	3.5%	4.8%	6.9%	9.5%	10.4%	6.9%	6.7%	8.7%	12.1%	10.6%	6.5%	13.4%
Healthcare	6.3%	7.0%	6.3%	6.7%	6.0%	5.2%	5.1%	5.1%	6.5%	7.1%	10.8%	27.7%
Human Services	5.7%	5.4%	8.0%	7.8%	7.9%	4.4%	3.8%	7.7%	7.2%	7.1%	8.6%	26.3%
International Affairs	6.0%	6.1%	8.1%	7.8%	7.7%	5.6%	4.5%	6.4%	8.9%	10.5%	9.0%	19.4%
Public/Society Benefit	5.1%	5.8%	7.3%	8.2%	8.6%	7.6%	5.2%	6.5%	8.4%	8.7%	7.7%	20.9%
All Sectors	5.0%	5.7%	7.1%	8.0%	8.4%	7.4%	5.1%	6.4%	8.3%	8.6%	7.5%	22.4%

TRENDS BY PERCENTAGE OF TOTAL FUNDRAISING FROM ONLINE GIVING

Blackbaud continues to do research into the percentage of total fundraising that comes from online giving. This data is especially valuable because it allows nonprofits to benchmark online giving against peer organizations within each sector or of a similar size.

Blackbaud used data from The Blackbaud Index of Online Giving over the past year to examine percentage of total fundraising that came from online giving. We looked at total giving for 2,025 organizations with \$4.8 billion in total fundraising and found that, on average, online donations accounted for 7% of overall fundraising.

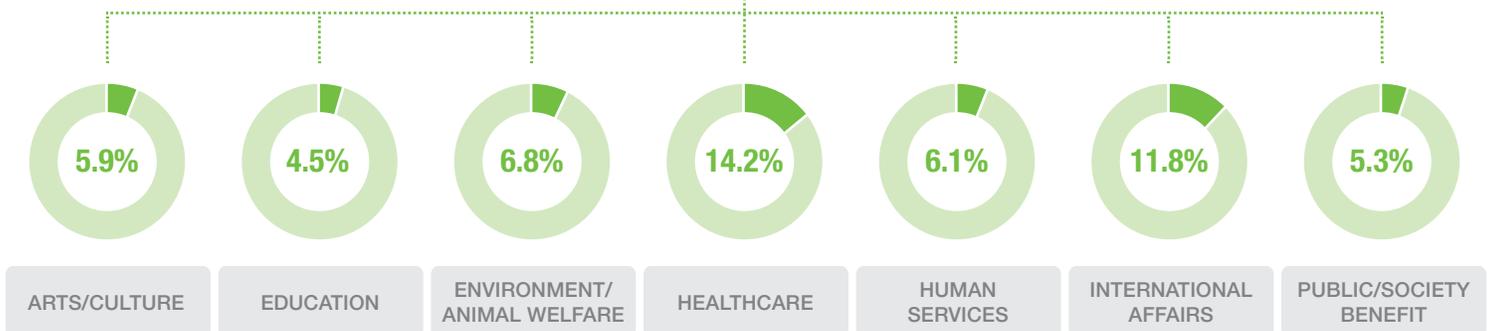
This was an increase from 6.3% in 2011 and is nearing the record level of 7.6% from 2010 when online giving spiked in response to Haitian earthquake relief efforts.



Traditional fundraising methods such as major gifts, annual fund, checks, telephone, direct mail, and events are still king, making up 93% of all charitable giving last year.



In 2012, online giving accounted for 7% of all charitable giving.



Percentage of Total Fundraising from Online Giving

Size	YOY % Change
Small (Less than \$1M)	8.3%
Medium (\$1M - \$10M)	6.1%
Large (\$10M+)	7.5%
Total	7.0%

Small organizations lead the way with 8.3%, followed by large nonprofits with 7.5%, and medium-sized organizations with 6.1% of total fundraising coming from online giving. Large organizations had a 1.4% increase from 2011 in this metric. This increase came primarily from disaster relief efforts in 2012.

Healthcare organizations continue to have the largest percentage of total fundraising coming from online giving. This is mainly driven

by their large peer-to-peer event fundraising programs. International affairs and nonprofits in the environment and animal welfare sectors are next in line. Every sector with the exception of arts and cultural organizations experienced an increase in the percentage of overall fundraising coming from online giving.

Percentage of Total Fundraising from Online Giving

Sector	%
Arts and Culture	5.9%
Education	4.5%
Environment and Animal Welfare	6.8%
Healthcare	14.2%
Human Services	6.1%
International Affairs	11.8%
Public/Society Benefit	5.3%

KEY FINDINGS

The Charitable Giving Report analyzes trends from nearly \$8 billion in fundraising revenue from 2012. Here are some key findings:

1. Overall giving continued its slow recovery and grew approximately 2% in 2012.
2. Online giving grew by about 11% in 2012 compared to 2011.
3. Online fundraising was 7% of all giving in 2012, an increase from 2011.
4. Small nonprofits had the greatest increase in overall fundraising in 2012 while medium-sized organizations led online.
5. Giving throughout 2012 hovered on flat, and Superstorm Sandy relief efforts helped boost year-end fundraising.

A CLOSER LOOK: FUNDRAISING BASICS ARE KEY AS ECONOMY STARTS TO RECOVER

BY TODD COHEN, FOUNDER, PHILANTHROPY NORTH CAROLINA

With the struggling economy beginning to show some life again, and donors regaining some confidence, nonprofits need to focus on fundraising fundamentals.

That's the view of fundraising professionals in all eight fields of interest for which Blackbaud tracks fundraising performance.

"The primary tactic that seems to work most effectively is to ask people for money," says John Taylor, associate vice chancellor for advancement services at North Carolina State University. "So many organizations I have worked with just kind of sit back and watch the money come in the door, and expect the same dollars from the same donors every year, and fail to recognize that the philanthropic climate is changing."

Bill McGinly, president of the Association for Healthcare Philanthropy, says building a "culture of philanthropy" within a nonprofit is critical, as is building the capacity of the nonprofit's fundraising operation.

"Until fundraising is recognized as a strategic partner in planning for today and for the future of the organization," he says, "you're going to struggle a bit more in order to build or grow philanthropy."

From engaging donors and volunteers and demonstrating impact to effective branding, direct-response marketing and back-office operations, fundraising professionals say nonprofits need to invest in their fundraising programs and operations if they expect to produce results.

Here's a closer look at some specific strategies that fundraising professionals say are working in various sectors.

"Museums of all kinds are looking for ways to engage a broader mix of prospective donors, and to engage them in new ways"

— Ford Bell, President of the American Alliance of Museums

ARTS AND CULTURE

Museums of all kinds are looking for ways to engage a broader mix of prospective donors, and engage them in new ways, says Ford Bell, president of the American Alliance of Museums. "All strategies are very much in play," including planned giving, annual fund giving, and gift categories "that allow you to have special access."

An increasingly popular strategy, for example, is to provide social events designed to get young people to museums and turn them into "destinations," he says.

"It raises a little money, connects you to new donors, gets them to begin to give, and reaches out to whole new sectors," he says.

A growing number of museums also are adding younger members to their boards in an effort to "get people early in their careers to start giving now, so as they succeed, they will be the donors of the future."

To attract more major donors, museums continue to offer opportunities to name a broad range of positions, programs, and facilities, including the "loading dock and back stairwell," Bell says.

Trips and tours also have grown increasingly popular, particularly overseas and to provide "access that most people don't get," such as to private homes and collections.

The economic climate has stimulated museums to be more creative in their fundraising, Bell says.

"Because more traditional sources of funding are getting tougher, with foundations and corporations looking at other social needs, and with government getting out of culture," he says, "museums need to be resourceful about how they're raising money."

EDUCATION

Higher Education

When John Taylor joined N.C. State University as associate vice chancellor in November 2008, just after the economy collapsed, the school's advancement operation had less than a handful of prospect researchers and roughly 1,300 rated prospects coming out of its most recent campaign.

Today, the school employs three people in its prospect management department and another six in its prospect research department, and it has 21,000 rated prospects in its database, Taylor says.

That is one result of a "complete reengineering process" of its fundraising operation that N.C. State launched at about the time Taylor joined the university.

Spurring that overhaul have been not only the ailing economy but also heightened competition for philanthropic dollars, huge growth in the number of nonprofits, and the added challenge of catastrophic disasters like Superstorm Sandy, he says.

"You just can't rely on those same dollars from those same donors," he says.

Key to N.C. State's strategy has been support for engaging its donors, including "more focused suggestions," renewals of annual gifts, "more targeted" asks, and solicitation of eight-figure gifts.

And that has paid off: In the first six months of the fiscal year that began July 1, N.C. State raised \$82.4 million, up from \$46.9 million in the same period a year earlier.

The school is working with donors not just to renew the gifts they make every year, but to make "much more substantive, transformational gifts," Taylor says.

Its prospect management meetings, for example, feature "focused conversations about strategies for approaching donors, prospect assignments, and making sure the assignments are fairly distributed" across the range of donor categories.

"You just can't rely on those same dollars from those same donors."

— John Taylor,
Associate Vice Chancellor
for Advancement Services,
North Carolina State University

Those categories include initial "discovery" of prospects and whether they are viable as donors, "stewardship" of donors who have made a gift, "emerging" prospects who will be asked to make a gift within three years, and "top prospect" donors who will be solicited within 12 to 18 months.

The advancement office also sets expectations for major gift officers on the size of their portfolios, and on the number of asks and visits they should make, and uses that information to show their progress and evaluate their performance.

It also has invested heavily in infrastructure, increasing its advancement services staff by 50% to just over 30 people, and converting its operating system and development software system.

And it has been "asking people for money, and in particular for more money," Taylor says.

In the six months through December 31, 2012, annual giving totaled \$1 million, up from \$837,000 in the same period a year earlier.

And the number of households giving \$1,000 or more has grown 25%.

Among the most important focus areas, Taylor says, "is engagement of your constituency."

K-12 Education

Annual fundraising at independent schools traditionally has been a "slog," says Kimberly Kubik, director of institutional advancement at Shady Hill School in Cambridge, Massachusetts.

Geared to a school year that begins in late summer or early fall and ends in late spring, schools see a flurry of giving at the end of the calendar year, followed by the doldrums in January, February, and March, and then another flurry of activity at the end of the school year.

To break out of that pattern, Shady Hill School last summer decided to use a model The Fay School in Houston had pioneered several years ago that compressed its annual fund campaign into five weeks.

Co-chaired by two parents, the Shady Hill School campaign tweaked that model, aiming to generate 100% participation from parents in 100 days, and raise \$100,000 in challenge funding that would serve as an incentive to generate that full participation by parents.

First, the school's advancement office secured four \$25,000 anonymous challenge gifts from four families of current students.

A key element in the strategy was that it was driven by parents, and parents understand how parents think, Kubik says.

"No matter how many times the advancement office sends out a letter, it's just another letter," she says.

Guided by the parent co-chairs of its "100/100/100" campaign, Shady Hill School sent a weekly email to its parents that told short stories of no more than a paragraph each about what was happening in the classroom, for example, or with employees, or between teachers and parents.

Each email also included a short message underlining the importance of the annual fund to the school's programs and people.

And the \$100,000 challenge grant, which depended on 100% participation by parents, gave volunteer parent fundraisers "license to have conversations with people around annual giving," Kubik says. "They could first talk about the challenge, and then say, regardless of the size gift, 'You will help make that \$100,000 challenge gift possible and be part of the team that supports the school.'"

That conversation, in turn, led to questions from parents about the annual fund, and why it mattered whether they supported it.

"These people they were talking to had never asked that before," Kubik says.

The campaign not only met its goal for parent support, raising \$1.2 million, including the challenge grant, she says, but it "has created a

community that better understands the annual fund and what it's for, and a sense of teamwork — that we're all doing this together."

Development offices "have to be more open to engaging and partnering with dedicated volunteers and listening carefully to their ideas and their awareness of the culture of philanthropy within the parent body," Kubik says.

"This challenge was all about parents, not alumni, and working as partners to engage, fundraise, and create a culture of giving based on an understanding of how the annual fund works and why it is such an integral part of an independent school's operating budget," she says.

The icing on the cake is that, having completed the parent portion of the annual fund campaign in December, Shady Hill School can now

focus on alumni giving for the remainder of the school year.

On average, alumni participation total about 9% among elementary schools that are members of the National Association of Independent Schools, Kubik says.

Shady Hill School, which has alumni participation of 27% and ranks in the top five among NAIS

elementary schools, has set a goal for this school year of 35%.

"Regardless of where an elementary school is, the beauty of an annual fund being shortened to 5 weeks or 100 days, is that it allows us to focus on alumni," Kubik says.

The strategy at Shady Hill School for doing that is to increase the number of alumni events to 23 in 2013 from 7 in 2010.

In addition to creating opportunities for alumni to "come together and reconnect," Kubik says, those gatherings include a brief talk by the head of school or a faculty member that includes asking all alumni who are present to share a memory of the school.

"You don't want to tell donors why they should give," Kubik says. "You want them to tell you why they should give."

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— Kimberly Kubik,
Director of Institutional Advancement,
Shady Hill School

ENVIRONMENT AND ANIMAL WELFARE

The National Wildlife Federation, which raises about \$43 million a year in giving from individuals, has seen stability across its mix of fundraising programs, including \$23 million from corporations and foundations, with foundation giving showing the most growth in recent years in the wake of a greater focus on foundation fundraising, says Anne Senft, vice president of philanthropy.

The Federation also has placed greater focus in recent years on its major gift program, increasing the threshold for those gifts to \$25,000 from much more modest levels.

“It takes a while to get the pipeline going,” Senft says.

Fundraising for the organization is data-driven, she says, based on modeling that analyzes key indicators for donors such as the frequency of their giving and average gift size, as well as an assessment of their assets based on publicly available information, to determine a donor’s capacity for making a major gift.

To help boost its annual fund, the organization’s membership and development teams have worked more closely with one another in recent years, and have tried to be more strategic and send more mail appeals to people who give more than \$1,000.

While many fundraising professionals in the past believed people who gave at that level did not want to receive direct-mail appeals, Senft says, the Federation has fine-tuned that approach, adding more mail appeals in addition to the phone calls to those high-level donors.

“Development is more relational,” she says.

After five years of using mail for those donors, including multiple appeals a year, revenue from donors giving \$1,000 or more has doubled.

The Federation has seen online giving grow about 10% a year, and it uses social media mainly for engagement, not fundraising.

It actively uses Facebook®, Google+®, and Twitter®, with more than 100,000 followers each on Facebook and Twitter, and nearly 230,000 on Google+.

It also uses a lot of photography “to inform people and inspire emotion,” Senft says. “People love wildlife and want to see pictures of wildlife.”

FAITH-BASED

In the faith-based market, direct mail, online strategies, and radio have proven effective in acquiring donors, says Rick Dunham, president and CEO of Dunham+Company, a Dallas-based consulting firm that works with 50 faith-based organizations in six countries.

Effective direct mail strategies are focused on acquisition, conversion, and personalization, he says.

Acquisition includes renting targeted lists that are “populated with people we know through profiles that show the kinds of donors who would support the organization,” he says.

Those lists need to be tested through “packages” that may tweak the wording on the envelope or reply card, or try different pieces of packaging “to see what will motivate the donors to actually give,” Dunham says.

“As with any good relationship, the frequency and regularity of communication has everything to do with building a good relationship, along with the content of the communication.”

— Rick Dunham,
President and CEO,
Dunham+Company

Conversions also are important and represent a strategy “where most organizations fall or don’t do well at all,” he says.

“They think that because a new supporter has given them a gift, they’re actually a donor to the organization,” he says. “All it means is they gave a gift. It doesn’t mean they’re a supporter.”

But studies show “you don’t really have a bona fide donor until the third gift,” he says.

His firm’s strategy is for its clients to “have a specific communication pathway we take a new donor on to encourage that second gift,” he says.

Those communications are personalized and include a combination of direct mail and telephone, as well as online communications if a donor’s email address is available.

Finally, effective direct mail requires “ongoing cultivation and retention, using direct mail and newsletters to keep a donor engaged, inspired, and supporting the organization.”

His firm’s clients typically send out a mailing every month, with some clients also distributing a print newsletter each month.

Many of those clients also generate “online touch points,” providing online news and information about the organization’s impact, for example, or testimonials of people whose lives the organization has affected.

To develop major donors, nonprofits should use a combination of offline and online contact, and direct mail letters, with the “messaging really geared for a major donor relationship,” Dunham says.

“You assume the individual will continue to support you because they are a major donor and heavily invested,” he says. “So the character of the letter is not to convince them to give but to demonstrate the impact of their giving.”

In their fundraising, nonprofits should recognize that “people don’t care about your organization,” Dunham says. “What they care about is what your organization does and the impact it makes.”

So rather than focusing its communication with donors “around the needs of the organization,” nonprofits should focus on “the potential impact in the life of the individual, and emphasizing and demonstrating that,” he says.

“At the end of the day, we’re all relational beings, and donors have emotional relationships to organizations and causes they represent,” he says. “As with any good relationship, the frequency and regularity of communication has everything to do with building a good relationship, along with the content of the communication.”

HEALTHCARE

The continuing recovery of the economy has helped fuel strong growth in giving to the more than 5,000 members of the Association for Healthcare Philanthropy since a slight drop in 2009, says Bill McGinly, president of the Association for Healthcare Philanthropy.

Overall giving to nonprofit healthcare providers, including hospitals, medical centers, long-term care organizations, hospices, and children’s facilities, grew to nearly \$9 billion in 2011 from \$8.3 billion in

2010, and that trend continued in 2012, he says.

While much of that growth has been tied to the economic recovery, it also reflects “more stimulation and activity in planned and major gifts, and the commitments people are making,” he says.

Fundraising performance is the direct result of investment in fundraising capacity, McGinly says, including the size of the fundraising staff.

“Key to effective fundraising, is a strong culture of philanthropy within an organization.”

— Bill McGinly,
President,
the Association for Healthcare Philanthropy.

Organizations that had 10 or more full-time direct fundraising professionals and were among the highest performing organizations raised a median of \$9.4 million, a median that was double that of organizations in all other performance levels based on total dollars raised.

High performers also had more “maturity” in their fundraising programs, and a bigger variety of programs or ways to give.

After healthcare giving fell roughly \$1 billion in 2008, healthcare organizations also have seen expanded revenue from special events and annual giving programs, while funds from major and planned gifts plunged in 2008 and 2009 because of a “lack of confidence related to the economy,” McGinly says.

Organizations that kept fundraising staff instead of cutting positions were able to work on maintaining relationships with major donors or those interested in planned giving, and giving in those programs has rebounded more quickly, he says.

Contributing to that recovery, in addition to the revival in the economy and donor confidence, McGinly says, has been greater awareness on the part of donors about the importance of healthcare philanthropy as a result of the national debate on healthcare reform.

Healthcare organizations that have been effective at fundraising have also provided ongoing training for fundraising staff, hosted

activities that get donors to their facilities, engaged their volunteer and

executive leaders, heightened the level of contact with donors through more meetings and appeals, and reignited capital campaigns.

More recently, annual campaigns often are involving three appeals, not just one.

High performing organizations had direct fundraising staff that outnumbered all their counterparts by three to one.

And organizations that relied on multiple activities, such as special events, annual campaigns and invitations to visit the facility, performed much better in their fundraising than organizations that had fewer activities.

The result was that high performing fundraising organizations raised nearly 11 times more in net fundraising production after costs, including cash and pledges, than all their counterparts.

Key to effective fundraising, McGinly says, is a strong culture of philanthropy within an organization.

“Fundraisers need to hold their bosses accountable and step up and take the lead in making sure that philanthropy is an integral part of the financial picture of their organization,” he says, “and that it can be depended upon, and that is it crucial in building what the future of their organization will be.”

HUMAN SERVICES

Fundraising generally has been tough, particularly in the last five years, with the acquisition of new donors growing more competitive across all fields of interest in the nonprofit sector as a result of the weak economy, and fewer names of prospective donors being available, says Lynn Edmonds, president of L.W. Robbins, a fundraising consulting firm in Holliston, Massachusetts..

A report in January by Target Analytics, a Blackbaud company, found that, for the most of the past five years, “declines in overall donor numbers have been driven primarily by declines in new donor acquisition.”

To address those declines, L.W. Robbins has encouraged its clients to put more emphasis on best practices, specifically by more testing of direct-response marketing strategies to acquire new donors and renew existing donors, Edmonds says.

That is important, she says, because 7 of 10 first-time donors to nonprofits typically do not make a second gift.

Still, many nonprofits are reluctant to invest in testing direct-response marketing for acquisition and renewal of donors because testing is expensive, including the continually rising cost of postage, she says.

“It will probably take two-and-a-half years before new donors acquired actually will return net income, and that’s working with a professional firm that writes the copy, designs everything, and is the strategist behind it,” Edmonds says.

“What nonprofits really need to do,” she says, “is open their minds to the fact that it’s not going to get better unless you invest in testing and come up with additional ways of attracting new donors and renewing existing donors.”

The key, she says, is to “look carefully at what has worked in the past, and then test against elements of that.”

One sector that has shown success with testing direct-response marketing strategies is food banks, she says.

For 35 Feeding America food banks that are its clients, L.W. Robbins has tested variations of several direct-response “control packages” that have proved effective in acquiring new donors, she says.

Direct-response fundraising is important to food banks, she says, because it represents an important part of their fundraising revenue.

In one test, the bulk of the local prospects that the food banks were targeting in their mailings received a “control” package that included an envelope with a standard-size letter and a reply slip. A smaller test group received a mini-greeting card that was customized to each food bank’s local prospects.

That test proved more effect than the control package and now has replaced it, so future testing will try new approaches to see if they prove more effective than the new control package.

“We’re always continuing to test against the controls in all of our accounts,” Edmonds says.

Also key in direct-response fundraising is working with a list broker with experience with nonprofits, and mailing enough pieces so the test is statistically sound.

“The key is to get that first gift from acquisition,” she says. “The next challenge is making sure you’re using best practices in your renewal program to get the second gift by listening to your donors, checking comment mail, and making sure you acknowledge them immediately.”

INTERNATIONAL AFFAIRS

In the face of natural disasters like Superstorm Sandy, donors increasingly expect international relief charities to show “their” work is actually accomplishing something,” says Bob Ottenhoff, president and CEO of the Center for Disaster Philanthropy in Washington, D.C.

Helping to fuel that expectation of seeing the charity’s impact is the fact that the tough economy has made money tighter.

“We’re still down about \$25 billion from where we were at the peak in philanthropic giving in 2007,” says Ottenhoff, who is also former

president and CEO of GuideStar, which publishes online financial and tax data on nonprofits. “There’s less money and also less government money going into nonprofit activities. At the same time, there’s increasing demand for services.”

International nonprofits, along with all nonprofits, have also seen an increasing number of donors making gifts that are restricted to particular programs or to addressing particular needs, he says.

“What fundraisers have to understand is that different donors come to the organization with different interests and priorities, and you have to organize your fundraising strategies around those different types of donors.”

— Bob Ottenhoff,
President and CEO,
Center for Disaster Philanthropy

Donors' growing expectation to see the impact of their giving and to restrict the use of their gifts has prompted nonprofits to try to do a better job measuring the results of their work and making those metrics available.

"Nonprofits first of all need to demonstrate that they're aware of this issue, and demonstrate they're a data-driven organization," Ottenhoff says, which is a goal that also helps the organization improve the way it operates and the programs it delivers.

If a nonprofit maintains a "dashboard" of major metrics about its operations and impact, for example, it should make that dashboard available to its board and make elements of it available to the public, he says. "These are signs of a data-driven organization committed to measuring impact."

A growing number of international organizations also are making greater use of technology to "engage program or service recipients in the field, where they can collect data, share that data with others, and then respond with changes in their programs based on the analysis of that data," Ottenhoff says.

"Knowledge workers" armed with a cell phone might gather information from farmers about the seeds they are using and diseases and other challenges to crop growth they are facing, for example. That data would be collected, analyzed, organized, and then returned to the farmers to help them answer questions, change their behavior, or try new techniques.

"Technology is now helping nonprofit organizations to improve their performance," Ottenhoff says. "It's a way of answering donors' questions: Are you a learning organization? Are you improving? Are you measuring impact? Are you better this year than last year?"

To address donors' growing interest in making restricted gifts, he says, nonprofits need to move beyond a one-size-fits-all case statement.

"What you need is a case statement and a business or philanthropic strategy for each one of your programs, and each one of those programs is going to have its own set of donors," he says.

"What fundraisers have to understand," he says, "is that different donors come to the organization with different interests and priorities, and you have to organize your fundraising strategies around those different types of donors."

Equally important, he says, is branding.

With more than 1 million charities in the U.S., nonprofits need to recognize that "your organization is not the center of the universe," he says. "There are too many organizations doing too many big things. To think everyone knows what you do and why you do it is totally unrealistic."

Branding, he says, "is your promise to your potential donors. It says, 'This is what we stand for, this is how we're going to do work.'"

A nonprofit's brand, Ottenhoff says, "is what gives a donor understanding of why you're unique and distinctive and worthy of support."

PUBLIC SOCIETY BENEFIT

Paralyzed Veterans of America raises about \$95 million a year, just over 85% of it through direct marketing, says Cathy Jenkins, director of direct marketing for the organization.

Its two direct marketing programs focus on premium and non-premium donors, or those that receive a free item with the mail such as calendars or mailing labels, and those that do not, respectively.

Rather than free items, the non-premium donors receive an "involvement device" that invites donors to "become more involved in your program and your mission," Jenkins says.

The organization in the past has sent non-premium donors a "bounce-back" card they could sign and return, a tactic that Jenkins says increases the response rate by 3 to 5%.

Last year, for the first time, Paralyzed Veterans sent non-premium donors a small rose made of cloth they could return so it could be used to make a wreath for Veterans Day.

Including the rose generated a double-digit increase in the response rate, Jenkins says.

Premium donors, in contrast, receive “freemiums.”

While the 35-year-old premium program represents its biggest direct-marketing effort, the organization has struggled in the past year in using it to retain donors and acquire new ones, with retention down 7 to 10%.

As a result, it now is trying to focus more on segmenting donors and trying to “target the right audience with the right message and the right ask,” Jenkins says, and “move toward making sure a person doesn’t fall into lapse.”

So it has targeted people whose last gift was 9 to 12 months ago, using a slightly different offer, ask, or appeal technique, she says.

The result was a 3 to five 5% increase in the response rate.

What proved effective was mentioning the size of the donor’s most recent gift, and showing that number through a window of the outer envelope “so they can see it right away.”

The mailing tested each of those methods separately and together, with the methods in combination proving more effective than either of them used by itself.

“It’s easier to keep people on file who are currently giving versus those who fall off,” Jenkins says. “We’re focusing on those people who are about to fall off.”

ABOUT THE 2012 CHARITABLE GIVING REPORT

The findings in this report are based on giving data from 3,144 nonprofit organizations and more than \$7.9 billion in fundraising revenue. The online fundraising findings are based on data from 2,581 nonprofit organizations and more than \$512 million in online fundraising revenue.

To be included in the analysis, these organizations needed to have 24-months of complete giving data with no gaps or missing information. Each organization was then classified by sector using their NTEE code as reported on its 990 tax return. If you are not sure what sector your organization is classified as, you may refer to your 990 to find your NTEE code. Visit <http://nccs.urban.org/classification/NTEE.cfm> for a complete listing of sectors.

Organizations were then grouped into three size categories: total annual fundraising less than \$1 million (small), total annual fundraising between \$1 million and \$10 million (medium), and total annual fundraising exceeding \$10 million (large). This is based on recorded giving in their fundraising systems, reported fundraising in IRS Form 990 data, and matching done through the National Center for Charitable Statistics.

Organizations without all the research criteria were not included in this analysis. Organizations based outside the United States were excluded from this analysis. We do not include the unfulfilled portion of pledge gifts or recurring gifts that are processed offline. Giving USA data is used to weight the data to ensure that no individual organization or sector is overrepresented in the analysis.

The percentage of total fundraising trends research is based on 2,025 nonprofits in The Blackbaud Index of Online Giving. These organizations represent \$4.8 billion in total fundraising.

Special thanks go out to metrics maestro Jim O’Shaughnessy, illustrious illustrator Veronica Volborth, media maven Melanie Mathos, statistical sage Chuck Longfield, reporting rockstar Todd Cohen, and the many nonprofit professionals and industry experts that shared their expertise. This report simply would not be possible without their time and talent.

ABOUT THE BLACKBAUD INDEX

Economic conditions, natural disasters, and market fluctuations have made it extremely difficult for nonprofits to make fundraising decisions informed by the latest donor behavior. That is why we created The Blackbaud Index of Charitable Giving and The Blackbaud Index of Online Giving in 2010 — to provide insight into what happened in the prior few weeks and valuable analysis by leaders in the sector into what fundraisers can learn from it.

The Blackbaud Index brings you the most up-to-date information on charitable giving today. Tracking approximately \$8 billion in US-based charitable giving, the Index is updated on the first of each month and is based on year-over-year percent changes. Featuring overall and online giving, the Index can be viewed by size and sub-sectors of the nonprofit industry. (With more to come soon!)

WHAT'S NEW IN THE BLACKBAUD INDEX?

Visit www.blackbaud.com/blackbaudindex to experience the recently-enhanced interactive Index charts where you can easily compare by size or sector.

Sign-up for free monthly fundraising alerts via mobile device* or email, so you'll be among the first to know when the Index has been updated.

*Sign-up now by texting “index” to 69866 to receive alerts on your mobile device.

About Blackbaud

Serving the nonprofit and education sectors for 30 years, Blackbaud (NASDAQ: BLKB) combines technology and expertise to help organizations achieve their missions. Blackbaud works with more than 27,000 customers in more than 60 countries that support higher education, healthcare, human services, arts and culture, faith, the environment, independent education, animal welfare, and other charitable causes. The company offers a full spectrum of cloud-based and on-premise software solutions, and related services for organizations of all sizes including: fundraising, eMarketing, social media, advocacy, constituent relationship management (CRM), analytics, financial management, and vertical-specific solutions. Using Blackbaud technology, these organizations raise more than \$100 billion each year. Recognized as a top company by *Forbes*, *InformationWeek*, and *Software Magazine* and honored by Best Places to Work, Blackbaud is headquartered in Charleston, South Carolina and has employees throughout the US, and in Australia, Canada, Hong Kong, Mexico, the Netherlands, and the United Kingdom.

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