

Target Analytics donorCentrics[™] Index of National Fundraising Performance

2010 Second Quarter Results

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About the Index of National Fundraising Performance

The Target Analytics donorCentrics Index of National Fundraising Performance analyzes direct marketing giving for many of the largest non-profit organizations in the country. For the twelve months ending Q2 2010, Target Analytics evaluated transactions from 81 organizations, including over 38 million donors and more than 73 million gifts totaling over \$2 billion in revenue.

The Target Index reports on direct marketing giving only; direct mail is the dominant revenue source for most organizations but web, telemarketing, canvassing, and other gifts considered to be direct marketing are also included. Individual payments greater than \$5,000, soft credits, and matching gift payments are excluded.

Quarterly results are reported on a calendar year basis. This report includes results through June 2010. Index findings are based on analysis of actual donor transactions, not survey responses from fundraisers. All calculated measures have been reviewed by participants for accuracy.

Q2 2010 Index Participants

Animal Welfare

American Humane Association
ASPCA
Humane Society of the United States
International Fund for Animal Welfare
People for the Ethical Treatment of Animals

Arts & Culture

Colonial Williamsburg Foundation
National Trust for Historic Preservation
National World War II Museum
The Smithsonian Institution
United States Holocaust Memorial Museum

Environment

Defenders of Wildlife
Earthjustice
Environmental Defense Fund
Greenpeace USA
National Parks Conservation Association
National Wildlife Federation
Natural Resources Defense Council
The Nature Conservancy
The Ocean Conservancy
Sierra Club
Trout Unlimited
The Wilderness Society
World Wildlife Fund

Health

ALSAC / St. Jude Children's Research Hospital
Alzheimer's Association
American Cancer Society
American Diabetes Association
American Health Assistance Foundation
American Heart Association
American Institute for Cancer Research
American Lung Association
Arthritis Foundation
Children's Cancer Research Fund
Cystic Fibrosis Foundation
Easter Seals
The Foundation for AIDS Research
Juvenile Diabetes Research Foundation
Leukemia and Lymphoma Society
March of Dimes
Mayo Clinic
Multiple Sclerosis Association of America
National Multiple Sclerosis Society
Special Olympics

Human Services

American Indian Relief Council
Cal Farley's Boys Ranch
Covenant House
Feeding America
Paralyzed Veterans of America
St. Labre Indian School
United States Olympic Committee

International Relief

AmeriCares
CARE
Catholic Relief Services
Doctors Without Borders
Habitat for Humanity International
Heifer Project International
International Rescue Committee
Mercy Corps
Operation Smile
Oxfam America
Project HOPE
Save the Children
U.S. Fund for UNICEF

Religion

Association of Marian Helpers
Franciscan Friars of the Atonement at Graymoor
Missionary Association of Mary Immaculate
National Shrine of St. Jude
Sisters of St. Francis of Assisi
Sisters of St. Francis - PET
Society of the Divine Savior

Societal Benefit

American Association of University Women
American Civil Liberties Union
Amnesty International
Anti-Defamation League
Human Rights Campaign
NAACP
NARAL
National Committee to Preserve
Social Security & Medicare
Planned Parenthood
Public Citizen
Southern Poverty Law Center

Index Revenue and Donors Remain Flat in the First Half of 2010

Haiti-Related Giving Provides Boost to Some Sectors

Q2 2010 Summary

Overall Results

The Target index had essentially flat revenue and donor growth from the first half of 2009 to the first half of 2010. Revenue grew by a median 0.5% and donors declined by a median 0.9% over the period.

Revenue performance varied widely across the different industry groups in the index. Two index sectors had revenue declines, three sectors had little or no change in revenue, and three sectors had revenue growth. Of the three sectors with revenue growth, two had significant spikes in donations following a severe earthquake in Haiti in January.

Index organizations have seen gradual declines in donor numbers for over four years, ever since the U.S. Gulf Coast hurricanes of 2005, and these declines accelerated during the recession. Donor declines continued in the first half of 2010 but were smaller in magnitude than they had been in 2009, at least partly because of Haiti-related giving.

From 2005 to 2009, overall donor declines were primarily due to declines in new donor acquisition. The index as a whole had not had positive new donor growth since 2005 and declines were particularly large during 2008 and 2009. In the first half of 2010, new donor numbers rose for the majority of participating organizations. Six of the eight sectors in the index had new donor increases.

It is important to note, however, that disaster-related fundraising accounts for most of the increases in acquisition for the two sectors with the highest growth rates. In addition, for many other organizations across the index, new donor increases in the first half of 2010 are likely at least partially a rebound from severe declines in previous years. New donor growth in the current period is encouraging, but regains only a small portion of the ground lost over the last four years.

First-year and multi-year retention rates declined in the first half of 2010.

After having been in an atypical decline during all of 2009, revenue per donor amounts rose again in the first half of 2010. This growth was widespread throughout the index.

Sector Performance

The international relief and animal welfare sectors had by far the greatest growth in most key areas of fundraising in the first half of 2010. For relief organizations in particular, this is largely due to fundraising surrounding the Haitian earthquake.

The human services sector continued to have generally positive results, as it has throughout the recession. Societal benefit organizations also had revenue growth during the period – an encouraging trend for a sector that has had a particularly difficult time over the past two years. The environmental and religious sectors both tracked overall index results relatively closely.

Arts and culture and health organizations had the largest declines in revenue, overall donor numbers, and new donor acquisition in the index in the first half of 2010.

Overall Index Performance

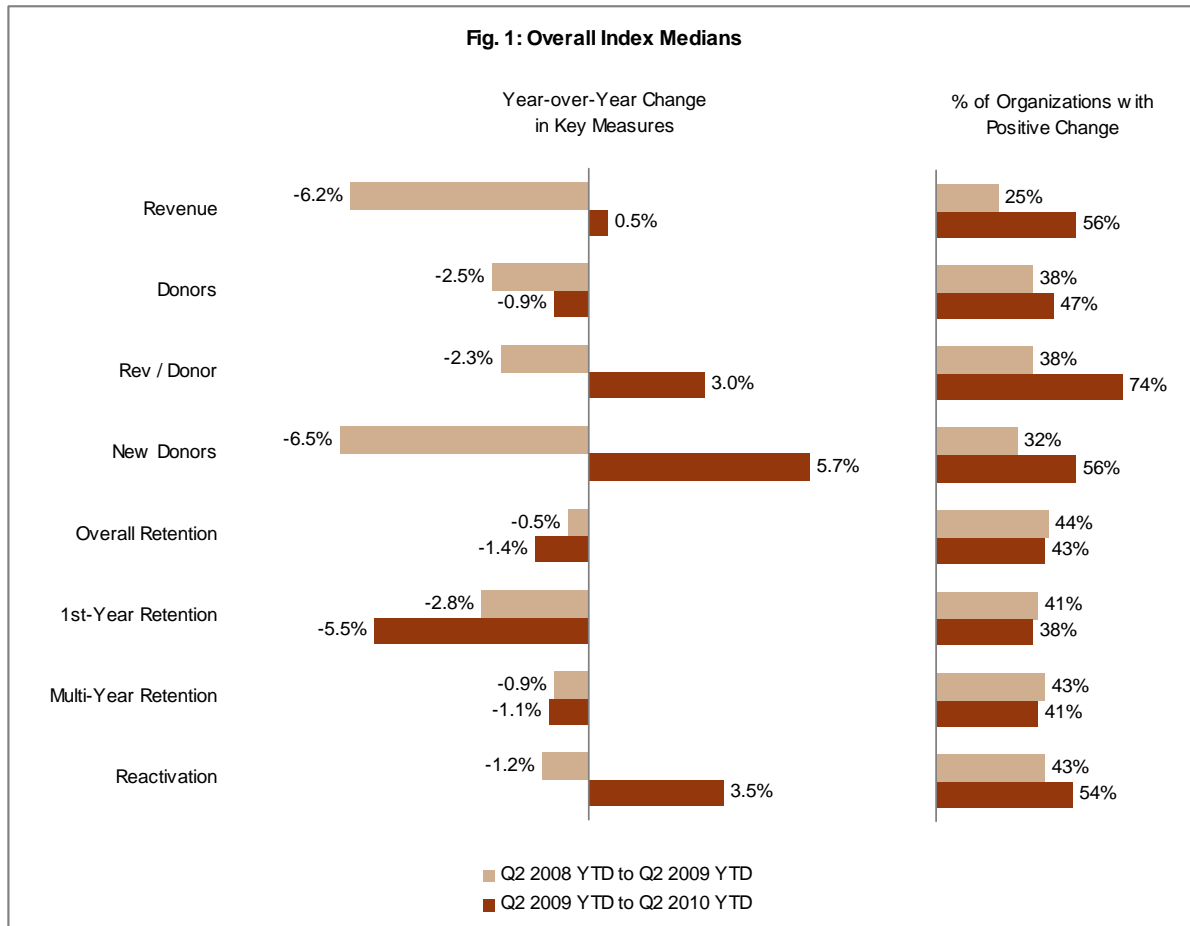
All index results are medians unless otherwise specified.

Year-to-Year Change

The Target index as a whole had essentially flat revenue growth in the first half of 2010. Revenue grew by a median 0.5% from Q2 2009 YTD to Q2 2010 YTD (see Fig. 1). Just over half, or 56%, of the organizations in the index had positive revenue growth over the period.

Revenue performance varied widely across the different industry groups in the index. Two index sectors had revenue declines, three sectors had little to no change in revenue, and three sectors had revenue growth in Q2 2010 year-to-date.

Two of the sectors with revenue growth – animal welfare and international relief – had dramatic revenue spikes in this period due to fundraising for relief efforts following a severe earthquake in Haiti in January. It is probable that without this disaster-related giving to organizations in these two sectors, overall index revenue would have declined.



Donor numbers declined a median -0.9% from Q2 2009 YTD to Q2 2010 YTD. This continues a trend that predates the recent recession; donors have been declining consistently for the past four years. The index has not experienced positive year-to-year donor growth since the U.S. Gulf Coast hurricanes in the third quarter of 2005. 47% of the organizations in the index had positive donor growth in the first half of 2010.

After having been in an atypical decline for all of 2009, revenue per donor amounts also rose in the first half of 2010. Revenue per donor increased by a median 3.0% from Q2 2009 YTD to Q2 2010 YTD. This growth was widespread throughout the index; 74% of the organizations in the index had positive revenue per donor growth over the period.

From 2005 to 2009, overall donor declines were primarily due to declines in new donor acquisition. The index as a whole had not had positive new donor growth since 2005 and declines were particularly large during 2008 and 2009. In the first half of 2010, new donor numbers rose for the majority of participating organizations, growing 5.7% from Q2 2009 YTD to Q2 2010 YTD. 56% of the organizations in the index had positive new donor growth in the first half of 2010 and six of the eight sectors in the index had new donor increases.

It is important to note, however, that disaster-related fundraising accounts for most of the increases in acquisition for the two sectors with the highest growth rates. In addition, for many other organizations across the index, new donor increases in the first half of 2010 are likely at least partially a rebound from severe declines in previous years. New donor growth in the current period is encouraging, but regains only a small portion of the ground lost over the last four years.

In spite of increasing donor acquisition, overall donor populations continued to decline in the first half of 2010 because of falling donor retention rates. Overall retention rates declined a median 1.4% from Q2 2009 YTD to Q2 2010 YTD. These overall declines were primarily driven by first-year retention rates, which declined 5.5% over the period while multi-year retention rates remained comparatively stable. Reactivation rates increased by a median 3.5%.

It is important to analyze retention and reactivation rates with caution in the first half of the year since donors have only had six months in which to renew.

Single Quarter Trends

In the index, we usually report on year-to-date or rolling twelve-month periods, rather than year-to-year changes in individual quarters. This is because shifts in the timing of direct marketing campaigns can, in turn, shift significant revenue from one quarter to another. In addition, smaller donor counts and revenue totals in single quarters can exaggerate the magnitude of increases and decreases in donors and revenue.

Fig. 2: Median Single-Quarter Year-to-Year Change

	Q1 2009 to Q1 2010	Q2 2009 to Q2 2010
Revenue	3.0%	-2.7%
Donors	-2.3%	-5.4%
% of Orgs With Positive Revenue Change	63%	46%
% of Orgs With Positive Donor Change	47%	37%

We have done some analysis on year-to-year trends for the first two quarters of 2010, however, to evaluate recent giving in more detail (see Fig. 2). This analysis indicates that the second quarter of 2010 was weaker than the first quarter. Revenue grew in Q1 by a median 3.0%, but declined 2.7% in Q2. Donors declined by a median 2.3% in Q1 and by 5.4% in Q2. In addition, revenue and donor declines were both more widespread across the index in the second quarter than they had been in the first.

Long-Term Revenue Trends

Rolling twelve-month quarterly medians of revenue growth can provide long-term context for year-to-year index trends. A rolling analysis compares the twelve months of revenue ending in each quarter to the twelve months of revenue ending in a specified starting quarter.

This smoothes out seasonal differences and allows us to see continuous movement from one quarter to the next, instead of simply comparing one full or partial year to the next full or partial year.

Historically, rolling index revenue has grown at an average of about 4% per year. Revenue grew faster than average during 2005, when organizations received record contributions after the Indian Ocean tsunami and the U.S. Gulf Coast hurricanes, and then returned to typical rates for 2006, 2007, and most of 2008.

Revenue growth declined substantially in the fourth quarter of 2008 and the first three quarters of 2009, paralleling the weak economy.

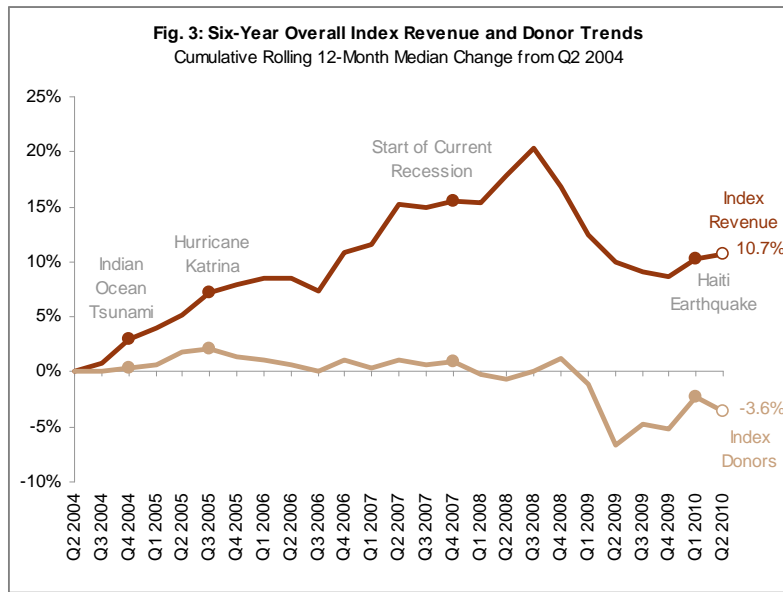
Since the end of 2009, revenue declines appear to have leveled off somewhat (see Fig. 3). A small up-tick in the first quarter of 2010 is likely at least partly due to disaster-related giving.

Cumulatively over the past six years, even including the record tsunami and hurricane giving periods, revenue has grown at lower than normal rates. From the twelve months ending Q2 2004 to the twelve months ending Q2 2010, index revenue grew a cumulative median 10.7%. This is an effective annual growth rate of 1.9% per year (see Fig. 4).

Over the most recent two years, which includes the worst quarters of the current recession, overall index revenue has declined substantially.

From the twelve months ending Q2 2008 to the twelve months ending Q2 2010, index revenue declined a median 4.6%. This is an effective annual rate of decline of 2.3% per year.

Real index revenue has declined by 3.5% over the past six years and by 4.4% over the past two years when revenue dollar amounts are adjusted for inflation¹.



Long-Term Donor Trends

A rolling twelve-month analysis provides additional context for donor trends as well. It shows that recent donor declines are part of a long-term pattern that has likely been worsened by recent economic conditions.

Donor numbers rose during the Indian Ocean tsunami and the U.S. Gulf Coast hurricanes of 2005, but have generally been on a slow decline ever since. The decline intensified during the recent recession (see Fig. 3).

The result of these combined trends is that donor numbers have declined significantly over the past six years. Donors declined a cumulative median 3.6% from the twelve months ending Q2 2004 to the twelve months ending Q2 2010. This is an effective annual rate of decline of 0.6% (see Fig. 4).

As we have said in previous editions of the index, falling donor populations in the index may be due to a mix of factors including economic changes, a changing generational profile in the United States, changing attitudes of donors about giving, and a change in focus by fundraisers toward higher-dollar donors.

Fig. 4: Long-Term Index Revenue and Donor Trends

	Six-Year Change Q2 2004 to Q2 2010	Five-Year Change Q2 2005 to Q2 2010	Four-Year Change Q2 2006 to Q2 2010	Three-Year Change Q2 2007 to Q2 2010	Two-Year Change Q2 2008 to Q2 2010	One-Year Change Q2 2009 to Q2 2010
Revenue						
Median Change	10.7%	-0.4%	0.2%	-3.6%	-4.6%	0.6%
Effective Annual Change	1.9%	-0.1%	0.0%	-1.2%	-2.3%	0.6%
% Orgs with Positive Change	62%	49%	51%	42%	36%	56%
Donors						
Median Change	-3.6%	-7.7%	-4.6%	-6.2%	-5.4%	-0.1%
Effective Annual Change	-0.6%	-1.5%	-1.1%	-2.0%	-2.7%	-0.1%
% Orgs with Positive Change	47%	40%	38%	40%	35%	48%

Shows the cumulative median change from the twelve-month period ending the first date to the twelve-month period ending the second date in each column. Effective Annual Change is the average yearly change over the stated time period, adjusted for compounding over that period.

New Donors

Over the long term, for most organizations, overall donor declines have been caused mainly by declines in new donor acquisition.

Over the past six years, from the twelve months ending Q2 2004 to the twelve months ending Q2 2010, new donor numbers have fallen a cumulative median 14.2% (see Fig. 5). This is an effective annual rate of decline of 2.2% per year (see Fig. 6).

New donor declines accelerated during the recent recession. Over the most recent two years, from the twelve months ending Q2 2008 to the twelve months ending Q2 2010, new donor numbers fell a cumulative median 11.2%. This is an effective annual rate of decline of 5.5% per year.

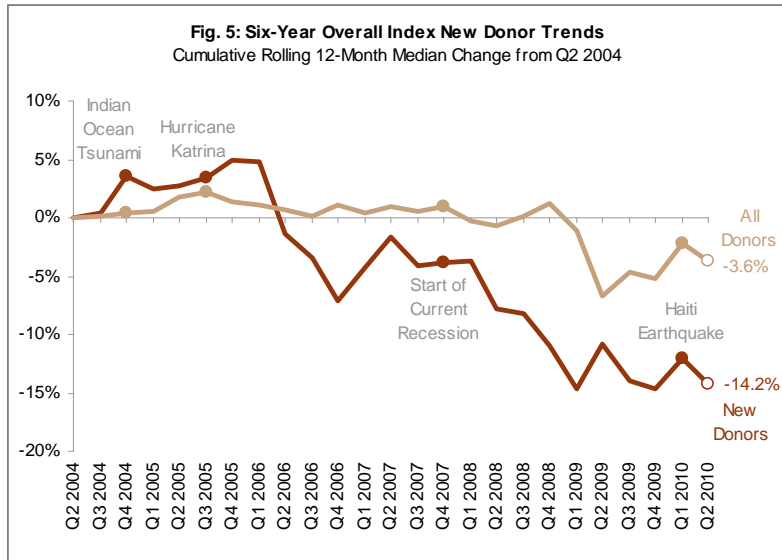


Fig. 6: Long-Term Index New Donor Trends

	Five-Year Change Q2 2004 to Q2 2010	Five-Year Change Q2 2005 to Q2 2010	Four-Year Change Q2 2006 to Q2 2010	Three-Year Change Q2 2007 to Q2 2010	Two-Year Change Q2 2008 to Q2 2010	One-Year Change Q2 2009 to Q2 2010
Median Change	-14.2%	-17.3%	-14.7%	-13.8%	-11.2%	-2.4%
Effective Annual Change	-2.2%	-3.2%	-3.5%	-4.4%	-5.5%	-2.4%
% Orgs with Positive Change	41%	33%	32%	42%	33%	47%

Shows the cumulative median change from the twelve-month period ending the first quarter to the twelve-month period ending the second quarter in each column. Effective Annual Change is the average yearly change over the stated time period, adjusted for compounding over that period.

As we saw earlier, new donor growth was positive from Q2 2009 YTD to Q2 2010 YTD. The rolling twelve-month analysis gives more context for these results. First-half year-to-year increases are encouraging, but there is a lot of ground to make up even to reach pre-recession levels of acquisition.

The Impact of the Relief Sector on Overall Index Performance

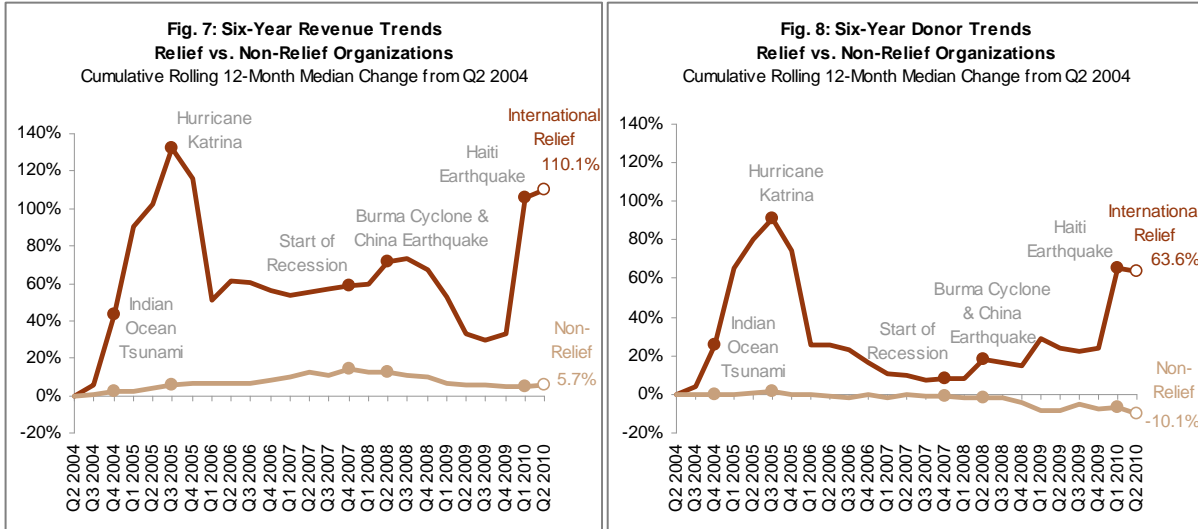
The purpose of the index is to allow participating organizations to compare their own performance to that of other sectors. Performance metrics based on aggregate index revenue or donors would be dominated by dramatic gains or losses by a few organizations – such as disaster-related gains in the relief sector – and would not be useful for benchmarking purposes.

For this reason, all results are reported as medians – the middle value of the relevant group of organizations.

Without the relief organizations, overall index revenue has grown a cumulative median 5.7% over the past six years (from the twelve months ending Q2 2004 to the twelve months ending Q2 2010) (see Fig. 7). This compares to median 10.7% growth over the same time period when relief organizations are included.

Without the relief organizations, overall index donors have declined a median 10.1% over the same six-year period (see Fig. 8). This compares to a median decline of 0.9% when relief organizations are included.

For non-relief organizations, results for the first half of 2010 are not perceptibly out of line with results from previous recent quarters. This indicates that Haiti-related giving did not negatively affect non-relief organizations to any significant extent.



Effects of the Economy on Giving

Research by the Giving USA Foundation™ indicates that charitable giving revenue growth rises during periods of strong economic growth and slows during periods of relative economic weakness. Non-profit giving trends are not limited to simple parallels with national economic growth, however. The Foundation has reported in their publication *Giving USA* that during harder economic times, charitable giving falls as a percentage of national Gross Domestic Product (GDP)².

This means that in a slow economy, not only does giving slow down, but it also declines as a proportion of the average American’s spending dollar. In recessionary periods, people shift their spending priorities away from charities, compounding the effects of an economic decline on fundraising. Revenue growth patterns in the Target Analytics index have consistently supported both of these findings. Median index revenue growth generally parallels national economic performance and tends to grow more slowly than GDP during periods of relative economic hardship.

According to the National Bureau of Economic Research (NBER), the United States economy entered a recession in December 2007³. Non-profit direct marketing revenue in the Target index began to decline as the economy weakened, and already ongoing donor declines intensified during that time. We reported overall revenue declines in seven consecutive editions of the index (Q2 2008 through Q4 2009), with some of the steepest downturns coming in the first half of 2009.

The economic forecast for the remainder of 2010 is mixed. There have been some indications of improvement in the U.S. economy; in particular, positive GDP growth for the past four quarters⁴. This in itself is not enough to declare that the recession is over, however, and job growth in the second and third quarters of this year have not been encouraging⁵. It remains to be seen whether or not we will officially pull out of the recession in 2010.

Industry Sector Performance

All sector results are medians unless otherwise specified.

Revenue and Donors

In the first half of 2010, overall performance varied widely across industry sectors.

The international relief sector had by far the greatest growth in both revenue and donors from Q2 2009 YTD to Q2 2010 YTD. This is largely because of relief-related fundraising following a severe earthquake in Haiti in January.

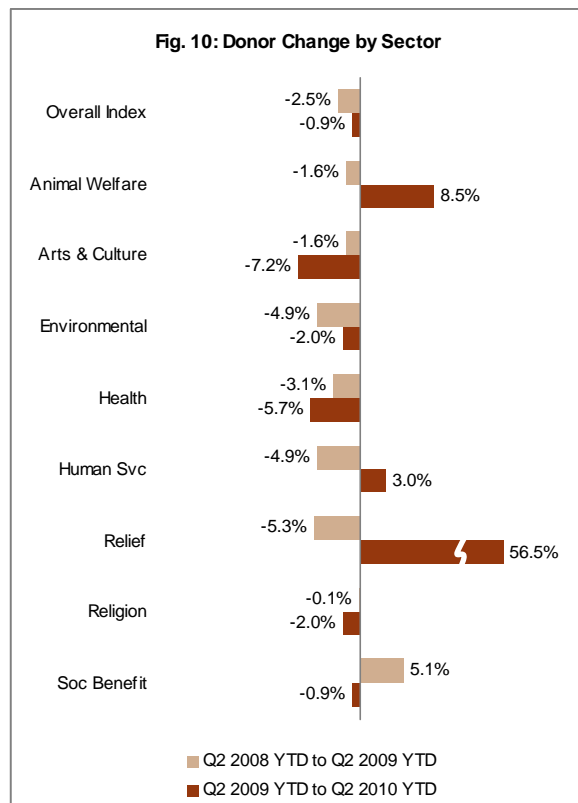
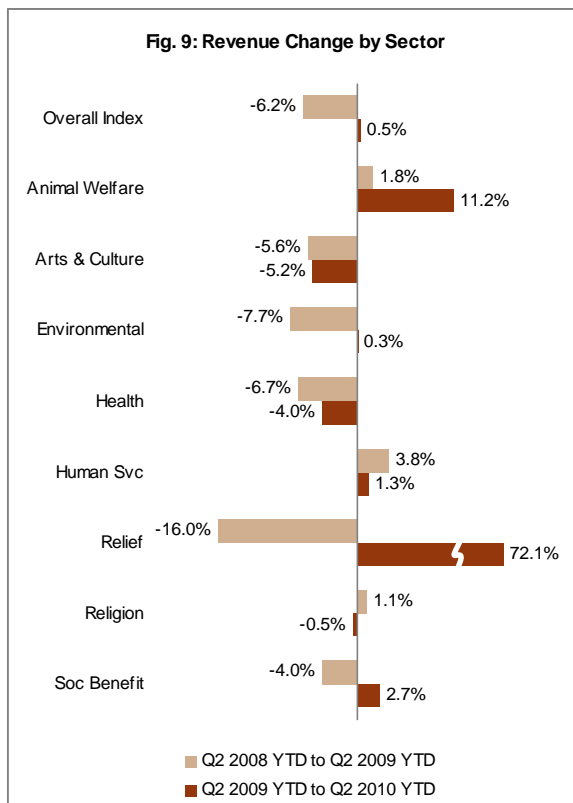
Animal welfare organizations had strong performances as well. This may be due in part to Haitian earthquake relief – albeit not at the magnitude of relief organizations – and in part to fundraising surrounding the Deepwater Horizon oil spill in the Gulf of Mexico which began in April.

Human services organizations, which have had strong performances throughout the recession, continued to have positive donor and revenue growth in the first half of 2010.

In spite of donor declines, societal benefit organizations had good revenue growth during the first half of 2010. This is an encouraging trend for this sector after a difficult previous two years.

Environmental and religious organizations closely tracked the relatively flat performance of the index as a whole. Environmental organizations did have a slight increase in revenue in the most recent quarter which may be due to fundraising around the Gulf oil spill, but this increase has so far not made up for significant revenue decreases in the previous year.

Arts and culture and health organizations had the largest declines in both revenue and donors in the index in the first half of 2010.



New Donor Growth

For most sectors, trends in new donor acquisition appeared to be more encouraging than overall donor trends. New donor numbers increased for six of the eight sectors in the index from the first half of 2009 to the first half of 2010.

Relief, animal welfare, human services, and religious organizations all had strong new donor growth from Q2 2009 YTD to Q2 2010 YTD (see Fig. 11). Societal benefit and environmental organizations saw moderate new donor growth as well.

These new donor increases have different causes, however, depending on the sector.

For relief and animal welfare organizations, for example, the magnitude of their acquisition growth in the first half of 2010 is due largely to disaster-related fundraising.

For environmental organizations, slightly positive new donor growth this period may simply signal a relatively normal performance after severe declines in the previous year. The same may be true to some extent for human services organizations, which experienced sub-par acquisition throughout 2008 and 2009.

Religious organizations, on the other hand, had significant donor growth in the first half of 2010 after flat acquisition in the same period in the year before.

And for the societal benefit sector, even moderate growth in the first half of 2010 is impressive, as it comes on top of extremely strong growth in the previous year. This sector struggled with acquisition for several years in the past but has had a resurgence in 2009 and into 2010.

Arts and culture and health organizations were the only sectors to have new donor declines in the first half of 2010.

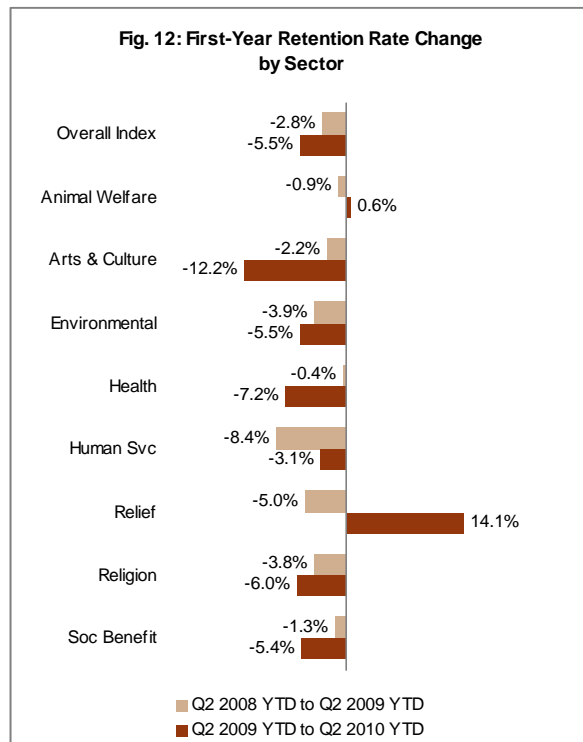
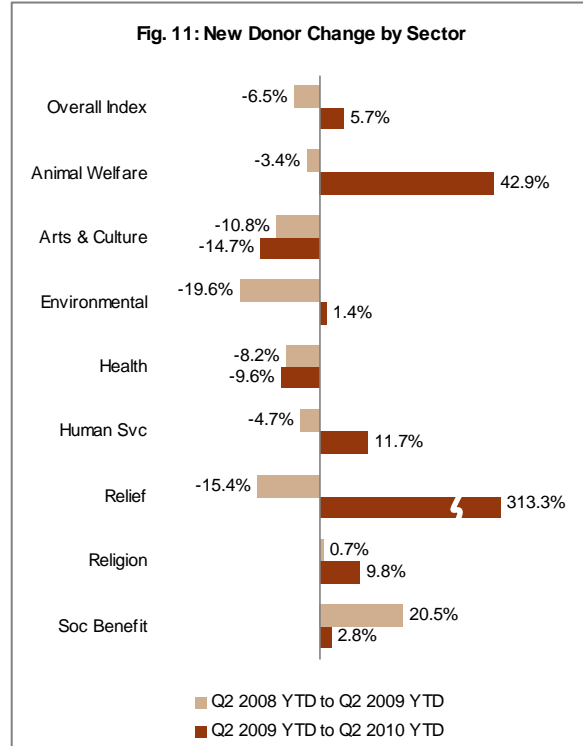
Retention Rates

Perhaps one of the more concerning areas in this current index analysis is donor retention.

With the exception of animal welfare and relief organizations, which benefited from disaster-related fundraising, every other sector had declining first-year retention and flat or declining multi-year retention in the first half of 2010.

Since new donor acquisition increased this period, these retention rate declines are what account for the overall donor declines in the index as a whole.

Some first-year retention rate declines were dramatic, such as the 12.2% decrease for the arts and culture sector and the 7.2% decrease for the health sector (see Fig. 12).

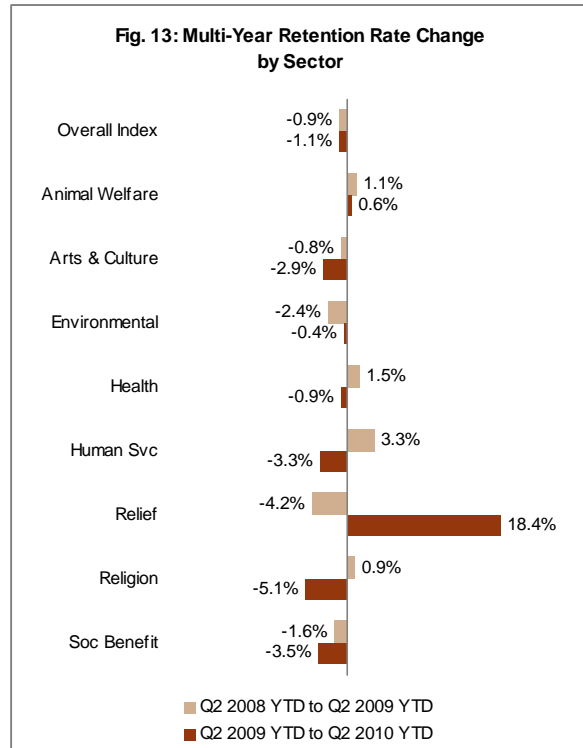


Most sectors have now seen first-year retention rates decline for the second year in a row.

Multi-year retention was, as always, more stable than first-year retention, but most sectors in the index saw declining multi-year retention rates in the first half of 2010 as well (see Fig. 13).

It is important to remember that retention and reactivation rates should be analyzed with caution in the first half of the year, since donors have only had six months in which to renew.

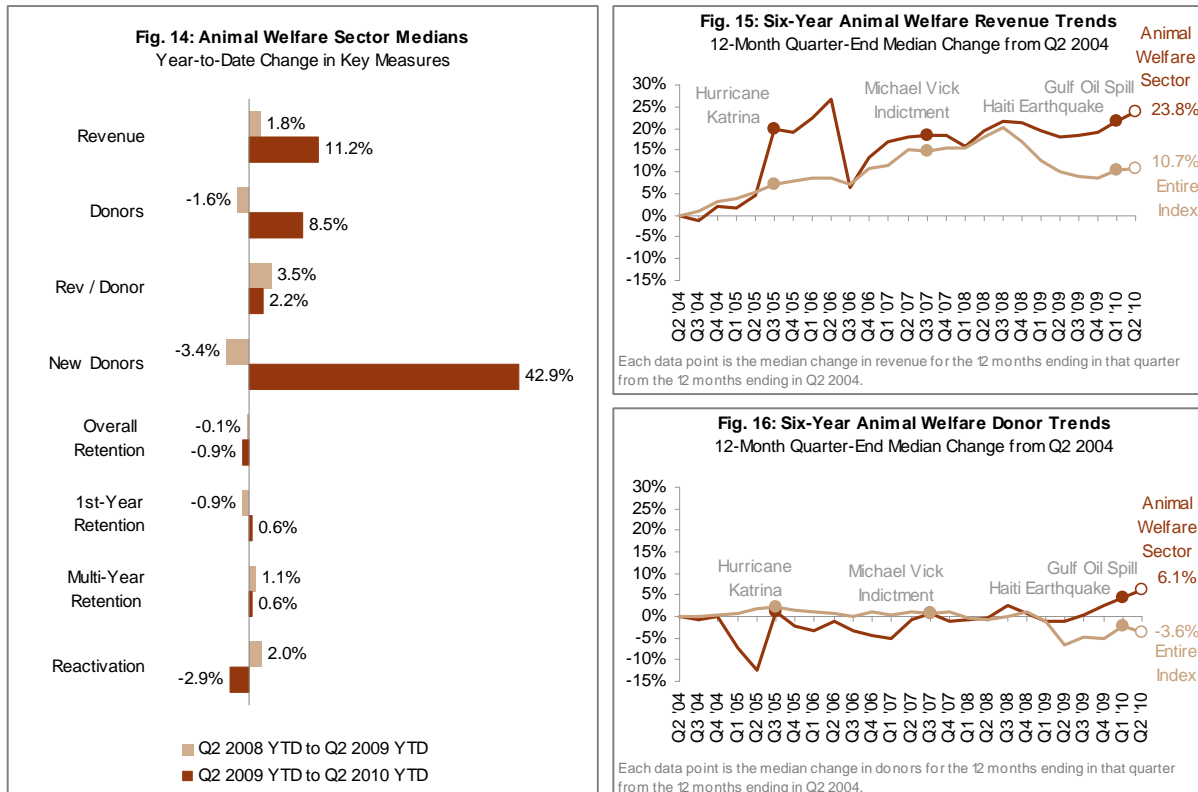
Individual sector results are explained in more detail on the following pages.



Animal Welfare

5 organizations

The animal welfare sector has been one of the strongest sectors in the index for the past five years. Most notably, these organizations have maintained essentially stable donor counts at a time when most other sectors had significant donor declines. In the first half of 2010, the sector again had some of the largest growth in the index in revenue, donors, revenue per donor, and new donor acquisition. Much of this is likely due to fundraising following the Haitian earthquake in January 2010 and some may also be due to relief efforts surrounding the Deepwater Horizon oil spill in the U.S. Gulf Coast which began in April.



Animal welfare revenue increased a median 11.2% from Q2 2009 YTD to Q2 2010 YTD (see Fig. 14), compared to overall index revenue growth of 0.5%. Animal welfare revenue growth was second only to that of relief organizations, which had an even larger response to Haitian earthquake relief appeals. All five organizations in this sector had revenue increases in the first half of 2010.

Donors to animal welfare organizations increased a median 8.5% from Q2 2009 YTD to Q2 2010 YTD, compared to an overall index median decline of 0.9%. Four of the five organizations in this sector had donor increases in the first half of 2010. Sector donor growth was primarily due to significant growth in new donor acquisition, which was up 42.9% from Q2 2009 YTD to Q2 2010 YTD. This was the second-highest new donor growth in the index over the period.

Rolling twelve-month trends give us a long-term picture of animal welfare sector performance. The sector has had three substantial event-related spikes in revenue and donors over the last six years; one in 2005 following the U.S. Gulf Coast hurricanes, one in 2007 following the conviction of professional football player Michael Vick on dog fighting charges, and one in the most recent quarter following the Haitian earthquake.

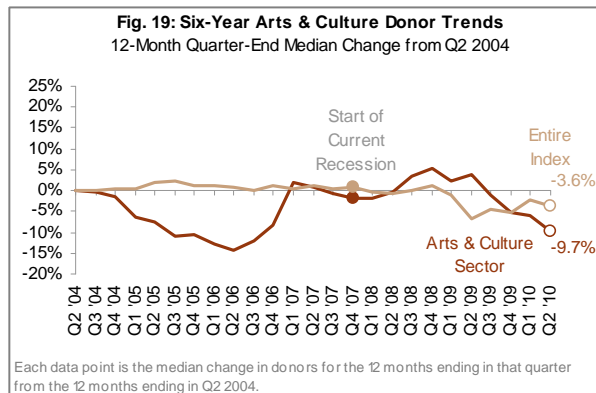
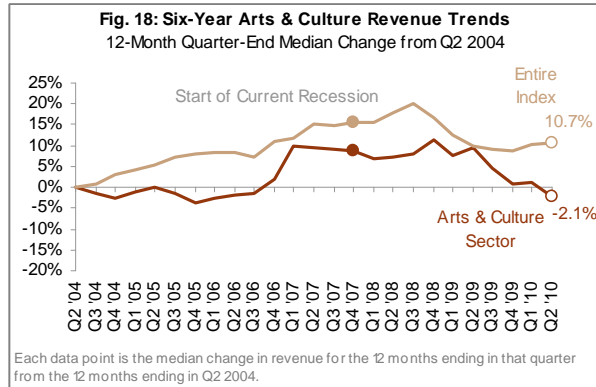
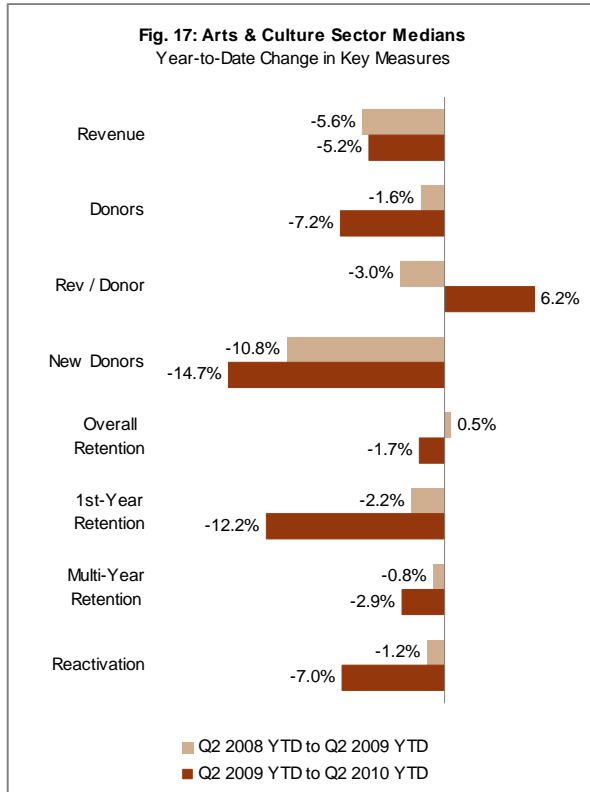
Cumulatively, over the past six years, these spikes have enabled the animal welfare sector to outperform index revenue and donor medians significantly. From the twelve months ending Q2 2004 to the twelve months ending Q2 2010, revenue growth for the animal welfare sector grew by a cumulative median 23.8%, while the index as a whole grew 10.7% (see Fig. 15). Over the same six-year period, sector donors grew by a median 6.1% while the overall index saw a median donor decline of 3.6% (see Fig. 16).

When evaluating results for this sector, it is important to be aware that it includes only five organizations.

Arts & Culture

5 organizations

During 2008 and 2009, arts and culture organizations had flat to negative trends in most key measures that were similar to those of the index as a whole. In 2010, however, the sector has struggled more than most, particularly with new donor acquisition. In this analysis, the sector experienced some of the largest declines in the index in many key measures.



Arts and culture sector revenue declined a median 5.2% from Q2 2009 YTD to Q2 2010 YTD (see Fig. 17). This was the largest revenue decrease of any sector in the index. One of the five organizations in the sector had positive revenue growth in the first half of 2010.

Sector donors declined a median 7.2% from Q2 2009 YTD to Q2 2010 YTD, compared to an overall index median donor decline of 0.9%. This was the largest donor decrease of any sector in the index. One of the five organizations in the sector had positive donor growth in the first half of 2010.

New arts and culture donors declined by 14.7% from Q2 2009 YTD to Q2 2010 YTD. This was the largest new donor decrease in the index and came on top of a 10.8% decline the previous year. However, two of the five organizations in the sector did have positive new donor growth in the first half of 2010.

Twelve-month rolling trends can provide longer-term context for recent arts and culture sector results. Over the past six years, revenue growth for the sector has lagged the overall index, while donor growth has been more volatile. From the twelve months ending Q2 2004 to the twelve months ending Q2 2010, the arts and culture sector has had cumulative revenue declines of 2.1%, compared to overall index growth of 10.7% (see Fig. 18). Over the same six-year period, the sector had cumulative median donor declines of 9.7%, compared to an overall index decline of 3.6% (see Fig. 19).

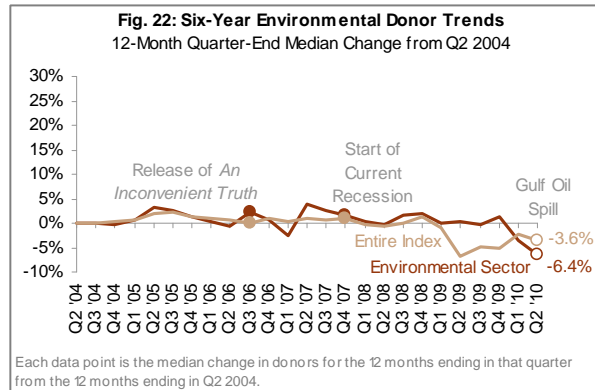
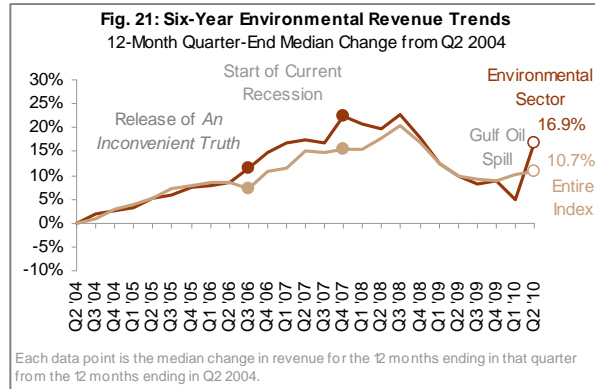
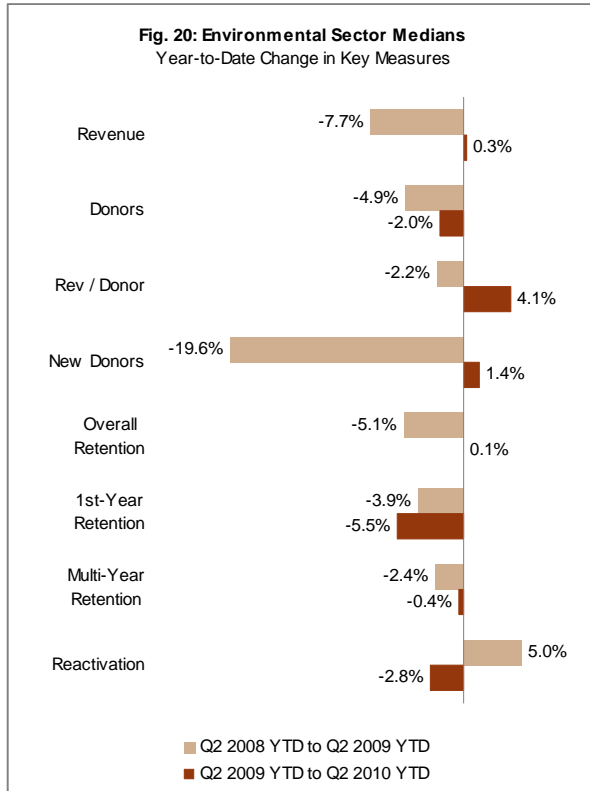
The sector had an anomalous spike in both revenue and donors in the first quarter of 2007. This spike appears not to be attributable to any single external event but appears instead to be a coincidental convergence of events affecting the organizations in the sector – changes in strategy, capital campaigns, and current events.

When evaluating results for this sector, it is important to be aware that it includes only five organizations.

Environment

13 organizations

Over the past five years, the environmental sector has tracked overall index trends more closely than any other sector. This has generally continued into the first half of 2010; the sector's donor declines were slightly larger than those of the index as a whole, but these declines were not widespread and the sector's flat revenue performance essentially matched that of the overall index.



Revenue for the environmental sector remained flat, growing a median 0.3% from Q2 2009 YTD to Q2 2010 YTD (see Fig. 20). This was close to overall index median revenue growth of 0.5%. 54% of the environmental organizations in the index had positive revenue growth in the first half of 2010.

Donors to the environmental sector declined a median 2.0% from Q2 2009 YTD to Q2 2010 YTD, which was slightly larger than the overall index median donor decline of 0.9%. 46% of the environmental organizations in the index had positive donor growth in the first half of 2010.

New donor acquisition grew for the environmental sector by a median 1.4% from Q2 2009 YTD to Q2 2010 YTD, while new donor acquisition for the index as a whole grew 5.7%. This growth recovers a small portion of the ground lost the previous year, when the sector had a 19.6% new donor decline.

Twelve-month rolling trends can provide longer-term context for recent sector trends. This analysis shows that environmental revenue and donor growth have roughly paralleled index medians from 2004 through the current quarter.

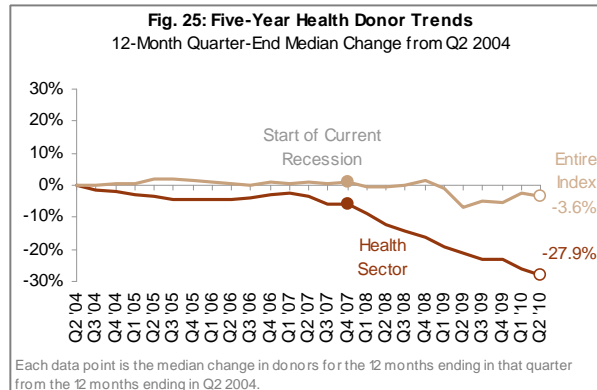
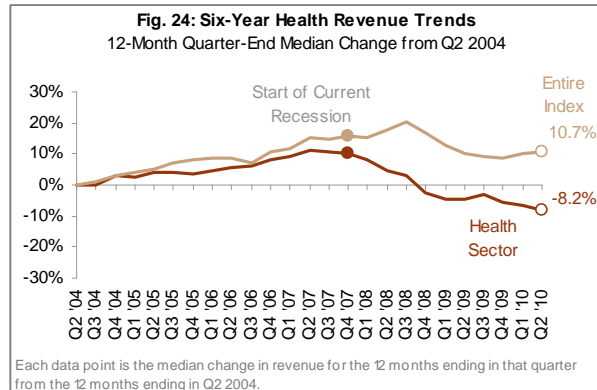
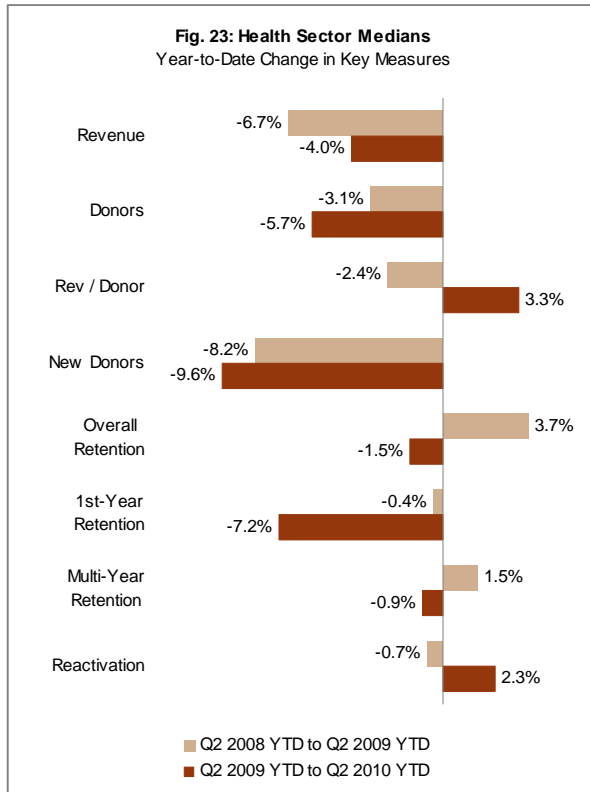
Over the past six years, from the twelve months ending Q2 2004 to the twelve months ending Q2 2010, the sector had median cumulative revenue growth of 16.9%, slightly higher than the overall index revenue growth of 10.7% over the same period (see Fig. 21). From the twelve months ending Q2 2004 to the twelve months ending Q2 2010, the sector had cumulative median donor declines of 6.4%, close to overall index declines of 3.6% over the same period (see Fig. 22).

There was a noticeable spike in revenue in the most recent quarter, which may in part be due to fundraising surrounding the Deepwater Horizon oil spill in the Gulf of Mexico in April. So far this does not appear to be having an impact on donor numbers.

Health

20 organizations

Health organizations have had some of the greatest fundraising challenges in the index for the past several years. In the second quarter of 2010, the health sector continued to have declines in many key measures, including some of the largest revenue, donor, and new donor declines in the index. These negative trends appear to be a continuation of an ongoing long-term pattern which has likely been exacerbated by the recession.



Health sector revenue declined a median 4.0% from Q2 2009 YTD to Q2 2010 YTD, compared to flat overall index median revenue growth of 0.5% (see Fig. 23). 25% of the organizations in the health sector had positive revenue growth in the first half of 2010. Health sector donors declined a median 5.7% from Q2 2009 YTD to Q2 2010 YTD, greater than the overall index median donor decline of 0.9% and continuing a donor decline that predates the current economic downturn. Only 15% of the organizations in this sector had positive donor growth in the first half of 2010.

As in previous quarters, declines in overall donors were mainly due to declines in new donor acquisition. New donor numbers for the sector fell 9.6% from Q2 2009 YTD to Q2 2010 YTD, on top of a 8.2% decline over the same period the year before. 25% of the organizations in the health sector had positive new donor growth in the first half of 2010.

Health sector revenue and donor growth have both lagged overall index median trends significantly since the start of the recent recession, resulting in much lower performance over the long term. Over the past six years, from the twelve months ending Q2 2004 to the twelve months ending Q2 2010, health organizations had cumulative revenue declines of 8.2%, compared to 10.7% revenue growth for the index as a whole (see Fig. 24). Over the same six years, health organizations had a large cumulative donor decline of 27.9%, compared to a decline of 3.6% for the index as a whole (see Fig. 25).

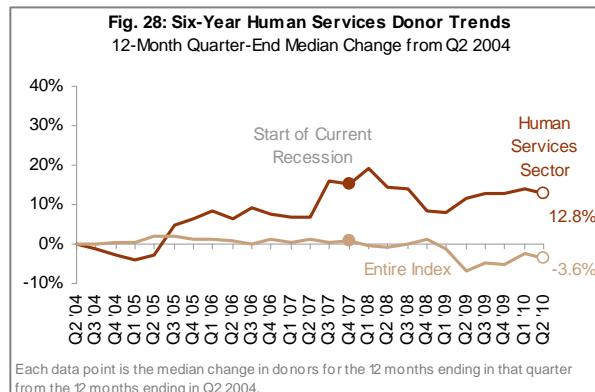
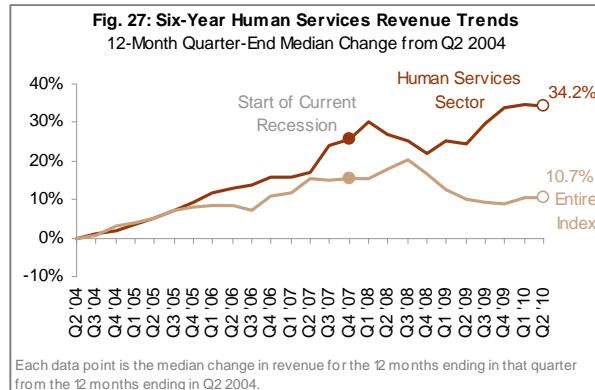
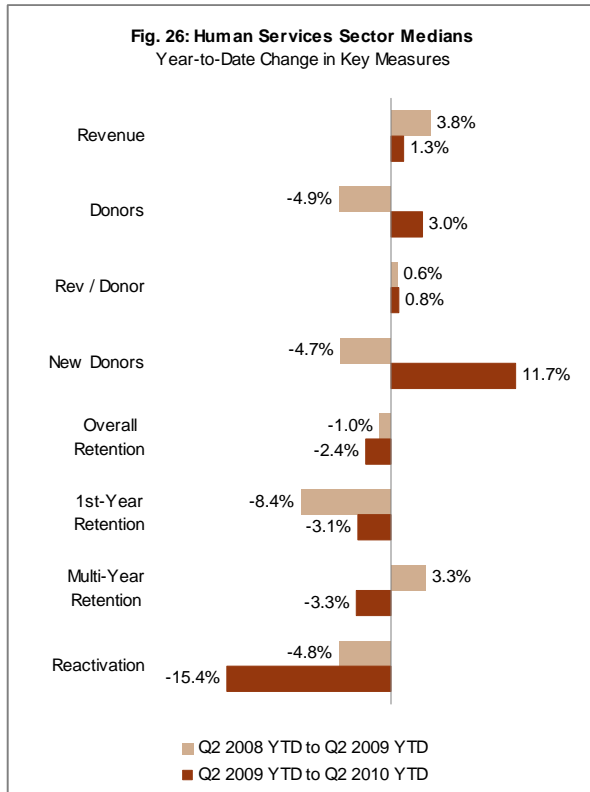
Over the past two and a half years since the current recession began, in Q4 2007, health sector revenue is down 14.8% and donors are down 14.5%.

This study considers direct marketing revenue, not event revenue. Several health charities have large-scale fundraising events that are not included in this analysis.

Human Services

7 organizations

The human services sector has been one of the strongest in the index during the recession; revenue and donor growth for the sector both outperformed the rest of the index during 2008 and 2009. Human services organizations continued to see positive growth in most areas in the first half of 2010, although not at quite the magnitude of the previous two years. And, for the first time since the beginning of the recession, overall donor growth was driven by new donor acquisition rather than by increased retention and reactivation.



Human services revenue grew a median 1.3% from Q2 2009 YTD to Q2 2010 YTD, while the index as a whole had flat revenue growth of 0.5% (see Fig. 26). Five of the seven organizations in this sector had positive revenue growth in the first half of 2010.

Overall donor numbers grew a median 3.0% from Q2 2009 YTD to Q2 2010 YTD, while the index as a whole had donor declines of 0.9%. Four of the seven organizations in this sector had positive donor growth in the first half of 2010.

Over the past two years, human services organizations had difficulty with new donor acquisition but were able to achieve overall donor growth through increased retention of their existing base. In the first half of 2010, this pattern has changed; sector new donors increased significantly while retention rates declined. Both of these changes may be, at least in part, rebounds from the atypically low acquisition and high retention rates of previous years.

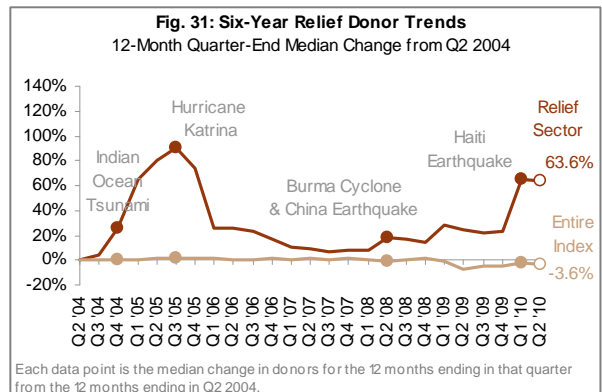
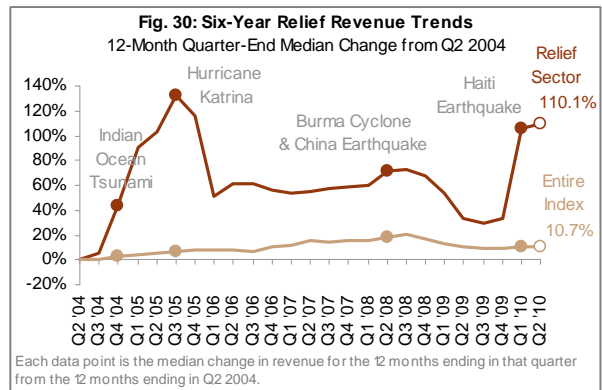
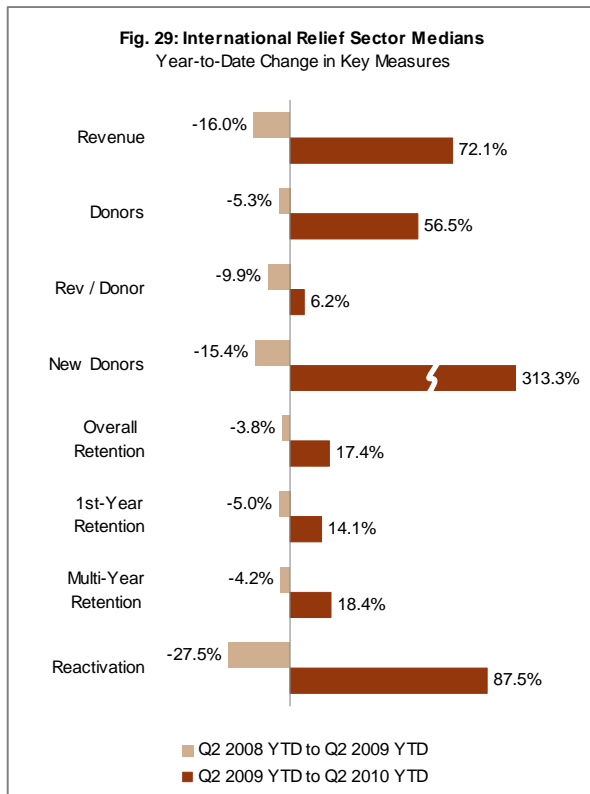
Rolling twelve-month trends confirm that from 2004 to 2007 sector revenue and donor growth tracked the overall index relatively closely, but that the sector has generally outperformed the overall index since the start of the recent recession.

Over the past six years, from the twelve months ending Q2 2004 to the twelve months ending Q2 2010, human services revenue grew a cumulative median 34.2%, more than twice the overall index growth of 10.7% (see Fig. 27). Donor growth has been more volatile but the sector has generally maintained its donor numbers well through the recession, allowing it to outperform the index significantly over the long term. From the twelve months ending Q2 2004 to the twelve months ending Q2 2010, human services sector donors have increased a cumulative median 12.8%, compared to an overall index decline of 3.6% over the same period (see Fig. 28).

International Relief

13 organizations

As expected, relief sector performance in the first half of 2010 was dominated by the effects of fundraising related to relief efforts following a devastating earthquake in Haiti on January 12. The sector saw phenomenal growth in all key areas, on a scale almost equal to the period after the Indian Ocean tsunami of 2004. The sector was able to retain a substantial portion of its tsunami disaster-related fundraising during later non-disaster years; it will be important to see if the same will be true of Haiti-related gains.



Revenue for the international relief sector rose a median 72.1% from Q2 2009 YTD to Q2 2010 YTD, dwarfing the 0.5% overall index median revenue increase (see Fig. 29). 92% of the organizations in the relief sector had revenue increases in the first half of 2010.

Donors to international relief organizations increased 56.5% from Q2 2009 YTD to Q2 2010 YTD, compared to an overall index median donor decline of 0.9% over the same period. 92% of the organizations in this sector had donor increases in the first half of 2010.

The area perhaps most affected by Haiti relief is new donor acquisition. The relief sector had median 313.3% growth in new donors from Q2 2009 YTD to Q2 2010 YTD, while the index as a whole had new donor gains of 5.7%. 85% of the relief organizations in the index had positive new donor growth in the first half of 2010.

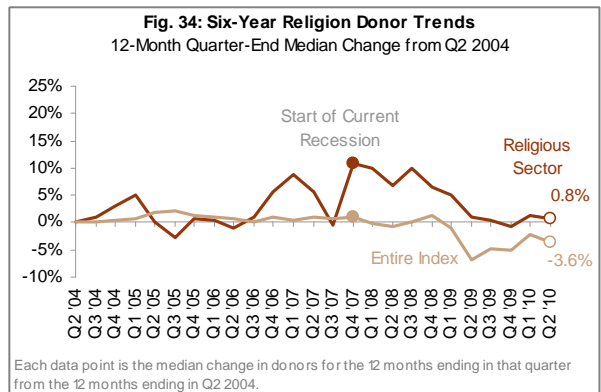
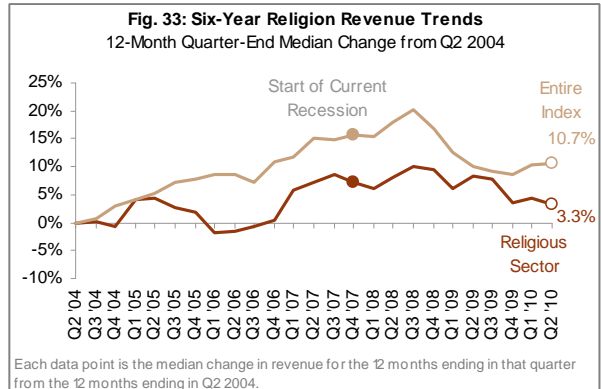
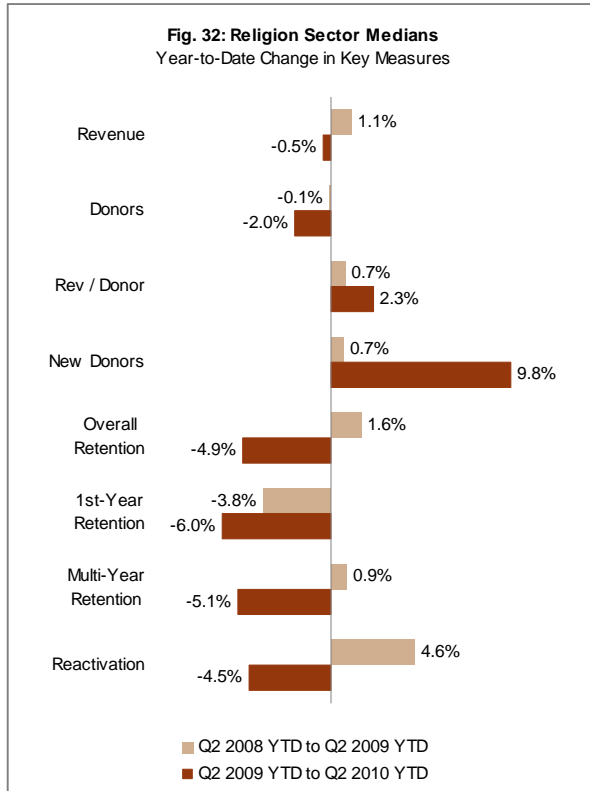
Rolling revenue and donor trends can give a longer-term context for recent relief sector performance. The Indian Ocean tsunami of December 2004 generated record disaster-related revenue and donor acquisition in late 2004 and early 2005, much of which was retained for several years. Cyclone and earthquake-related giving is likely responsible for a smaller bump in 2008. And there is a significant Haiti-related spike in the first quarter of 2010. All of this has allowed the relief sector to significantly outperform the index over the past six years.

Relief sector revenue is up a cumulative 110.1% from the twelve months ending Q2 2004 to the twelve months ending Q2 2010 (see Fig. 30). The index as a whole had only 10.7% growth over the same six-year period. Donor numbers grew a cumulative median 63.6% for the relief sector, compared to an overall index median donor decline of 3.6% over the same period (see Fig. 31).

Religion

7 organizations

Compared to most sectors, religious organizations have performed well during the recession. The sector outperformed the index in 2008 and 2009, experiencing some of the smallest revenue and donor declines of any sector in those years. In the first half of 2010, the sector continued to have relatively small revenue and donor declines and had strong new donor growth, although it is struggling with retention.



Revenue remained essentially flat for religious organizations, declining a median 0.5% from Q2 2009 YTD to Q2 2010 YTD (see Fig. 32). Two of the seven organizations in this sector had positive revenue growth in the first half of 2010.

Sector donor numbers fell a median 2.0% from Q2 2009 YTD to Q2 2010 YTD, similar to the overall index median decline of 0.9%. Three of the seven organizations in this sector had positive donor growth in the first half of 2010.

The sector experienced strong growth in new donor acquisition, with a median 9.8% increase in new donors from Q2 2009 YTD to Q2 2010 YTD. Overall index median new donor growth was 5.7% over the same period.

Revenue per donor amounts grew as well, increasing 2.3% from Q2 2009 YTD to Q2 2010 YTD. This is particularly notable in that it comes on top of consistently positive revenue per donor growth for the sector throughout 2009 – a year when most other sectors in the index had revenue per donor declines. Four of the seven organizations in this sector had positive revenue per donor growth in the first half of 2010.

In spite of relatively strong performance during the recession, cumulative revenue growth for the religion sector has underperformed that of the overall index over the long term because of slower performance in earlier years. From the twelve months ending Q2 2004 to the twelve months ending Q2 2010, sector revenue grew a cumulative median 3.3%, compared to overall index median growth of 10.7% (see Fig. 33).

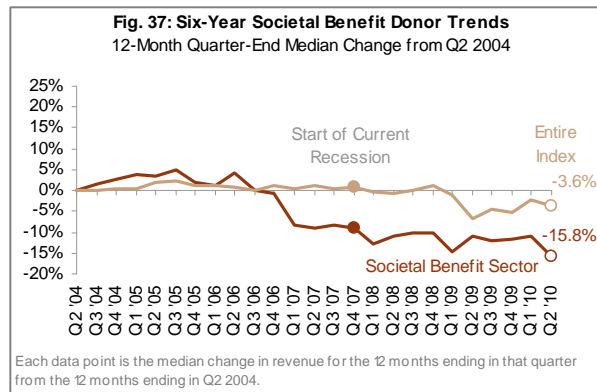
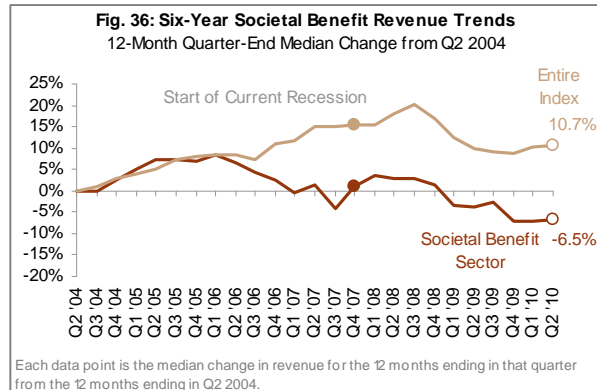
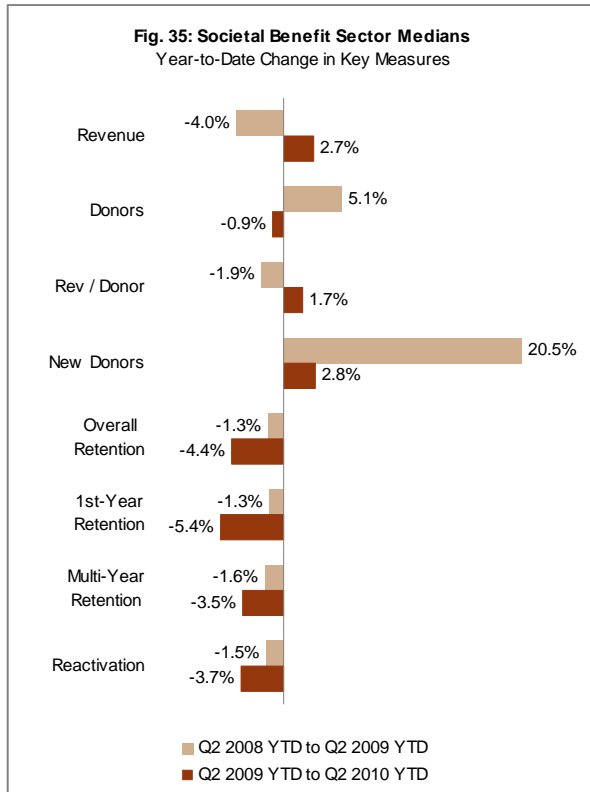
Over the same period, sector donor numbers have outperformed the index, growing a median 0.8%, while the overall index declined 3.6% (see Fig. 34).

All seven of the organizations in this sector are Catholic faith-based organizations.

Societal Benefit

11 organizations

From 2006 to 2009, societal benefit organizations experienced some of the greatest fundraising challenges of any sector in the index. There continue to be signs that some of these negative trends may be leveling off for the sector, which had strong increases in the first half of 2010 in most key areas – particularly in new donor acquisition but also in revenue and revenue per donor. Donor numbers did decline for the sector but these declines were identical to those of the overall index.



Revenue increased a median 2.7% from Q2 2009 YTD to Q2 2010 YTD (see Fig. 35), greater than overall index median growth of 0.5%. This growth was relatively widespread; 64% of the organizations in the sector had positive revenue growth in the first half of 2010.

Societal benefit donor populations declined a median 0.9% from Q2 2009 YTD to Q2 2010 YTD, the same as the index as a whole. 45% of the organizations in the sector had positive donor growth in the first half of 2010.

Unlike most other sectors, societal benefit organizations had relatively strong new donor growth throughout 2009 and donor acquisition has continued to rise into 2010. New donor numbers for the sector grew by a median 2.8% from Q2 2009 YTD to Q2 2010 YTD. 64% of the organizations in this sector had positive donor growth in the first half of 2010.

A rolling twelve-month revenue and donor analysis can provide longer-term perspective on these recent trends. It shows that the societal benefit sector generally paralleled the index in 2004 and 2005 in both revenue and donor growth. The sector has underperformed the index in both of these areas since 2006, with the negative donor trends leveling out somewhat in recent quarters.

In spite of recent advances, cumulative revenue and donor growth for the societal benefit sector both lag overall index medians to a significant degree over the long term. From the twelve months ending Q2 2004 to the twelve months ending Q2 2010, societal benefit revenue declined a cumulative median 6.5%, compared to overall index revenue growth of 10.7% (see Fig. 36). Over the same period, societal benefit donors declined a cumulative median 15.8%, compared to an overall index decline of 3.6% (see Fig. 37).

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5. U.S. Department of Labor Bureau of Labor Statistics Analysis, *Employment Situation Summary*, <http://www.bls.gov/news.release/empsit.nr0.htm>. Retrieved September 14, 2010.

Industry Sectors Used in the Index

Animal Welfare Organizations

Organizations that focus on the care, protection, or understanding of pets or specialty animals, other than livestock. Includes humane societies, veterinary services, aquariums, and zoos.

Arts & Culture Organizations

Organizations that promote enjoyment or understanding of the visual, performing, folk, or media arts or the humanities; communications organizations; and organizations that promote the appreciation or understanding of historical events, including historical societies and genealogical or heredity-based organizations.

Environmental Organizations

Programs that focus on the preservation and protection of the environment, including pollution control and abatement programs; conservation and development of natural resources (land, plant, water, energy); control or elimination of hazardous and toxic substances (including pesticides); solid waste management programs; botanical gardens and societies; urban beautification and open spaces programs; and environmental education. Also includes programs that focus primarily on the protection and preservation of wildlife or fisheries.

Health Organizations

Programs which help people achieve and maintain physical well-being through prevention, screening, evaluation and treatment; programs that promote mental health and treatment of mental illness; voluntary health organizations that are organized on a national, state or local basis and supported primarily by voluntary contributions from the public at large, which are engaged in a program of service, education and some research that is related to a particular disease, condition or disability, or group of diseases, conditions or disabilities; research institutes and other organizations whose primary purpose is to promote the advancement of knowledge about specific diseases, disorders, or medical disciplines.

Human Services Organizations

Organizations that promote or provide a broad range of social or human services to individuals or families; organizations that focus on protecting the public from antisocial elements; organizations that help individuals to find and sustain gainful employment; organizations that focus on the development and improvement of food resources; organizations that focus on promoting adequate housing for individuals, families and communities; organizations which aim to prevent, predict or control the effects of domestic disasters (e.g., floods, earthquakes, fires, tornadoes); organizations that work to build character and develop leadership and social skills among children and youth.

International Relief Organizations

Organizations that provide development and relief services to foreign countries and/or organizations that raise and distribute funds for the benefit of overseas institutions.

Religious Organizations

Programs operated for the purpose of worship, religious training or study, governance or administration of organized religions, or the promotion of religious activities.

Societal Benefit Organizations

Programs that focus on protecting and promoting the broad civil rights and civil liberties of individuals, improving relations between racial, ethnic, and cultural groups, and promoting voter education and registration; advocacy and citizen action groups that work to change public policy and opinion in a variety of areas; organizations that work to strengthen, unify, and build community spirit and increase the capacity of various community organizations to improve the quality of life for all.

Most sector definitions based on a modification of the Foundation Center's National Taxonomy of Exempt Entities.
<http://fdncenter.org/nTEE/index.html>

Looking Ahead

The next installment of the index, to be released in January 2011, will examine activity for the third quarter of 2010. Findings can be found at <http://www.blackbaud.com/targetanalytics>.

Index Methodology

Target Analytics applied the following rules to standardize data from each of the organizations participating in the Index of National Fundraising Performance:

Individual payments greater than \$5,000, soft credits, and matching gift payments are excluded. Direct mail is the dominant or only revenue source for most organizations; however, web, telemarketing, event, and other sources are included. Indicators are calculated on a cash payment basis, as opposed to a pledge basis. Gifts or donors are defined as new, retained, or reactivated according to relative gift dates rather than organization-specific business rules or source codes. Retention rates for quarterly analysis are calculated by dividing the number of donors giving in the current year-to-date quarter(s) who also gave during the previous calendar year by the total number of donors who gave in the previous calendar year. Revenue per donor refers to the cumulative giving per donor per current period.

About Medians

Unless otherwise noted, index trends are measured by using the median percent change among a group of organizations. The median is the middle value in a ranked order of numbers. Using this statistic to describe historical trending minimizes distortion caused by the wide range of organizations' file sizes or extreme changes at a few organizations.

Participation

Participation in the index is limited to organizations that meet size and geographic requirements as well as other terms and conditions. For information about index eligibility contact Sue Rock Tully at srocktully@targetanalysis.com. Please direct questions or requests to reproduce these findings to targetindex@blackbaud.com.

Online Resources

Participating organizations are granted access to an online, interactive graphical system where they can chart their own performance results against overall and sector-specific medians. Please contact your account representative for your password and for more information.

About Target Analytics

Target Analytics, a Blackbaud company, delivers data-driven, collaborative solutions designed to help non-profit organizations maximize their fundraising potential. Founded in 1989, Target Analytics was the first company to bring forward-thinking non-profit organizations together to establish industry-standard benchmarking and openly discuss successful strategies and practices.