

Index of National Fundraising Performance

2009 Third Calendar Quarter Results

Prepared by
Helen Flannery, Rob Harris, and Carol Rhine
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Target Analytics Index of National Fundraising Performance

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About the Index of National Fundraising Performance.....	2
Q3 2009 Index Participants.....	3
Q3 2009 Summary.....	4
Overall Index Performance.....	5
Industry Sector Performance.....	9
Societal Benefit.....	11
Religion.....	12
International Relief.....	13
Human Services.....	14
Health.....	15
Environment.....	16
Arts & Culture.....	17
Animal Welfare.....	18
References.....	19
Industry Sectors Used in the Index.....	20
Looking Ahead.....	21
Index Methodology.....	21
About Medians.....	21
Participation.....	21
Online Resources.....	21
About Target Analytics.....	21

About the Index of National Fundraising Performance

The Target Analytics 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 Q3 2009, Target Analytics evaluated transactions from 80 organizations, including over 37 million donors and more than 70 million gifts totaling almost \$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 September 2009. 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.

Q3 2009 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 Law Enforcement Officers Memorial Fund
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
Children's National Medical Center
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
International Rescue Committee
Mercy Corps
Operation Smile
Oxfam America
Project HOPE
Save the Children
U.S. Fund for UNICEF

Religion

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
NARAL
National Committee to Preserve
Social Security & Medicare
Planned Parenthood
Public Citizen
Southern Poverty Law Center

Non-Profit Direct Marketing Revenue and Donor Declines Continued in Q3 2009 as Economy Remained Weak

Q3 2009 Summary

During 2008, most of the organizations in the index had downturns in many key measures of fundraising which appeared to be caused, or at least exacerbated, by a weak economy. These negative trends intensified in the first half of 2009 and have continued into the third quarter.

All of the key metrics that we analyze in the index declined overall for the first three quarters of 2009 as compared to the first three quarters of 2008. All but one of the industry sectors analyzed in the index had revenue and donor declines over this period. Overall revenue per donor declined in the first three quarters of 2009, as it did in our Q1 and Q2 2009 index analyses; revenue per donor declines were experienced by almost two-thirds of the organizations in the index.

Index organizations have seen gradual declines in donor numbers for more than three years, since the U.S. Gulf Coast hurricanes of 2005. These donor declines increased in magnitude in the fourth quarter of 2008 and in the first three quarters of 2009, suggesting that the recession accelerated the rate of file size shrinkage.

Recent index donor declines have been due primarily to declines in new donor acquisition. New donor populations have fallen faster than overall donor populations since 2005, when relief and animal welfare organizations experienced a large influx of new donors as a result of U.S. Gulf Coast hurricanes and other disaster-related giving. In addition, new donor declines accelerated during the recent recession.

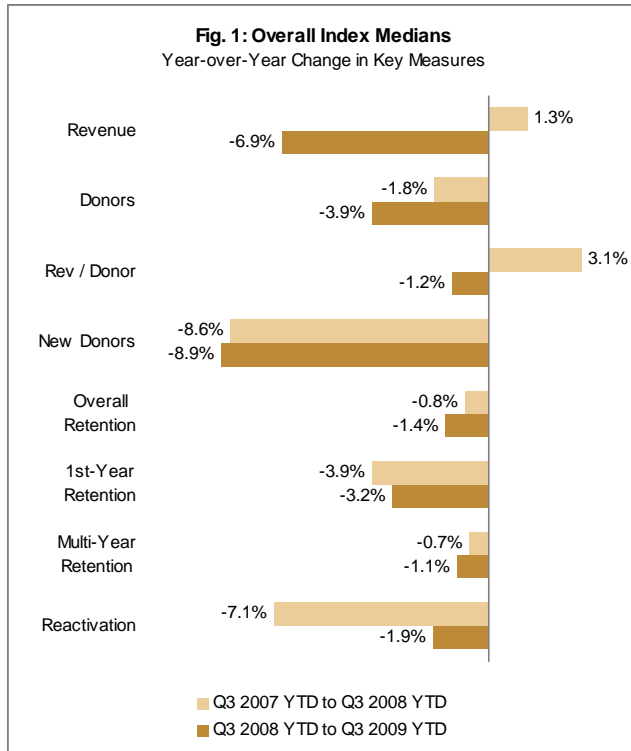
International relief and animal welfare organizations have generally had the strongest fundraising performances in the index in recent years, but even they have seen declines in key measures in 2009. The human services sector, on the other hand, has performed more strongly during the recession than any other sector, and continues to do so into the third quarter of 2009. Since human services organizations provide aid to the disadvantaged, this may be where many donors feel they should concentrate their giving during these hard economic times.

Overall Index Performance

All index results are medians unless otherwise specified.

Year-to-Year Change

All of the key metrics analyzed in the index were down overall from the first three quarters of 2008 to the first three quarters of 2009 (see Fig. 1).



Index revenue declined a median 6.9% from Q3 2008 year-to-date to Q4 2009 year-to-date. This continues declines that we saw at the end of 2008 and in the first and second quarters of 2009. Fewer than a quarter (23%) of the organizations in the index had positive revenue growth over the period.

Donor numbers in the index fell a median 3.9% from Q3 2008 YTD to Q3 2009 YTD. Donors have been declining consistently for the past three years; the index has not experienced positive year-to-year donor growth since the 2005 U.S. Gulf Coast hurricanes. Donor declines continued to be widespread across the index; only 29% of the organizations in the index had positive donor growth from Q3 2008 YTD to Q3 2009 YTD.

As in previous quarters, donor declines are due primarily to declines in new donor numbers, which fell 8.9% from the first three quarters of 2008 to the first three quarters of 2009. Only a third (33%) of the organizations in the index had positive new donor growth over the period.

Retention rates also fell in the first three quarters of 2009 by a median 1.4% from the same period in the previous year and

reactivation rates fell a median 1.9%. These decreases are similar to those we saw in the second quarter of 2009. We evaluate partial-year retention and reactivation rates with caution, however, since last year's donors have only had nine months in which to renew; these trends could shift if renewals or reactivations accelerate in the last quarter of the year.

From 2004 to 2008 revenue per donor grew every quarter, making up for donor declines and allowing overall revenue to continue to grow. In the first three quarters of 2009, however, revenue per donor declined 1.2% from the first three quarters of 2008. 38% of the organizations in the index had revenue per donor increases over this period.

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.

	Q1 2008 to Q1 2009	Q2 2008 to Q2 2009	Q3 2008 to Q3 2009
Revenue	-7.7%	-4.3%	-5.7%
Donors	-5.8%	-4.3%	-2.4%
% of Orgs With Positive Revenue Change	23%	40%	31%
% of Orgs With Positive Donor Change	24%	40%	41%

We have done some analysis on year-to-year trends for the first three quarters of 2009, however, to evaluate the impact of recent economic changes in more detail.

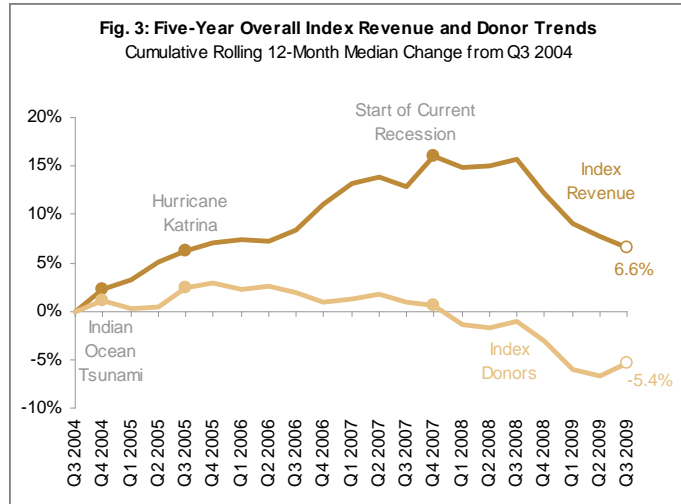
This analysis shows that donor numbers continued to decline in the third quarter of 2009. Q3 median declines were not of quite the same magnitude as the declines in Q2, but again only about 40% of the organizations in the index experienced positive donor growth in the third quarter of 2009.

Revenue trends are less consistent than donor trends. Revenue declined in all three quarters of 2009. Q2 declines were smaller than Q1 declines, but declines in Q3 were larger than they had been in Q2.

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 smooths 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 in 2006 and 2007. Revenue growth slowed during the first three quarters of 2008 and then declined substantially in the fourth quarter of 2008 and the first three quarters of 2009, paralleling the weak economy (see Fig. 3).



Cumulatively over the past five years, including the record tsunami and hurricane giving periods, index revenue has grown at lower than normal rates. From the twelve months ending Q3 2004 to the twelve months ending Q3 2009, index revenue grew a cumulative median 6.6%. This is an effective annual growth rate of 1.3% per year.

Cumulatively over the most recent three years – a period which did not include any natural disasters on the scale of the tsunami or the hurricanes – index revenue has declined. From the twelve months ending Q3 2006 to the twelve months ending Q3 2009, revenue declined a median 3.4%. This is an effective annual rate of decline of 1.1% per year (see Fig. 4).

Real index revenue has declined by 6.3% over the past five 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, unlike revenue declines, recent donor declines are part of a long-term pattern that has likely been worsened by recent economic conditions.

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

	Five-Year Change Q3 '04 to Q3 '09	Four-Year Change Q3 '05 to Q3 '09	Three-Year Change Q3 '06 to Q3 '09	Two-Year Change Q3 '07 to Q3 '09	One-Year Change Q3 '08 to Q3 '09
Revenue					
Median Change	6.6%	-3.3%	-3.4%	-6.6%	-6.7%
Effective Annual Change	1.3%	-0.8%	-1.1%	-3.3%	-6.7%
% Orgs with Positive Change	63%	45%	39%	30%	16%
Donors					
Median Change	-5.4%	-10.5%	-8.4%	-7.3%	-4.4%
Effective Annual Change	-1.1%	-2.5%	-2.7%	-3.6%	-4.4%
% Orgs with Positive Change	40%	31%	33%	35%	29%

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.

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 substantially over the past five years. Donors declined a cumulative median 5.4% from the twelve months ending Q3 2004 to the twelve months ending Q3 2009. This is an effective annual rate of decline of 1.1% (see Fig. 4).

Donor declines have been particularly large over the most recent three-year period since the 2005 Gulf Coast hurricanes, as would be expected after such a large influx of new disaster-related donors. From the twelve months ending Q3 2006 to the twelve months ending Q3 2009, donors declined 8.4%, for an effective annual rate of decline of 2.7% each year. Only a third of the organizations in the index had positive cumulative donor growth over this period.

Rates of decline were smaller in magnitude in the most recent quarter than in the quarter before. However, the general trend is still towards declines rather than growth; future quarters will show whether this is in fact a significant change in the overall pattern.

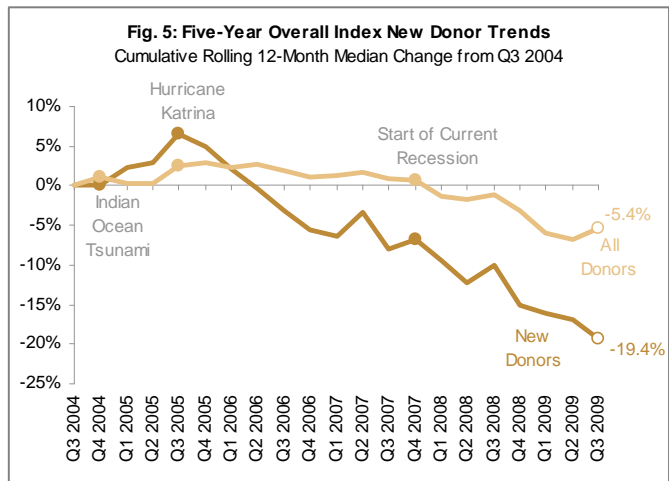
As we have said in previous editions of the index, falling donor populations across the index may be due to a mix of factors including economic changes, a changing generational profile in the United States, changing attitudes of donors about giving, and a change in focus by fundraisers toward higher-dollar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

New Donor Declines

For most organizations, overall donor declines continue to be caused mainly by declines in new donor acquisition.

Over the past five years, from the twelve months ending Q3 2004 to the twelve months ending Q3 2009, new donor numbers have fallen a cumulative median 19.4% (see Fig. 5). This is an effective annual rate of decline of 3.6% per year.

New donor declines were only slightly greater during the recession than they were over the entire past five years. New donor numbers fell a cumulative median 12.0% from the twelve months ending Q4 2007, when the recession began, to the twelve months ending Q3 2009. This is an effective annual rate of decline of 3.8% per year.



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 as well, but it also declines as a proportion of the average American's spending dollar. In recessionary periods, financially-strapped 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. As would be expected, non-profit direct marketing revenue in the index began to decline as the economy weakened, and already ongoing donor declines intensified during that time. We

reported overall revenue declines in the last five editions of the index (Q2 2008 through Q3 2009), with some of the steepest downturns coming in the first half of 2009.

As of this analysis, there have been some indications of improvement in the U.S. economy; in particular, positive GDP growth in the third quarter of 2009⁴. This in itself is not enough to declare that the recession is over, however, and the NBER will not likely announce an official end to the current recession until well into 2010.

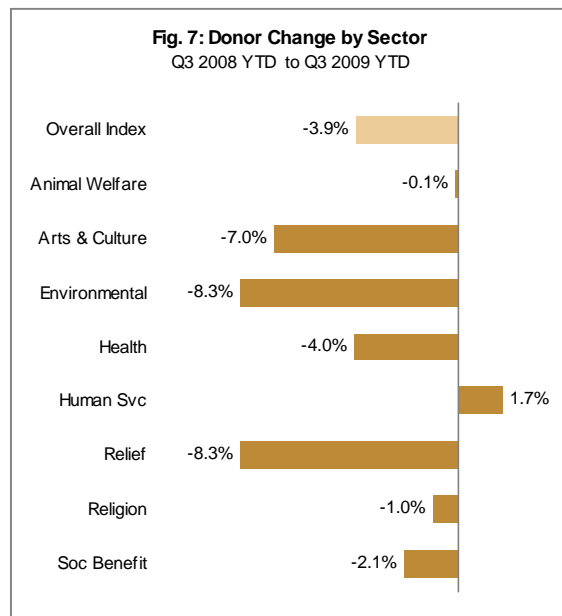
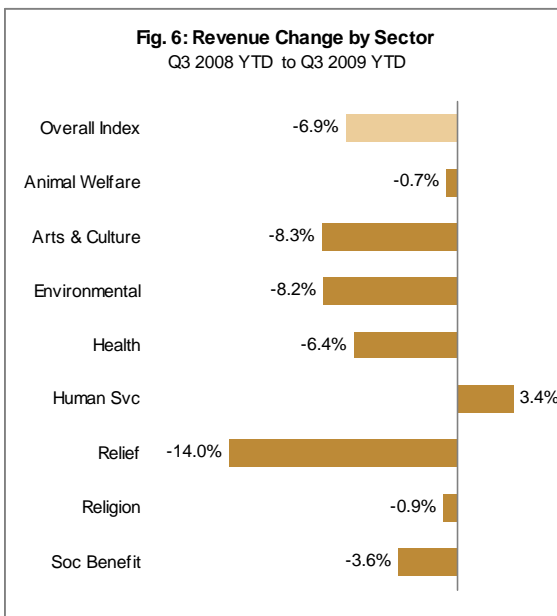
Industry Sector Performance

All sector results are medians unless otherwise specified.

Revenue and Donors

During the first three quarters of 2009, almost all of the industry sectors in the index exhibited the trends seen in the index as a whole: declining revenue and donor numbers precipitated primarily by declining new donor acquisition.

Continuing a pattern that we saw in last quarter's index analysis, the human services sector was the only sector in the index to see an increase in revenue from the first three quarters of 2008 to the first three quarters of 2009 (see Fig. 6). The religion and animal welfare sectors performed relatively strongly in this area again as well, experiencing the smallest revenue declines.

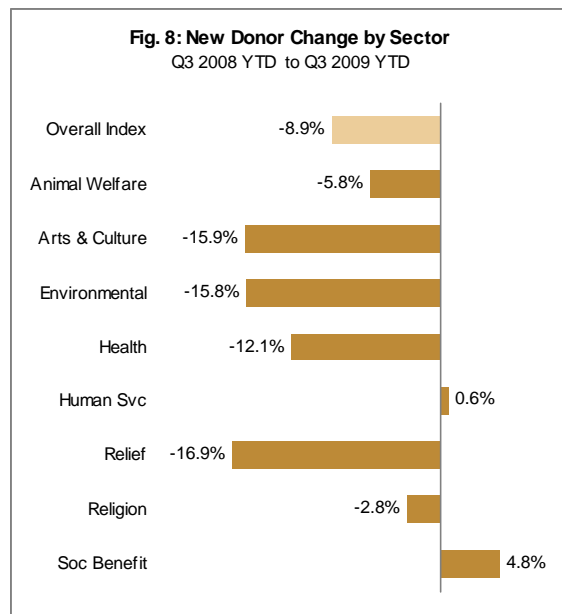


Results for donor growth were similar; the human services sector was the only one to experience donor growth this quarter while all other sectors had declines (see Fig. 7). As with revenue, the religion and animal welfare sectors had the smallest donor declines.

The relief sector had the largest revenue declines in the index in the first three quarters of 2009. This may be at least in part a rebound from strong disaster-related giving in 2008. Relief and environmental organizations experienced the greatest donor declines during the period.

New Donor Growth

New donor acquisition was down from the first three quarters of 2008 to the first three quarters of 2009 for almost all sectors in the index (see Fig. 8). This was the primary cause of overall donor declines in the index.



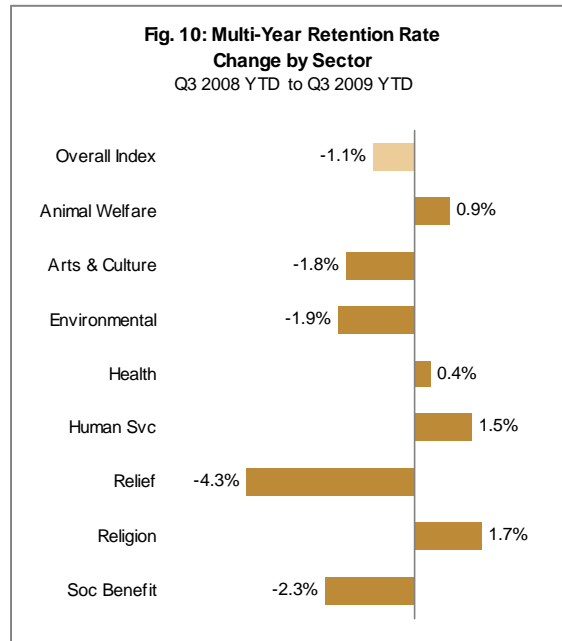
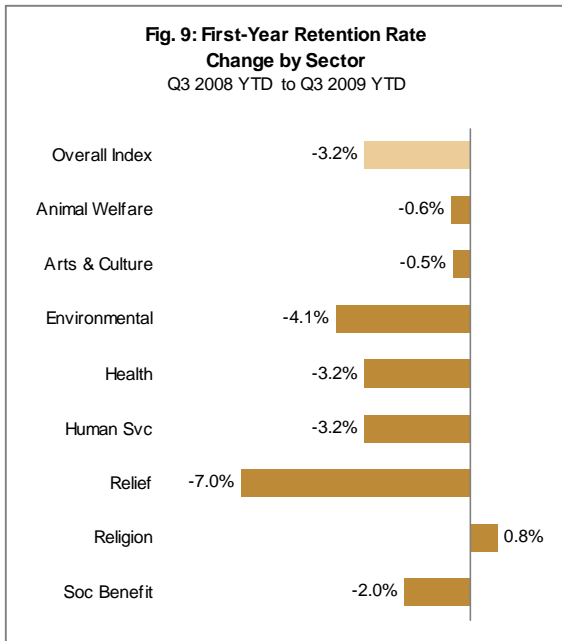
Two sectors did have positive growth in new donors, however. Societal benefit organizations had the greatest new donor growth in the first three quarters of 2009, and human services organizations had essentially flat new donor growth. For societal benefit organizations, this is an encouraging change after several consecutive quarters of declines in acquisition. For human services, this suggests that the donor growth the sector saw this quarter came primarily from improved retention and reactivation of donors already on file.

Relief, arts and culture, and environmental organizations had the largest new donor declines over this period.

Retention Rates

Retention rate trends in this third-quarter analysis show the relative success of renewal efforts three-quarters of the way through the year. It is important to remember that partial-year rates are not always entirely predictive of eventual year-end results, since last year’s donors have so far only had nine months in which to renew and that the fourth quarter is often the source of more gifts than any other quarter.

First-year retention rates were down across almost all sectors from the first three quarters of 2008 to the first three quarters of 2009, sometimes substantially (see Fig. 9). Religious organizations were the only ones to experience median first-year retention rate increases, while animal welfare and arts & culture sectors remained essentially flat. The relief and environmental sectors had the largest first-year retention rate declines over the period.



Multi-year retention rates are more varied across different industry sectors (see Fig. 10).

Religious and human services organizations had the greatest multi-year retention rate increases in the index. For the human services sector, which had declines in first-year retention rates, this reinforces the conclusion that although organizations in the human services sector are struggling to renew a large population of newly-acquired donors, they have a multi-year donor base that is coming back at atypically high rates during this time of need.

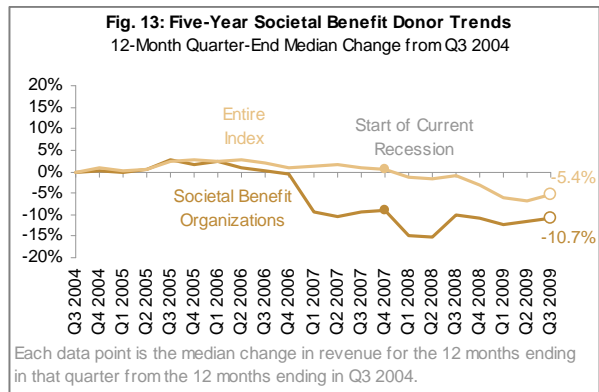
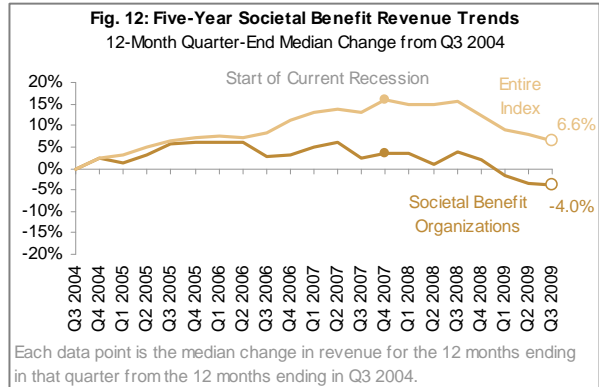
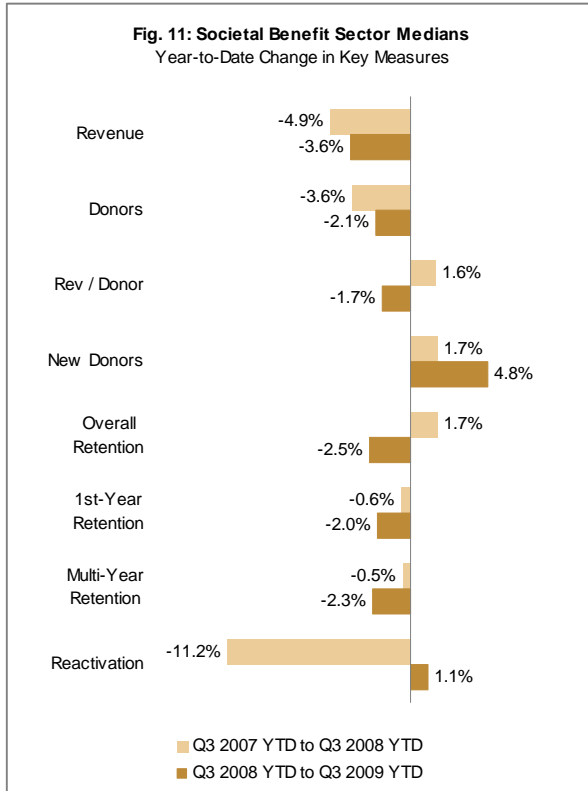
Relief organizations had the greatest declines in multi-year retention; this may be part of the general rebound that relief organizations are experiencing after several years of strong disaster-related fundraising.

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

Societal Benefit

10 organizations

Since 2006, societal benefit organizations have experienced some of the greatest fundraising challenges of any sector in the index, with significant declines in revenue, donors, new donor acquisition, retention, and reactivation in most quarters. This has generally continued into the third quarter of 2009 although there are signs that some of these negative trends have begun leveling off. New donor acquisition, in particular, has seen a boost in the most recent quarter.



Revenue declined a median 3.6% from Q3 2008 YTD to Q3 2009 YTD (see Fig. 11). This was a smaller decline than the overall index median decline of 6.9%, however, and 30% of the organizations in the sector had positive revenue growth in the first three quarters of 2009.

Societal benefit donor populations fell a median 2.1% from the first three quarters of 2008 to the first three quarters of 2009. This decline was smaller than the overall index decline of 3.9%, and was not universal throughout the sector; 40% of the organizations in the societal benefit sector had positive donor growth in Q3 2009 YTD.

In addition, this was one of the only sectors in the index to have any kind of growth in new donor acquisition in the first three quarters of 2009. New sector donors grew by a median 4.8% over the first three quarters of 2008, in contrast to an overall index median new donor decline of 8.9%. 50% of the organizations in this sector had positive donor growth in the first half of 2009.

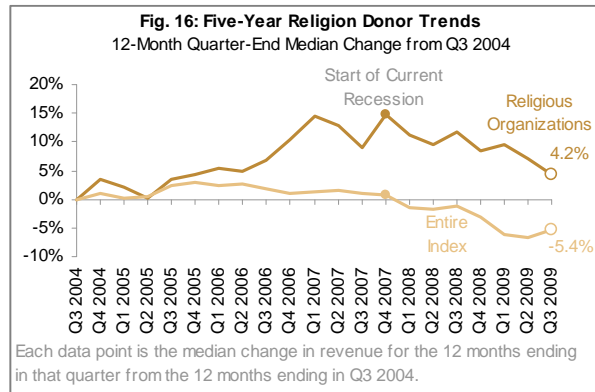
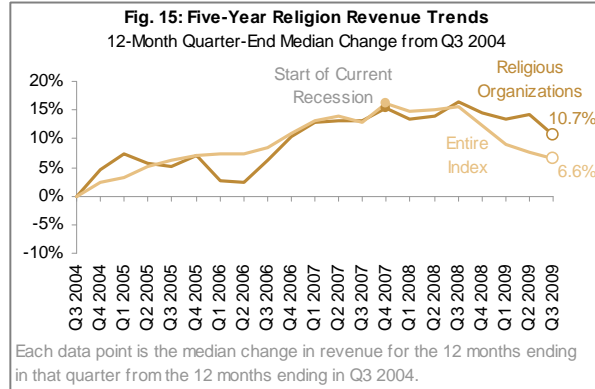
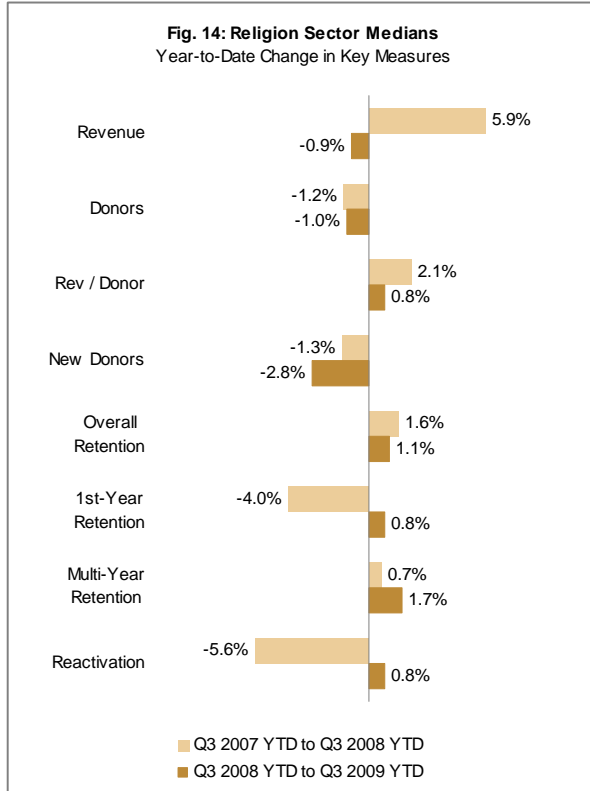
A rolling twelve-month revenue and donor analysis can provide longer-term perspective on these recent trends. It shows that the societal benefit sector generally paralleled the index in 2004 and 2005 in revenue and donor growth. The sector has underperformed the index in both of these areas since 2006,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

Cumulatively, over the past five years, revenue and donor growth for the societal benefit sector both lag overall index medians to a significant degree. From the twelve months ending Q3 2004 to the twelve months ending Q3 2009, societal benefit revenue declined a cumulative median 4.0%, compared to overall index revenue growth of 6.6% (see Fig. 12). Over the same period, societal benefit donors declined 10.7%, compared to an overall index decline of 5.4% (see Fig. 13).

Religion

6 organizations

The religion sector was one of the relatively stronger-performing sectors in the Target index in the first three quarters of 2009. Although many key measures declined, religious organizations had among the smallest declines in revenue, donors, and new donor acquisition over the period. This was also one of the only sectors to see any growth in retention and revenue per donor amounts in the first three quarters of 2009.



The Religion sector had a median revenue decrease of 0.9% from Q3 2008 YTD to Q3 2009 YTD (see Fig. 14), much smaller than the overall index decline of 6.9%. Three of the six organizations in this sector did have positive revenue growth in the first three quarters of 2009.

Sector donor numbers fell a median 1.0% from Q3 2008 YTD to Q3 2009 YTD. This was a much smaller decline than the overall index median decline of 5.8%. Two of the six organizations in this sector had positive donor growth in the first three quarters of 2009.

The sector did experience some declines in new donor acquisition in the first three quarters of 2009, with a median 2.8% decrease over the same period in 2008. This was one of the lowest new donor declines in the index, however, and was significantly smaller than the overall index median decline of 8.9%.

Revenue per donor remained essentially flat in the first three quarters of 2009, with a median increase of 0.8% from Q3 2008 YTD to Q3 2009 YTD. Four of the six organizations in this sector had increases in revenue per donor in the first three quarters of 2009.

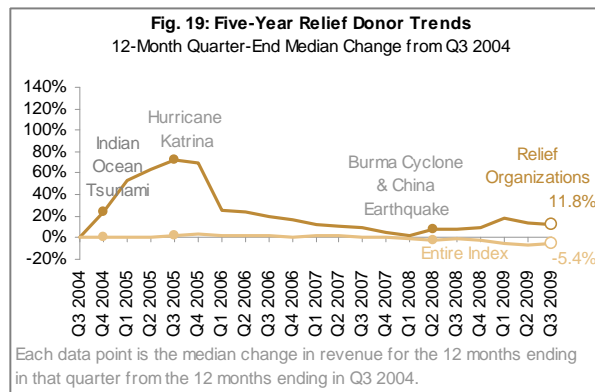
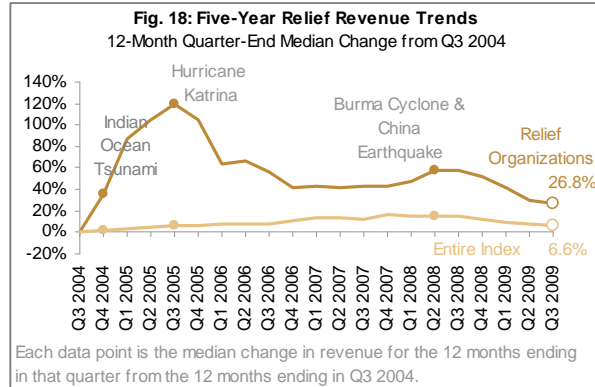
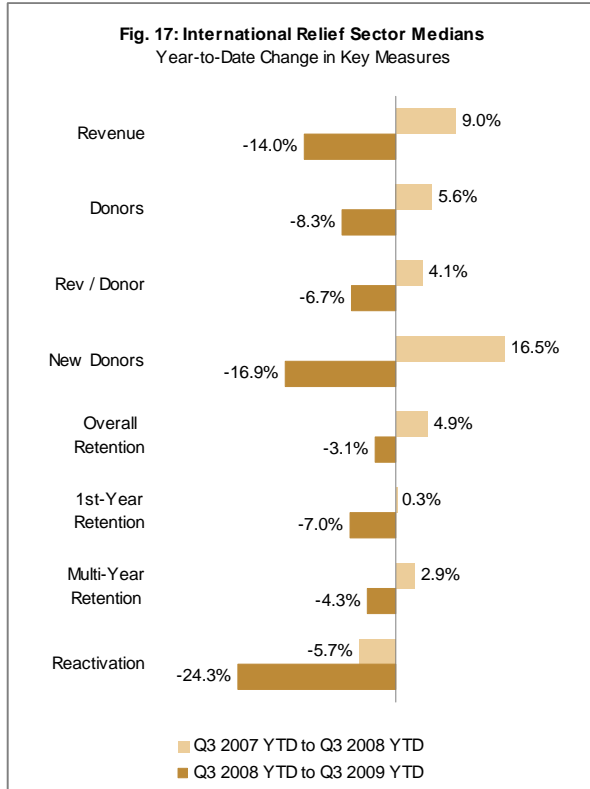
Revenue growth for the religion sector generally underperformed that of the overall index from 2004 through 2006. Donor growth roughly paralleled the overall index over the same period. Both have outperformed the index since then. The end result is that over the past five years religion sector revenue growth has been similar to index medians, and sector donor growth has outperformed index medians. From the twelve months ending Q3 2004 to the twelve months ending Q3 2009, sector revenue grew a cumulative median of 10.7% compared to overall index median growth of 6.6% (see Fig. 15). Over the same period, sector donor numbers have grown a cumulative median 4.2% (see Fig. 16), compared to overall index median declines of 5.4%.

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

International Relief

12 organizations

The international relief sector has seen some of the greatest growth in the index over the past five years. Relief organizations have had significant increases in both revenue and donors following several major disasters and, up to now, have been able to retain a substantial portion of this disaster-related fundraising during non-disaster years. The sector is now experiencing steep declines in many key measures, although at least part of this may be a rebound from strong disaster-related giving in 2008.



Revenue for the international relief sector declined a median 14.0% from Q3 2008 YTD to Q3 2009 YTD, compared to an overall index median revenue decline of 6.9% over the same period (see Fig. 17). Only 8% of the organizations in the relief sector had revenue increases in the first three quarters of 2009.

Donors to international relief organizations declined 8.3% from Q3 2008 YTD to Q3 2009 YTD, compared to an overall index median donor decline of 3.9% over the same period. Only 25% of the organizations in this sector had donor increases in the first three quarters of 2009.

This sector had significant new donor growth in 2008 following a cyclone in Myanmar and an earthquake in China. The sector then experienced acquisition declines throughout 2009 in what is likely at least partly a rebound from this disaster-related giving. New donor numbers fell for the sector by a median 16.9% from Q3 2008 YTD to Q3 2009 YTD.

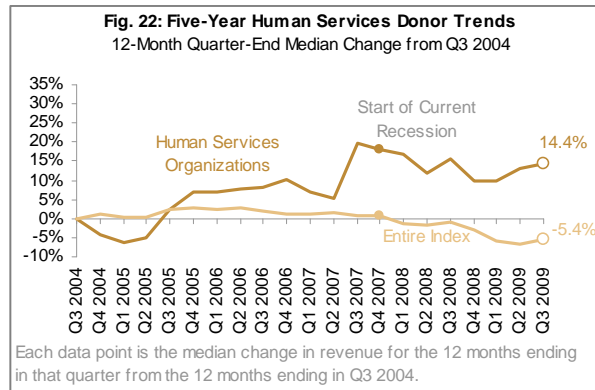
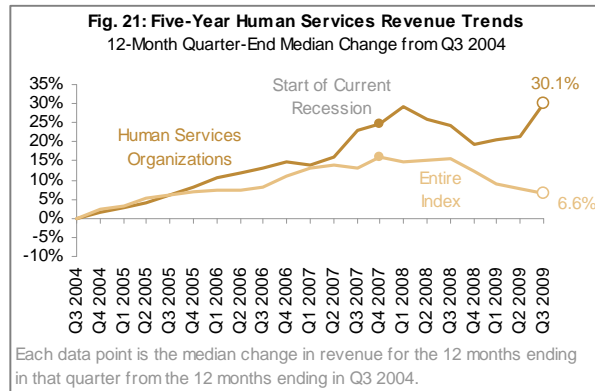
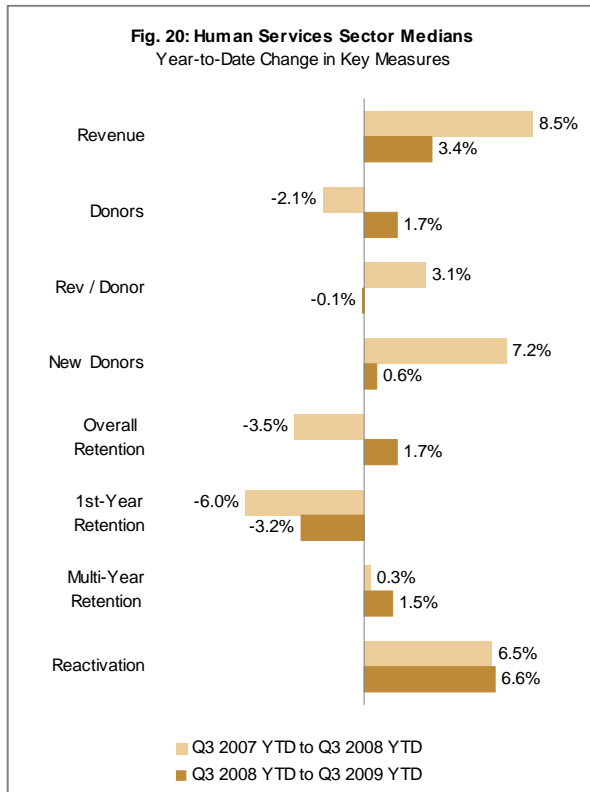
Rolling revenue and donor trends can give a longer-term context for recent relief sector performance. The Indian Ocean tsunami of December 2004 generated record disaster-related revenue and donor acquisition in both 2004 and 2005. Cyclone and earthquake-related giving is likely responsible for a smaller spike in 2008. Although revenue is now on the decline, revenue and donors for the international relief sector are both still up significantly over pre-tsunami numbers.

Relief sector revenue grew a cumulative 26.8% from the twelve months ending Q3 2004 to the twelve months ending Q3 2009 (see Fig. 18). The index as a whole had only 6.6% growth over the same five-year period. Donor numbers grew a cumulative 11.8% for the relief sector, compared to an overall index median donor decline of 5.4% (see Fig. 19).

Human Services

7 organizations

The human services sector has been one of the strongest in the index during this period of economic hardship. Revenue and donor growth for the sector outperformed the rest of the index during the recent recession. In fact, this was the only sector to see positive growth in either revenue or donors in the first three quarters of 2009. Although new donor acquisition is essentially flat this quarter, the sector had high growth in multi-year retention and lapsed donor reactivation. Organizations in this sector provide direct aid to the most disadvantaged and may have a set of multi-year, periodic donors who return in times of particular need.



Human services revenue increased a median 3.4% from Q3 2008 YTD to Q3 2009 YTD, while the index as a whole had revenue declines of 6.9% (see Fig. 20). 57% of the organizations in this sector had positive revenue growth in the first three quarters of 2009.

Overall donor numbers grew a median 1.7% from Q3 2008 YTD to Q3 2009 YTD, while the index as a whole had donor declines of 3.9%. 57% of the organizations in this sector had positive donor growth during the period.

The sector remained essentially flat in new donor acquisition, with median growth of 0.6% in the first three quarters of 2009. The sector also had declines in first-year donor retention of 3.2% over the period. This means that the increases in donor numbers the sector experienced this quarter were due to increased retention of multi-year donors and to lapsed donor reactivation. Multi-year retention rates rose 1.5% from Q3 2008 YTD to Q3 2009 YTD; this was one of the highest multi-year retention rate increases in the index. Lapsed donor reactivation increased a median 6.6% over the same period.

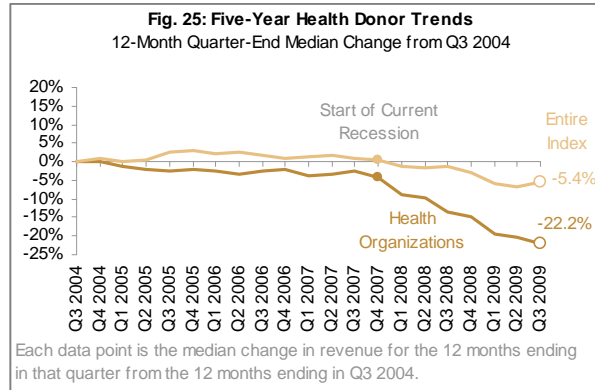
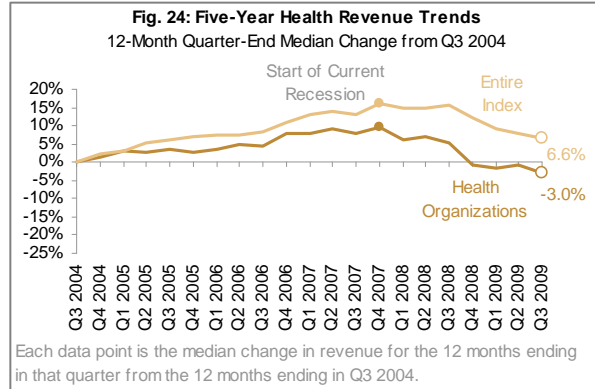
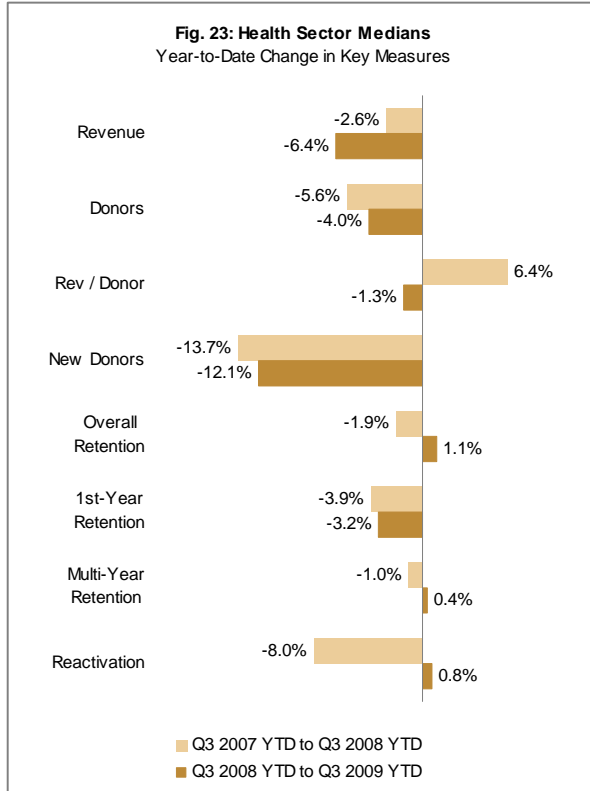
Rolling twelve-month trends show that from 2004 to 2007 sector revenue and donor growth tracked the overall index relatively closely, but that the sector outperformed the overall index since the start of the recent recession.

Over the past five years, from the twelve months ending Q3 2004 to the twelve months ending Q3 2009, human services revenue grew a cumulative median 30.1%, more than four times the overall index growth of 6.6% (see Fig. 21). Sector donor growth has been more volatile but generally follows the same pattern. From the twelve months ending Q3 2004 to the twelve months ending Q3 2009, human services sector donors have increased a cumulative median 14.4%, compared to an overall index decline of 5.4% over the same period (see Fig. 22).

Health

21 organizations

Health organizations have had some of the greatest fundraising challenges in the index over the past few years. In the first three quarters of 2009 the health sector continued to have declines in most key measures, including revenue, donors, revenue per donor, and new donor acquisition, but generally the declines have been in line with overall index medians. Overall retention rates increased slightly.



Health sector revenue declined a median 6.4% from Q3 2008 YTD to Q3 2009 YTD, similar to the overall index median decline of 6.9% (see Fig. 23). Only 10% of the organizations in the health sector had positive revenue growth in the first three quarters of 2009.

Health sector donors declined a median 4.0% from Q3 2008 YTD to Q3 2009 YTD, essentially the same as the overall index median decline of 3.9%. Only 14% of the organizations in this sector had positive donor growth in the first three quarters of 2009; this continues a donor decline that pre-dates the current economic downturn.

As in previous quarters, declines in overall donors were largely due to declines in new donor acquisition. New donor numbers for the sector fell 12.1% from Q3 2008 YTD to Q3 2009 YTD, on top of a 13.7% decline over the same period one year before. Fewer than a third (29%) of the organizations in the health sector had positive revenue growth in the first three quarters of 2009.

Health sector revenue per donor declined in the first three quarters of 2009 by a median 1.3%. This was essentially the same as the overall index median decline of 1.2%.

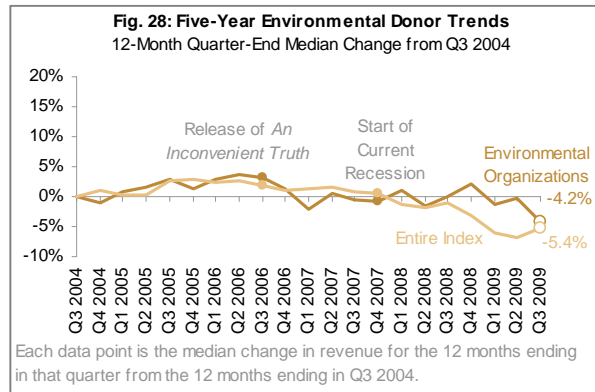
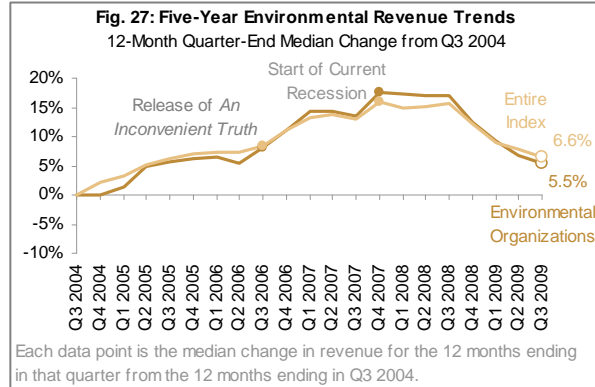
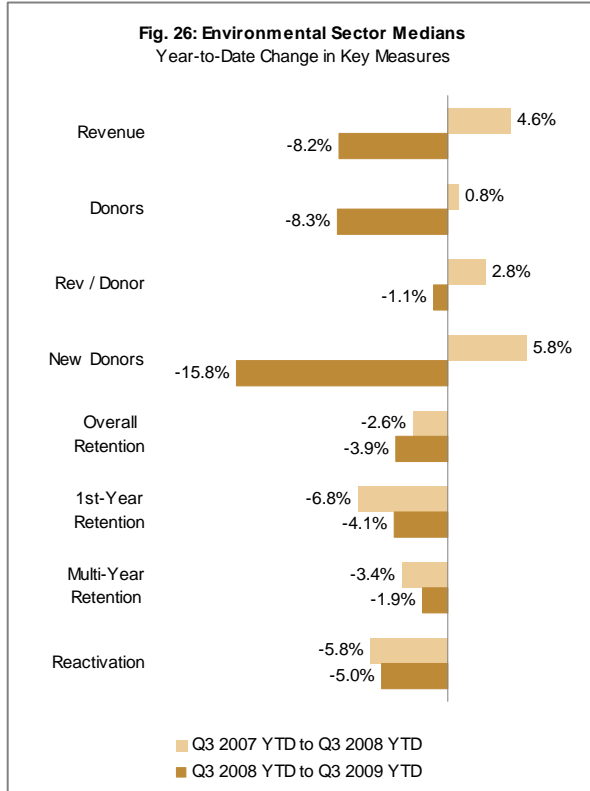
Rolling revenue and donor trends can provide a picture of long-term health sector trends. Health sector revenue and donor growth have both lagged overall index medians over the past five years and have particularly fallen behind since the start of the recession.

Over the most recent five-year period, from the twelve months ending Q3 2004 to the twelve months ending Q3 2009, health organizations had cumulative revenue declines of 3.0%, compared to 6.6% revenue growth for the index as a whole (see Fig. 24). Over the same five-year period, health organizations had cumulative donor declines of 22.2%, compared to declines of 5.4% for the index as a whole (see Fig. 25).

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 three quarters of 2009, although environmental organizations are currently seeing declines in donor numbers that are somewhat larger than declines in the index as a whole. The sector is particularly struggling with declines in new donor acquisition.



The environmental sector had a median revenue decline of 8.2% from Q3 2008 YTD to Q3 2009 YTD (see Fig. 26). This was relatively close to the overall index median revenue decline of 6.9% but it was also the second-largest decline of any sector. Only 15% of the environmental organizations in the index had positive revenue growth in the first three quarters of 2009.

Donors to the environmental sector declined a median 8.3% from Q3 2008 YTD to Q3 2009 YTD, considerably more than the overall index median donor decline of 3.9%. 31% of the environmental organizations in the index had positive donor growth in the first three quarters of 2009.

New donor acquisition fell significantly for the environmental sector in the first three quarters of 2009, with a median decline in new donor acquisition of 15.8% from the same period in 2008. This was among the largest new donor declines in the index and declines were widespread across the sector; 23% of the environmental organizations in the index had positive new donor growth from Q3 2008 YTD to Q3 2009 YTD.

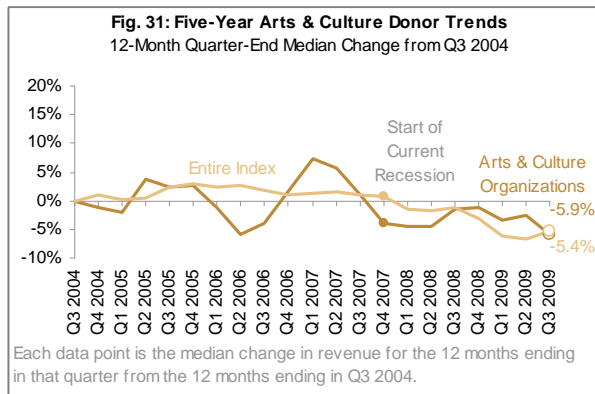
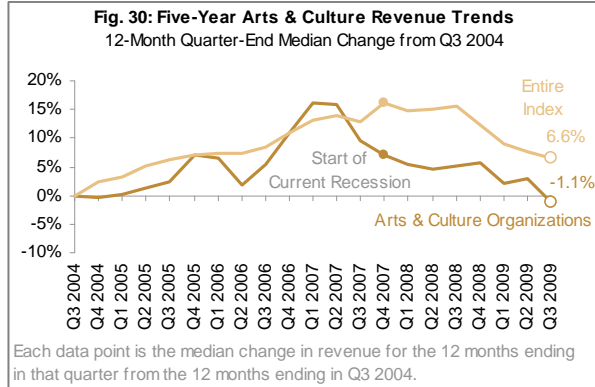
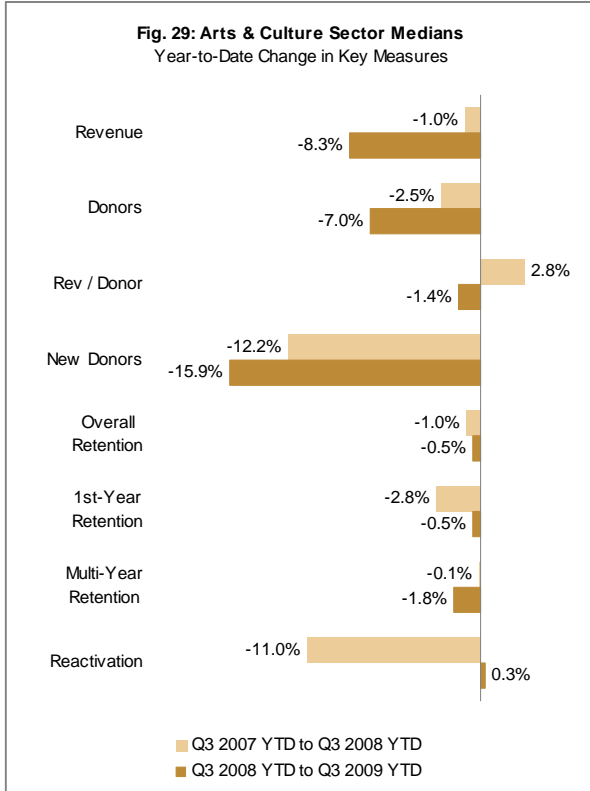
Twelve-month rolling trends can provide longer-term context for recent sector trends. This analysis shows that environmental revenue growth essentially paralleled index medians from 2004 through the current quarter, slightly outperforming the index in 2007 and 2008. Over the past five years, from the twelve months ending Q3 2004 to the twelve months ending Q3 2009, the sector had median cumulative revenue growth of 5.5%, compared to similar overall index growth of 6.6% over the same five-year period (see Fig. 27).

Environmental donor growth is more volatile but has also tracked index medians relatively closely, outperforming the overall index slightly during the recent recession. From the twelve months ending Q3 2004 to the twelve months ending Q3 2009, the sector had cumulative median donor declines of 4.2%, compared to a similar overall index decline of 5.4% over the same period (see Fig. 28).

Arts & Culture

6 organizations

During the first three quarters of 2009, arts and culture organizations generally experienced declines in key measures that were similar to or slightly greater than those of the index as a whole. Recent sector revenue declines were close to overall index medians, but sector declines in donors and acquisition were larger than those of the index overall. Over the long term, however, the pattern is the opposite; sector has underperformed the index in revenue growth and performed similarly to it in donor growth.



Arts and culture sector revenue declined a median 8.3% from Q3 2008 YTD to Q3 2009 YTD (see Fig. 29), similar to the overall index median decline of 6.9%. Only one of the six organizations in the sector had positive revenue growth in the first three quarters of 2009.

Sector donors declined a median 7.0% from Q3 2008 YTD to Q3 2009 YTD, compared to an overall index median decline of 3.9%. One of the six organizations in the sector had positive donor growth in the first three quarters of 2009.

This sector is particularly struggling in new donor acquisition. Arts and culture organizations had a median decline in new donors of 15.9% from Q3 2008 YTD to Q3 2009 YTD, significantly greater than the overall index median decline of 8.9%. Again, only one of the six organizations in the sector had positive new donor growth in the first three quarters of 2009.

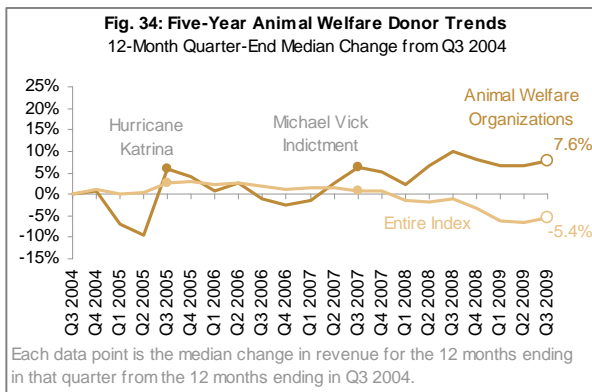
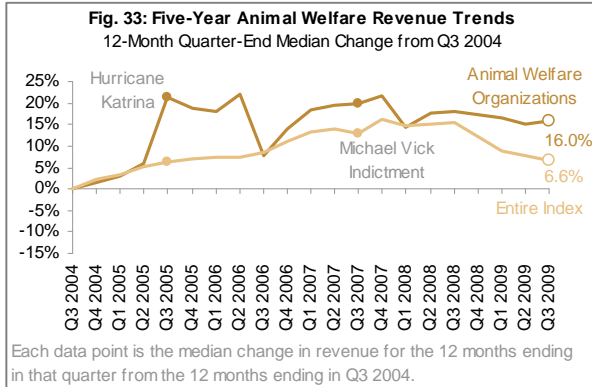
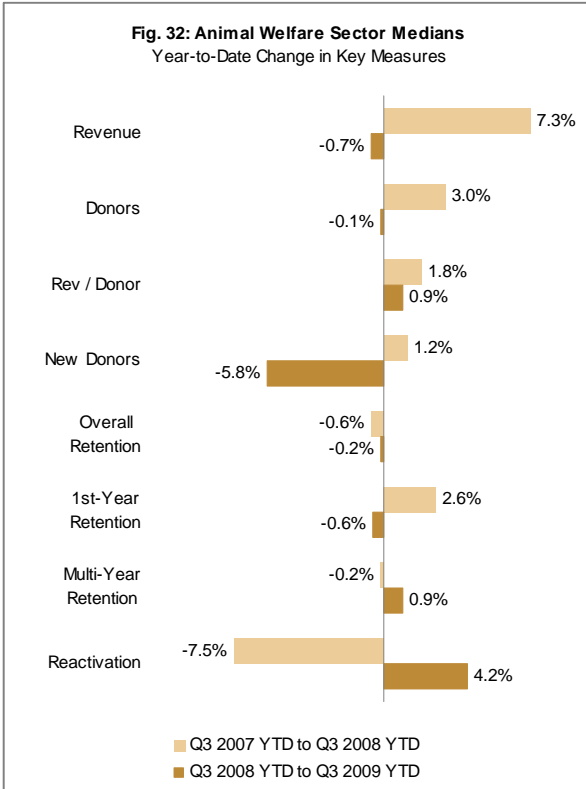
Twelve-month rolling trends can provide longer-term context for recent arts and culture sector results. They show that the sector has generally underperformed the index for the past five years, but had an anomalous spike in both revenue and donors in the second quarter of 2007. This spike appears not to be attributable to any single external event; it appears instead to be a coincidental convergence of events affecting the individual organizations in the sector – changes in strategy, capital campaigns, and current events.

Cumulatively, over the past five years, revenue growth for the sector has lagged the overall index, but donor growth has been similar to that of the overall index. From the twelve months ending Q3 2004 to the twelve months ending Q3 2009, the arts and culture sector has had cumulative revenue declines of 1.1%, compared to overall index growth of 6.6% (see Fig. 30). Over the same five-year period, the sector had cumulative median donor declines of 5.9%, compared to an overall index decline of 5.4% (see Fig. 31).

Animal Welfare

5 organizations

The animal welfare sector has been one of the strongest sectors in the index over the past several years. The effects of the struggling economy appear to have caught up with it a bit in 2009, as evidenced by declines in revenue, donors, and new donor acquisition. However, these declines are among the smallest in the index and come after a very successful 2008. This is also one of only two sectors in the index to experience increases in revenue per donor this period.



Animal welfare revenue declined a median 0.7% from Q3 2008 YTD to Q3 2009 YTD (see Fig. 32). Only one sector in the index, human services, had revenue increases; all other sectors had larger declines. Two of the five organizations in this sector had revenue increases in the first three quarters of 2009.

The sector had relatively small donor declines as well. Donors to animal welfare organizations stayed essentially flat, declining a median 0.1% from Q3 2008 YTD to Q3 2009 YTD, compared to an overall index median decline of 3.9%. Two of the five organizations in this sector had donor increases in the period.

Sector new donor acquisition fell 5.8% from Q3 2008 YTD to Q3 2009 YTD. Some drop-off might be expected, however, since the sector had positive new donor acquisition in the previous year.

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

Cumulatively, over the past five years, the animal welfare sector has outperformed index revenue and donor medians significantly. From the twelve months ending Q3 2004 to the twelve months ending Q3 2009, revenue growth for the animal welfare sector grew by a cumulative median 16.0%, while the index as a whole grew just 6.6% (see Fig. 33). Over the same five-year period, sector donors grew by a median 7.6% while the overall index saw a median donor decline of 5.4% (see Fig. 34).

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

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2. Giving USA Foundation, *Giving USA 2006*, pp. 22 and 29.
3. National Bureau of Economic Research, *Determination of the December 2007 Peak in Economic Activity*, December 2008, <http://www.nber.org/cycles/dec2008.html>. Retrieved December 20, 2009.
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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 April 2010, will examine activity for the fourth quarter of 2009. 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.