

Index of National Fundraising Performance

2008 Fourth Calendar Quarter Results

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Target Analytics Index of National Fundraising Performance

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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 Q4 2008, Target Analytics evaluated transactions from 75 organizations, including over 36 million donors and more than 68 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 December 2008. 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.

Q4 2008 Index Participants

Animal Welfare

American Humane Association
ASPCA
Humane Society of the United States
International Fund for Animal Welfare
U.S. Office of PETA

Environment

Defenders of Wildlife
Earthjustice
Environmental Defense
Greenpeace U.S.A.
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 Lung Association
Arthritis Foundation
Children's Cancer Research Fund
Cystic Fibrosis Foundation
Easter Seals
The Foundation for AIDS Research
Juvenile Diabetes Research Foundation
March of Dimes
Mayo Clinic
National Foundation for Cancer Research
National Multiple Sclerosis Society
Special Olympics

Human Services

America's Second Harvest
American Indian Relief Council
Cal Farley's Boys Ranch
Covenant House
Missionary Association of Mary Immaculate
Paralyzed Veterans of America
St. Labre Indian School

International Relief

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

Societal Benefit

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

Unassigned

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
United States Olympic Committee

Direct Marketing Revenue Declined in 2008 in Concert with Struggling U.S. Economy

Long-Term Donor Declines Accelerate in 2008

2008 Year-End Summary

2008 was a disappointing year in direct marketing for many national non-profits. Over 60% of the organizations in the Target Analytics Index of National Fundraising Performance saw declines in both donors and revenue from calendar year 2007 to 2008. These declines were evident across almost all industry sectors; only animal welfare and international relief organizations saw revenue and donor growth.

Index organizations also experienced declines in most other key measures of fundraising health such as retention rates, reactivation rates, and new donor acquisition. Revenue per donor rose, as it has for most of the past three years.

Index revenue trends generally follow the performance of the U.S. economy. Accordingly, index revenue declines deepened throughout 2008 as economic conditions grew weaker, with the largest revenue declines coming in the fourth quarter of the year.

The index has been experiencing falling donor numbers for more than three years, ever since the U.S. Gulf Coast hurricanes of 2005. So it is likely that there would have been donor declines in 2008 as a continuation of this longer-term trend, regardless of the state of the economy. But the increased magnitudes of the declines in 2008 suggest that the current recession may have accelerated the rate of decrease.

This is particularly the case with new donor acquisition; rates of new donor acquisition were significantly lower in 2008 than they were in 2006 and 2007.

Overall Index Performance

All index results are medians unless otherwise specified.

Year-to-Year Change

Most key metrics in the index were down in 2008 from the previous year (see Fig. 1).

Index revenue declined a median -3.3% from 2007 to 2008. Before this year, the last time that current-dollar revenue declined in the index was in the aftermath of the U.S. Gulf Coast hurricanes in the fall of 2005. Revenue declines were not entirely universal across the index, however; 37% of the organizations in the index did have positive revenue growth from 2007 to 2008.

Donor numbers in the index fell a median -3.0% from 2007 to 2008. Donors have been declining consistently for the past three years; the index has not experienced positive year-to-year donor growth since the 2005 hurricanes. 40% of the organizations in the index had positive donor growth from 2007 to 2008.

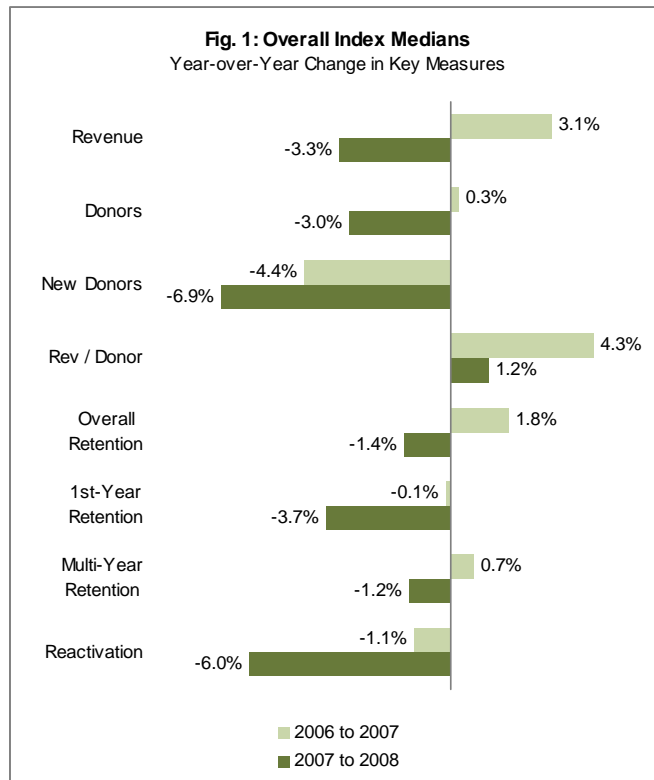
Donor declines are due primarily to declines in new donor numbers, which fell -6.9% from 2007 to 2008, after a drop of -4.4% the previous year.

Declining new donor acquisition was not the only reason for the decline in overall donor populations, however; retention rates also fell in 2008 by a median -1.4% from the previous year, and reactivation rates fell a median -6.0% over the same period.

We will explore new donor and retention rate declines in more detail later in this analysis.

Revenue per donor has increased for the past three years, although the rate of growth slowed in 2008. Revenue per donor grew 1.2% from 2007 to 2008, after 4.3% growth the previous year. Just over half (56%) of the organizations in the index had revenue per donor increases in 2008.

Until 2008, increases in revenue per donor compensated for donor declines, allowing overall revenue to continue to grow. In 2008, however, continued revenue per donor growth no longer made up for the donor decreases and overall revenue declined.



Actual Median Values for Performance Metrics

In the index analysis, we typically focus on the change in metrics over time, such as year-to-year comparisons and long-term trends. In a fourth-quarter analysis, however, we can examine actual median values of performance metrics based on a full year of data.

Median revenue per donor was \$61 for the index as a whole in 2008 (see Fig. 2). The international relief sector had the highest revenue per donor in the index, with each donor giving \$138 in 2008. The health sector had the lowest revenue per donor in the index, with each donor giving \$39 in 2008.

Overall, index donors gave a median 1.59 gifts each in 2008. Animal welfare organizations had the highest gift frequency of any sector in the index, at a median 2.53 gifts per donor in 2008. Although sustainer or monthly giving programs are not widespread and typically account for a small fraction of giving, organizations with those programs will drive up gifts-per-donor metrics.

The index as a whole had a median 49.6% donor retention rate in 2008. The societal benefit sector had the highest retention rate in the index at a median 56.9% in 2008; the health sector had the lowest retention rate in the index at a median 43.9%.

Fig. 2: 2008 Medians by Industry Sector

	<u>Revenue</u>	<u>Donors</u>	<u>Revenue per Donor</u>	<u>Average Gift</u>	<u>Gifts per Donor</u>
Overall Index	\$17,019,814	229,189	\$61	\$36	1.59
Animal Welfare	\$11,289,507	225,707	\$50	\$25	2.53
Environmental	\$12,898,693	259,339	\$61	\$41	1.58
Health	\$24,342,722	715,300	\$39	\$27	1.46
Human Services	\$20,020,729	480,864	\$50	\$26	2.06
International Relief	\$34,954,625	163,438	\$138	\$69	2.02
Societal Benefit	\$14,723,709	163,696	\$76	\$44	1.77

	<u>% New Donors</u>	<u>Overall Retention Rate</u>	<u>First-Year Retention Rate</u>	<u>Multi-Year Retention Rate</u>	<u>Reactivation Rate (1-5 Yrs Lapsed)</u>
Overall Index	27.9%	49.6%	28.4%	58.6%	7.9%
Animal Welfare	24.0%	47.5%	25.1%	59.7%	9.2%
Environmental	27.4%	51.2%	26.8%	60.7%	9.7%
Health	32.5%	43.9%	27.8%	52.3%	7.4%
Human Services	32.6%	52.6%	33.9%	57.8%	7.5%
International Relief	32.4%	53.4%	28.4%	62.2%	7.5%
Societal Benefit	18.9%	56.9%	32.2%	62.8%	10.3%

First-year retention rates were spread slightly differently across the index than were overall retention rates. The index as a whole had median 28.4% first-year retention in 2008. The human services sector had the highest first-year retention rate in 2008 at a median 33.9%; the animal welfare sector had the lowest first-year retention rate in the index at a median 25.1%.

Single-Quarter Change

The index usually reports 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 shift significant revenue from one quarter to another. In addition, smaller donor counts and revenue totals in single quarters can exaggerate the magnitude of percentage increases and decreases in donors and revenue.

Given the performance of the economy over the past year, however, we have done some analysis on year-to-year trends for specific quarters in this edition of the index to help evaluate the impact of current economic conditions in more detail.

This analysis shows that the fourth quarter was the weakest fundraising quarter of 2008.

Fig. 3: Median Single-Quarter Change

	<u>Revenue</u>	<u>% of Orgs With Positive Revenue Change</u>	<u>Donors</u>	<u>% of Orgs With Positive Donor Change</u>
Q1 2007 v. Q1 2008	-1.4%	47%	-2.8%	37%
Q2 2007 v. Q2 2008	-0.4%	47%	-2.1%	41%
Q3 2007 v. Q3 2008	2.8%	55%	3.5%	59%
Q4 2007 v. Q4 2008	-8.0%	20%	-7.2%	36%

There were slight year-to-year revenue and donor declines in both Q1 and Q2 from 2007 to 2008 (see Fig. 3). Revenue and donors gained back some ground in Q3 but fell significantly again in Q4. In the fourth quarter of 2008, revenue declined a median -8.0% and donors declined -7.2%. Only one-third (36%) of the organizations in the index had more donors in Q4 2008 than in the same period one year earlier.

When we look at quarter-to-quarter results by industry sector, it appears that certain sectors – particularly human services – performed unusually strongly in the third quarter of 2008, accounting for the slight overall rebound in fundraising performance in that quarter (see Fig. 4).

There may be several different reasons for the strong third-quarter performance of human services organizations. As the economy worsened in 2008, donors may have felt that it was even more important to give to those organizations that provide services to the needy. There may also have been an increase in interest in human services issues highlighted by the 2008 presidential campaigns. And organizations may have chosen to drop October and November mailings early to avoid competition with an expected glut of election-related direct mail. This last action may have had the effect of depressing fourth-quarter results as well.

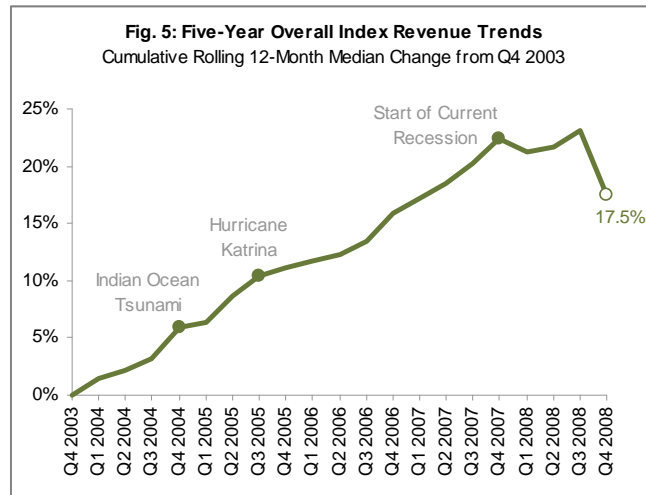
Fig. 4: Median Single-Quarter Revenue Change by Industry Sector

	Q1 2007 v. Q1 2008	Q2 2007 v. Q2 2008	Q3 2007 v. Q3 2008	Q4 2007 v. Q4 2008
Overall Index	-1.4%	-0.4%	2.8%	-8.0%
Animal Welfare	7.8%	14.4%	12.4%	-2.6%
Environmental	4.4%	-2.4%	4.4%	-7.5%
Health	-2.7%	-3.6%	-1.1%	-11.4%
Human Services	-1.4%	-2.1%	5.6%	-6.3%
International Relief	-4.2%	28.2%	4.8%	-11.5%
Societal Benefit	-0.1%	-6.3%	-1.1%	-5.1%

Long-Term Revenue Trends

Rolling twelve-month quarterly medians of revenue growth can provide long-term context for these year-to-year index trends. A rolling analysis compares the twelve months of revenue ending in one quarter to the twelve months of revenue ending in a 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. Lower-than-average growth rates in 2006 and 2007 represented a return to normal growth rates. Revenue slowed throughout the first three quarters of 2008 and then declined substantially in the fourth quarter of 2008, paralleling the weakening economy (see Fig. 5).



The result of these combined trends is that over the past five years, including the record tsunami and hurricane giving periods, index revenue has generally grown at slightly lower than normal rates. From the twelve months ending Q4 2003 to the twelve months ending Q4 2008, index revenue grew a cumulative median 17.5%, for an effective annual growth rate of 3.5% per year (see Fig. 6).

Over the most recent three years – a period which did not include any natural disasters on

Fig. 6: Long-Term Index Revenue Trends

	Five-Year Change '03 to '08	Four-Year Change '04 to '08	Three-Year Change '05 to '08	Two-Year Change '06 to '08	One-Year Change '07 to '08
Current-Dollar Revenue					
Median Change	17.5%	6.9%	-1.5%	0.4%	-3.3%
Effective Annual Change	3.8%	1.8%	-0.5%	0.2%	-3.3%
% Orgs with Positive Change	67%	59%	47%	53%	37%
Inflation-Adjusted Revenue					
Median Change	2.8%	-3.4%	-8.0%	-3.7%	-3.3%
Effective Annual Change	0.6%	-0.8%	-2.6%	-1.8%	-3.3%
% Orgs with Positive Change	56%	44%	37%	40%	37%

Effective Annual Change is the average yearly change over the stated time period, adjusted for compounding over that period.

the scale of the tsunami or the hurricanes – index revenue growth has been significantly slower than historic norms. From the twelve months ending Q4 2005 to the twelve months ending Q4 2008, revenue actually declined a median -1.5%, for an effective annual rate of decline of -0.5% per year. And revenue declines were even more substantial in 2008.

Revenue dropped a median -3.3% from the twelve months ending Q4 2007 to the twelve months ending Q4 2008.

When revenue dollar amounts are adjusted for inflation¹, real index revenue rose only 2.8% over the five years from 2003 to 2008. Inflation-adjusted index revenue declined a median -8.0% over the three years from 2005 to 2008.

Long-Term Donor Trends

A rolling twelve-month analysis provides additional context for donor trends as well. It shows that, unlike revenue declines, current donor declines are part of a longer-term pattern that may have been worsened by recent economic conditions.

In spite of a disaster-related spike in 2005, donors are down significantly over the past five years. From the twelve months ending Q4 2003 to the twelve months ending Q4 2008, donors declined a cumulative -5.2%, for an effective annual rate of decline of -1.0% (see Fig. 7).

Donor declines have been particularly large over the most recent three years since the 2005 Gulf Coast hurricanes, as would be expected after a large influx of new disaster-related donors. From the twelve months ending Q4 2005 to the twelve months ending Q4 2008, donors declined -6.2%, for an effective annual rate of decline of -2.0% each year (see Fig. 8). 39% of the organizations in the index had positive donor growth over this period.

2008 had the largest donor declines of all, however, when donor numbers declined a median -3.0% from the previous year.

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.

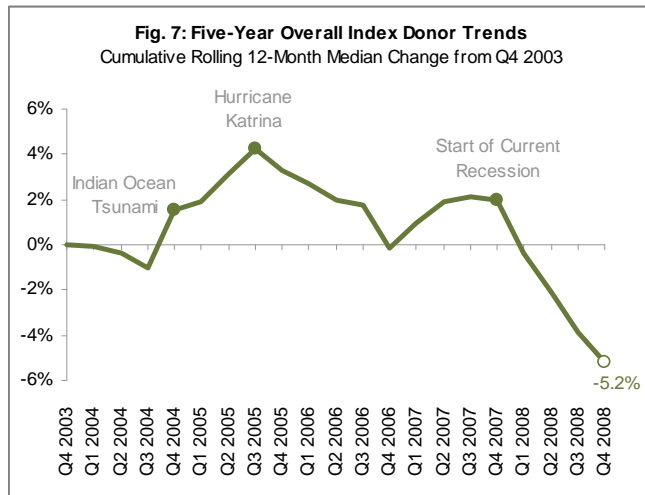


Fig. 8: Long-Term Index Donor Trends

	Five-Year Change '03 to '08	Four-Year Change '04 to '08	Three-Year Change '05 to '08	Two-Year Change '06 to '08	One-Year Change '07 to '08
Median Change	-5.2%	-5.9%	-6.2%	-3.8%	-3.0%
Effective Annual Change	-1.0%	-1.5%	-2.0%	-1.9%	-3.0%
% Orgs with Positive Change	47%	39%	39%	37%	40%

Effective Annual Change is the average yearly change over the stated time period, adjusted for compounding over that period.

New Donor Declines

In this Q4 2008 analysis, for the first time, we have information on new donor numbers by quarter and are therefore able to examine long-term trends in new donors.

For most organizations, overall donor declines have been precipitated mainly by declines in new donor acquisition.

Cumulatively, over the past five years from 2003 to 2008, new donor numbers have fallen a median -16.7%, for an effective annual rate of decline of -3.1% (see Fig. 9).

Rates of new donor decline have generally worsened since 2004. Over the three years from 2005 to 2008, new donor populations declined a median -17.1%, for an effective annual decline of -5.4% each year (see Fig. 10).

New donor declines were particularly steep in 2008, when, as we saw previously in this analysis, new donors declined a median -6.9% from the previous year. Only 39% of the organizations in the index had positive new donor growth from 2007 to 2008.

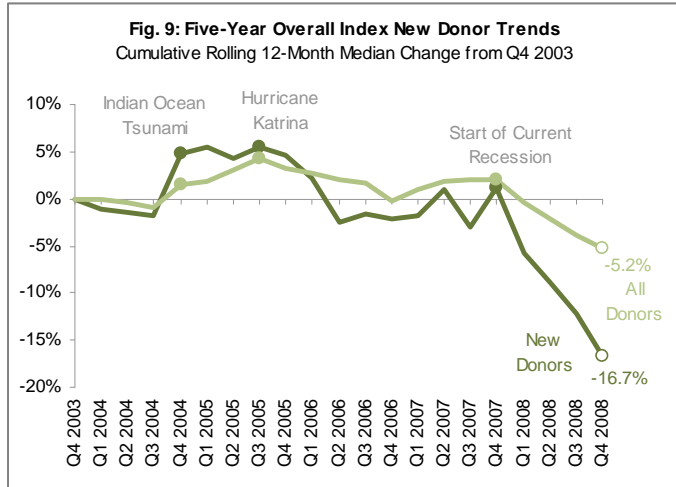


Fig. 10: Long-Term Index New Donor Trends

	Five-Year Change '03 to '08	Four-Year Change '04 to '08	Three-Year Change '05 to '08	Two-Year Change '06 to '08	One-Year Change '07 to '08
Median Change	-16.7%	-15.2%	-17.1%	-7.4%	-6.9%
Effective Annual Change	-3.1%	-3.6%	-5.4%	-3.6%	-6.9%
% Orgs with Positive Change	40%	43%	32%	43%	39%

Effective Annual Change is the average yearly change over the stated time period, adjusted for compounding over that period.

Retention Rate Trends

A lack of new donor growth is not the only cause for donor declines, however; falling retention and reactivation rates are also partly responsible.

In a full-year, fourth-quarter index analysis, we can examine retention rates with more confidence than we are able to in partial-year index reports. Retention rates dropped a median -1.4% from 2007 to 2008 (see Fig. 11). 39% of the organizations in the index had positive retention rate growth in 2008. Similarly, reactivation rates of lapsed donors declined -6.0% from 2007 to 2008, with 37% of the organizations in the index having positive reactivation rate growth in 2008.

Fig. 11: Retention Rate Change

	Overall Retention		First-Year Donor Retention		Multi-Year Donor Retention	
	2006-2007	2007-2008	2006-2007	2007-2008	2006-2007	2007-2008
Overall Index	1.8%	-1.4%	-0.1%	-3.7%	0.7%	-1.2%
Animal Welfare	3.3%	-1.4%	22.8%	0.6%	0.9%	-0.9%
Environmental	0.9%	-3.1%	-1.4%	-5.0%	-0.9%	-3.5%
Health	0.9%	-2.8%	-1.6%	-3.7%	1.5%	-3.9%
Human Services	2.3%	0.3%	3.9%	-2.4%	-1.1%	0.7%
International Relief	13.5%	1.8%	27.5%	-1.9%	4.2%	1.1%
Societal Benefit	-1.1%	1.9%	-5.7%	4.9%	0.8%	0.2%

Overall retention rates may not always fall between first-year and multi-year donor retention rates for a given sector, since each rate is a median of the rates of all organizations in that sector.

The greatest decreases in retention were in first-year donor retention rates, which declined -3.7% from 2007 to 2008. This followed essentially flat first-year retention rate declines of -0.1% the previous year. Only 32% of the organizations in the index had positive first-year retention rate growth in 2008.

A majority of organizations also saw declines in multi-year retention in 2008 as well. Multi-year donor retention declined a median -1.2% from 2007 to 2008, following almost flat growth of 0.7% the previous 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 as the economy slows down, 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.

Long-term revenue growth patterns for the Target Analytics index support 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, the United States economy has been in recession since December 2007³. Many of the economic indicators we track in our quarterly index analysis reflect this, performing weakly throughout 2008, and most were at their weakest in the last quarter of the year. Gross Domestic Product declined -6.3% in the fourth quarter of 2008, after a decline of -0.5% the previous quarter⁴. The unemployment rate was 7.2% in December 2008, up from 5.0% in December 2007⁵. Standard and Poor's S&P 500 Index lost over a third of its value from December 2007 to December 2008⁶.

Again, recent index results track recent economic patterns closely. We reported revenue declines in the second, third, and fourth quarter 2008 editions of the index, with the fourth quarter showing the deepest downturns.

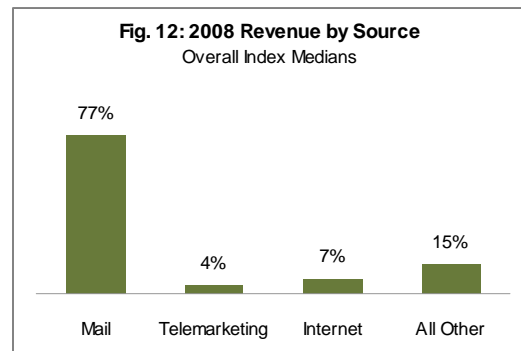
The Emergence of Internet Giving

In early 2009 Target completed a publicly available study on internet giving in the context of an integrated direct marketing program. This study analyzed the direct marketing data from a self-selected group of twenty-four participating organizations who were particularly interested in raising revenue online.

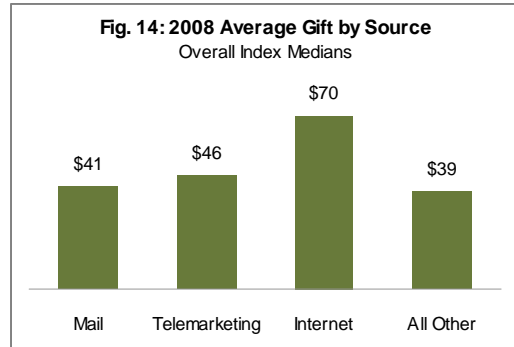
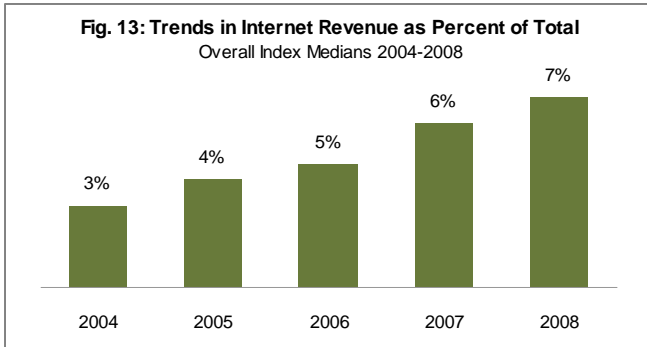
We then wanted to look at similar giving channel metrics for a larger set of organizations. By the time of publication of this edition of the index, we were able to identify gift channels for 59 of the 75 organizations participating in the Q4 2008 index, and are therefore able to include an analysis in this report. General results for the index are consistent with those we observed in the internet giving study.

The organizations that participate in the index are large direct marketing organizations that rely primarily on direct mail. Accordingly, the overwhelming majority of revenue comes in through the mail. Revenue from other sources, such as telemarketing and the internet, makes up a relatively small portion of the overall total, and revenue from large-scale events is generally not included in the index analysis.

In 2008, a median 77% of all revenue came in through the mail, a median 4% came in through telemarketing, and a median 7% came in over the internet (see Fig. 12).



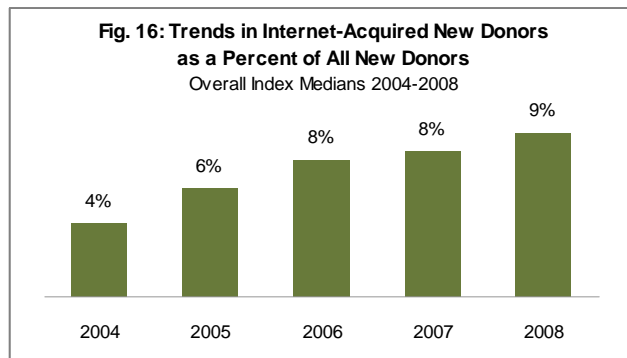
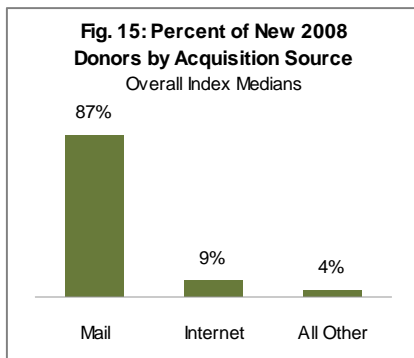
However, the proportion of revenue coming in online has grown over the past five years. In 2004, internet gifts made up a median 3% of all revenue. But by 2008, the internet accounted for a median 7% of total revenue (see Fig. 13).



There is a great difference in the relative sizes of mail and internet gifts. For index organizations, as we have found in our other analyses of online giving, internet gifts tend to be significantly larger than gifts given through direct mail. For the index as a whole in 2008, the median online gift was \$70 while the median mail gift was \$41 (see Fig. 14).

As with overall giving, most new donors continue to be acquired through the mail. In 2008 a median 87% of all new donors were acquired through the mail for the index as a whole, while only 9% of all new donors were acquired online (see Fig. 15).

Also as with overall giving, however, the proportion of new donors being acquired online is growing. Over the past five years, the proportion of donors acquired online rose from a median of 4% in 2004 to 9% in 2008 (see Fig. 16).



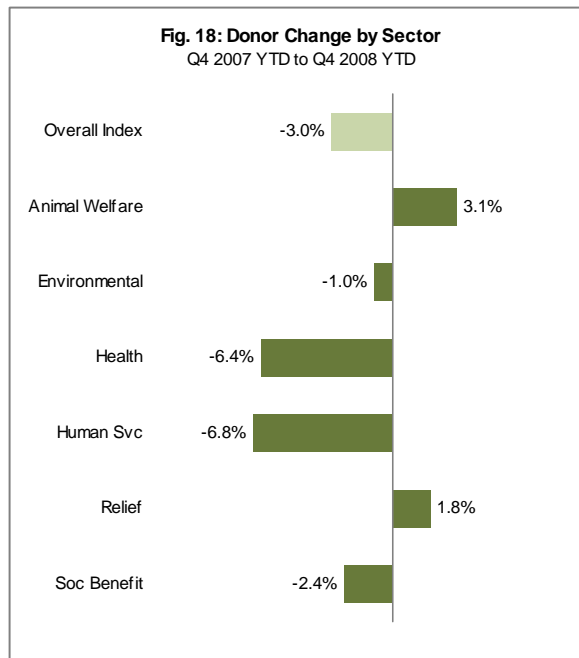
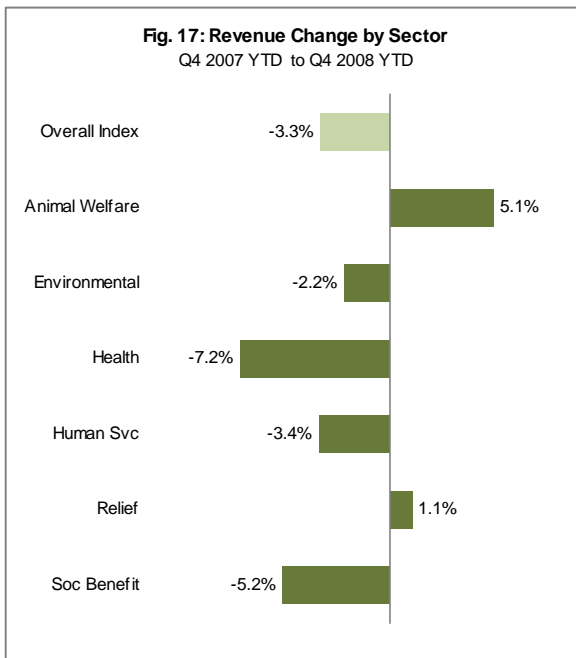
Industry Sector Performance

All sector results are medians unless otherwise specified.

Sector Summary

In 2008, most industry sectors in the index exhibited the trends that we saw in the index as a whole: declining revenue and donor numbers precipitated by declining new donor acquisition and, in some cases, declining retention rates. The health and societal benefit sectors had particular difficulties this year in all of these areas.

Two sectors – animal welfare and international relief – had consistently strong performances this year, in stark contrast to the rest of the index. Both of these sectors had increases in revenue and donor numbers in 2008 while all other sectors had declines. Most other key metrics were strong for these two sectors as well, including revenue per donor and retention rates.

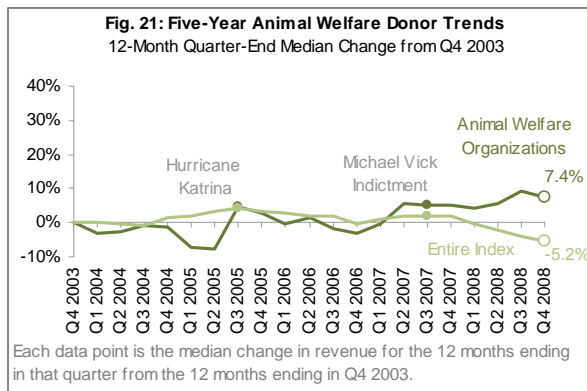
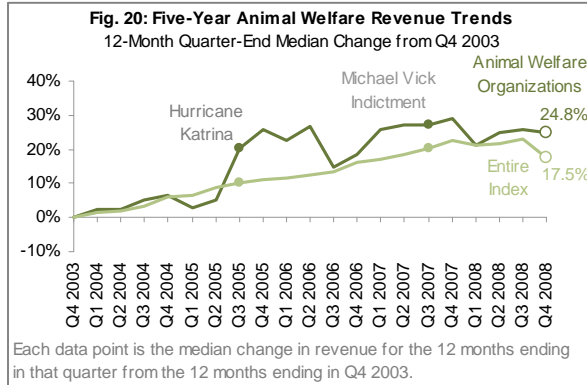
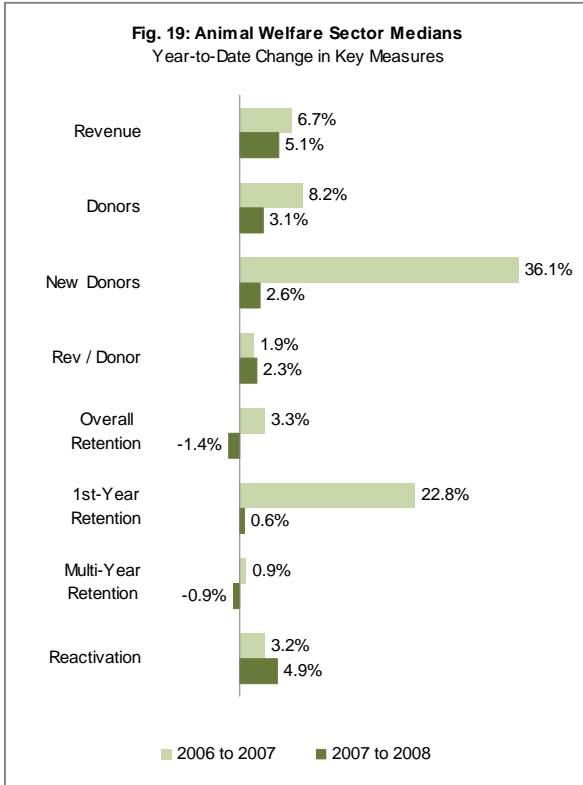


Individual sector results are explained in more detail on the following pages.

Animal Welfare

5 organizations

The animal welfare sector has been arguably the highest-performing sector in the index over the past three years. These organizations do not appear to be experiencing the negative effects of the struggling economy that other sectors in the index are experiencing. During years when most other groups saw declines – particularly this year – animal welfare organizations instead had strong growth in most key measures.



Animal welfare organizations had the highest revenue growth of any sector in 2008, with a median increase of 5.1% from 2007 (see Fig. 19). The sector had the highest donor growth in the index as well, with median increase of 3.1% from 2007 to 2008. Animal welfare was one of only two sectors in the index to see growth in either revenue or donors in 2008.

New donors to animal welfare sector organizations grew 2.6% from 2007 to 2008. This came on top of 36.1% growth the previous year, when these organizations saw a large influx of new donors after the arrest and indictment of professional football player Michael Vick on dog-fighting charges. This sector had the second-highest growth in new donors in the index and, as with overall donor growth, was one of only two to see growth in new donors in 2008.

Revenue per donor grew a median 2.3% from 2007 to 2008, following an increase of 1.9% over the previous year. This is impressive growth, considering the increase in new donors over the same period. Animal welfare donors gave a median of \$50 each in 2008.

Retention rates declined slightly by a median -1.4% for the animal welfare sector in 2008. The median retention rate of animal welfare donors in 2008 was 48%. First-year retention rates were remarkably strong in 2008, growing a median 0.6%, considering the large increase in new donors the sector had in the previous year.

Reactivation rates rose a median 4.9% for the year.

Rolling twelve-month revenue and donor trends can give a long-term context for the recent performance of animal welfare organizations. This analysis shows that the animal welfare sector has had two substantial event-related spikes in revenue over the last five years; one in the third quarter of 2005 following the U.S. Gulf Coast

hurricanes and one in the second and third quarters of 2007 following the arrest of Michael Vick (see Fig. 20). Donor growth in the sector has generally followed a similar pattern to revenue but has been more volatile (see Fig. 21).

Over the entire five years from 2003 to 2008, revenue growth for the animal welfare sector outperformed that of the overall index. Over the period, animal welfare revenue grew by a cumulative median 24.8%, while the index as a whole grew 17.5%.

The animal welfare sector has outperformed the index in donor growth to an even greater extent over the same period. From 2003 to 2008, sector donors grew by a median 7.4% while the overall index saw a median donor decline of -5.2%.

In recent years, particularly in 2008, most other sectors in the index have seen downturns in revenue and donors as the economy grows weaker. The animal welfare sector, on the other hand, has maintained a relatively consistent rate of revenue growth and has, in fact, increased donor growth over the past two years.

The effective annual rate of growth in revenue for the animal welfare sector was 5.5% per year over the past five years from 2003 to 2008 (see Fig. 22). It was essentially the same, 5.1%, over the most recent year from 2007 to 2008.

The effective annual rate of growth in donors for the animal welfare sector was 1.5% per year over the past five years from 2003 to 2008. It rose to 3.1% over the most recent year from 2007 to 2008.

Fig. 22: Long-Term Animal Welfare Revenue and Donor Trends

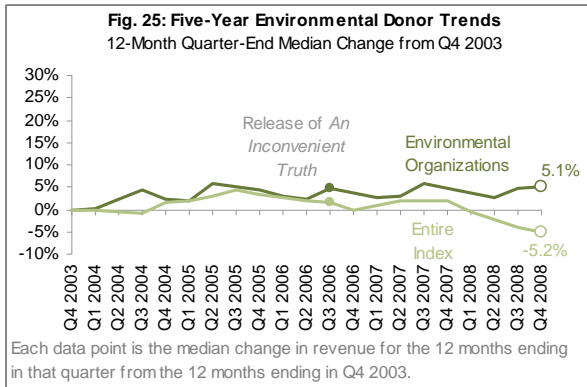
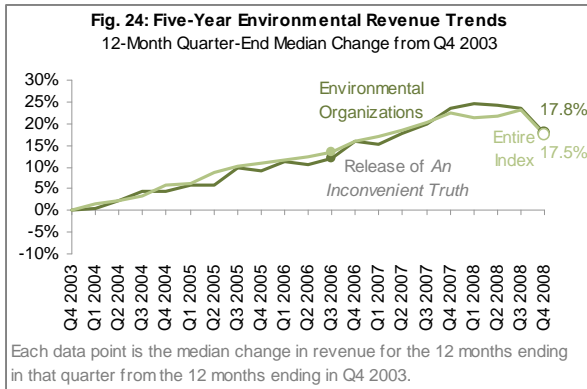
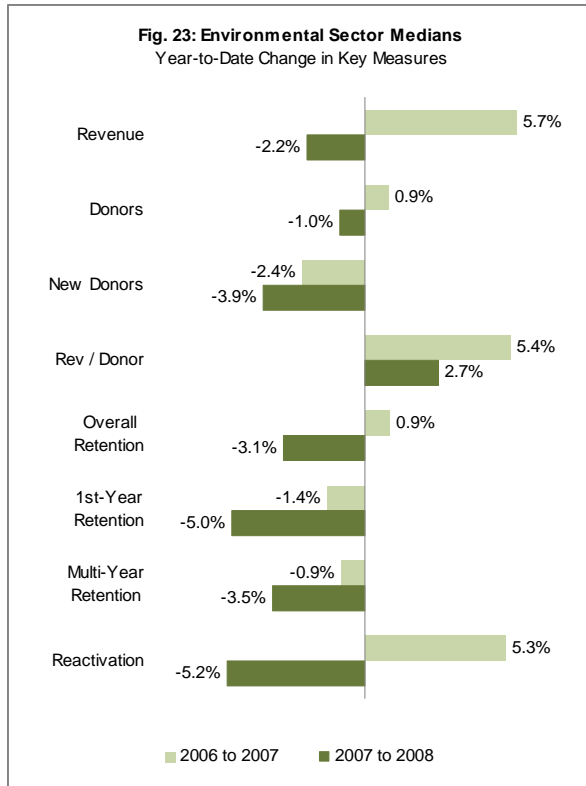
	Five-Year Change <u>'03 to '08</u>	Four-Year Change <u>'04 to '08</u>	Three-Year Change <u>'05 to '08</u>	Two-Year Change <u>'06 to '08</u>	One-Year Change <u>'07 to '08</u>
Revenue					
Median Change	24.8%	15.4%	-0.8%	5.4%	5.1%
Effective Annual Change	5.5%	4.1%	-0.3%	2.7%	5.1%
% Orgs with Positive Change	60%	60%	40%	60%	60%
Donors					
Median Change	7.4%	5.2%	4.3%	7.5%	3.1%
Effective Annual Change	1.5%	1.3%	1.5%	3.8%	3.1%
% Orgs with Positive Change	60%	60%	60%	60%	60%

Effective Annual Change is the average yearly change over the stated time period, adjusted for compounding over that period.

Environment

13 organizations

The environmental sector generally tends to track most overall index trends quite closely. Recently, it has been one of the comparatively stronger sectors in the index in terms of donor growth but has struggled with donor retention.



The environmental sector had a median decline of -2.2% revenue growth from 2007 to 2008, not as severe a decline as the overall index median revenue decline of -3.3% (see Fig. 23).

Donor growth for the environmental sector declined a median -1.0% from 2007 to 2008. As with revenue, this was not as severe a decline as the overall index median donor decline of -3.0%.

The environmental sector did have a median decline in new donor acquisition of -3.9% from 2007 to 2008. This was, however, a much smaller decline than the overall index median decline of -6.9%. 46% of the organizations in the environmental sector did have positive new donor growth in 2008.

The environmental sector had the highest revenue per donor growth in the index from 2007 to 2008 at a median growth rate of 2.7%. Environmental donors gave a median \$61 each in 2008, exactly the same as the index as a whole.

The sector had difficulty this year, however, with retention and reactivation. Sector retention rates fell a median -3.1% from 2007 to 2008, compared to an overall index median decline of -1.4%. Sector retention rates weakened for both first-year and multi-year donors.

Twelve-month rolling revenue and donor growth can provide longer-term context for recent trends. This analysis shows that over the past five years, environmental revenue growth has roughly paralleled index medians. The sector had median cumulative revenue growth of 17.8% from 2003 to 2008, compared to essentially identical overall index growth of 17.5% over the same period (see Fig. 24).

Environmental donor growth tracked index medians closely from 2003 to 2005 but has consistently outperformed the index since the middle of 2006. This has allowed the environmental sector to maintain

positive donor growth while the index as a whole has seen donor declines over the last five years. Environmental organizations had cumulative median 5.1% donor growth from 2003 to 2008, compared to an overall index decline of -5.2% over the same five-year period (see Fig. 25).

Perhaps not entirely coincidentally, the point at which the environmental sector donor performance diverges from that of the overall index correlates with the release of the documentary *An Inconvenient Truth* in the summer of 2006.

As with most of the sectors in the index, environmental organizations have seen steadily declining revenue growth over recent years to the point where they experienced a median revenue decline in the most recent year of 2008. Over the past five years from 2003 to 2008, the effective annual rate of growth for the environmental sector was 3.8% per year (see Fig. 26). That growth rate fell to 2.2% per year over the two years from 2006 to 2008, and then fell again to a decline of -2.2% over the one year from 2007 to 2008.

Rates of donor growth and decline for the sector have been more stable over the past five years, with effective annual rates of change of plus or minus 1.0% each year from 2003 to 2008.

Fig. 26: Long-Term Environmental Revenue and Donor Trends

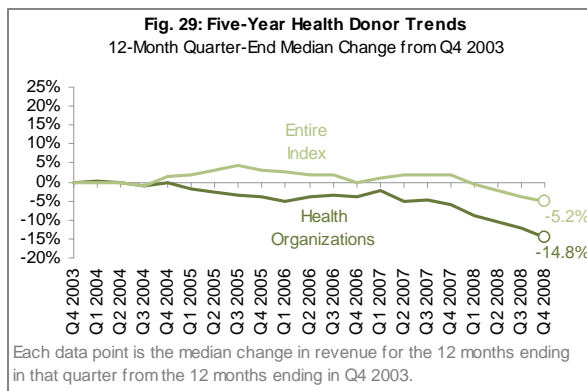
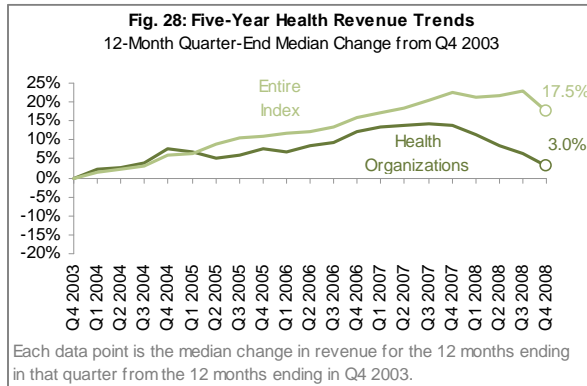
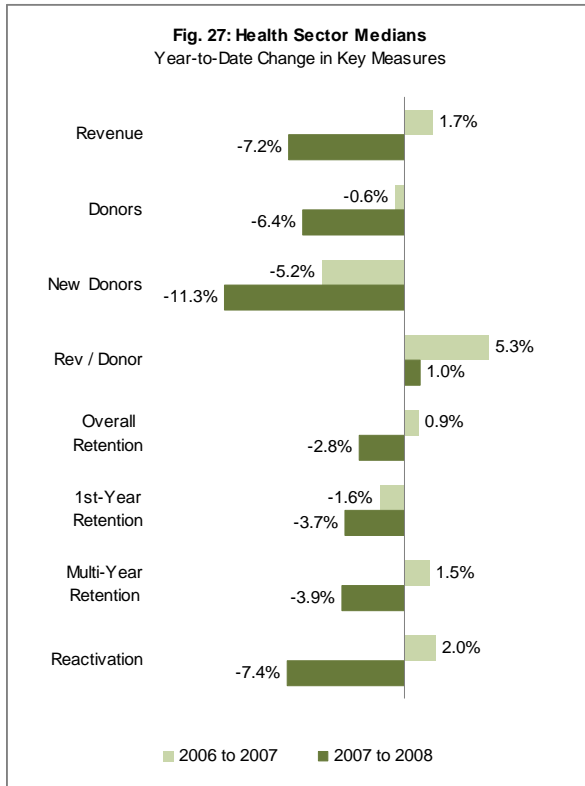
	Five-Year Change '03 to '08	Four-Year Change '04 to '08	Three-Year Change '05 to '08	Two-Year Change '06 to '08	One-Year Change '07 to '08
Revenue					
Median Change	17.8%	18.9%	12.5%	4.4%	-2.2%
Effective Annual Change	3.8%	5.1%	4.3%	2.2%	-2.2%
% Orgs with Positive Change	77%	85%	77%	69%	46%
Donors					
Median Change	5.1%	-3.0%	2.0%	-0.9%	-1.0%
Effective Annual Change	1.0%	-0.7%	0.7%	-0.4%	-0.9%
% Orgs with Positive Change	62%	46%	69%	46%	38%

Effective Annual Change is the average yearly change over the stated time period, adjusted for compounding over that period.

Health

18 organizations

In 2008 the health sector continued to have some of the greatest fundraising challenges of any sector in the index. Revenue, donors, new donor acquisition, retention, and reactivation all declined during the past year, as they have for most of the past five years of index reporting. Revenue per donor had a slight increase over the period.



Health sector revenue declined a median -7.2% from 2007 to 2008 (see Fig. 27). This was the greatest revenue decline of any sector in the index and more than double the overall median index decline of -3.3%. Only 22% of the organizations in the health sector had positive revenue growth in 2008.

Health sector donors decreased a median -6.4% from 2007 to 2008, the second-greatest decline of any sector in the index. Just 17% of the organizations in this sector had positive donor growth in 2008.

As in previous quarters, declines in health donors were primarily due to declines in new donor acquisition. New donors for the sector fell -11.3% from 2007 to 2008, the greatest decline of any sector in the index.

During these revenue and donor declines, revenue per donor stayed essentially flat at 1.0% growth in 2008, close to the overall index median of 1.2%. Health sector donors gave a median \$39 each in 2008.

Rolling revenue and donor trends can provide a clearer picture of long-term health sector trends. Health sector revenue and donor growth have both generally lagged overall index medians over the past five years.

Over the past five years from 2003 to 2008 health organizations had cumulative revenue growth of 3.0%, compared to 17.5% revenue growth for the index as a whole (see Fig. 28).

Over the same five-year period, health organizations had cumulative donor declines of -14.8%, compared to declines of -5.2% for the index as a whole (see Fig. 29).

In addition, revenue and donor growth rates for the health sector have grown steadily weaker each year since 2003.

The health sector's cumulative revenue growth rate of 3.0% over the past five years from 2003 to 2008 resulted in an effective annual growth rate of 0.6% each year over those five years (see Fig. 30).

However, over the most recent three years from 2005 to 2008, the effective annual rate of revenue change for the sector has been a decline of -0.9%. And over the most recent year from 2007 to 2008, the rate of decline was a median -7.2%.

Fig. 30: Long-Term Health Revenue and Donor Trends

	Five-Year Change '03 to '08	Four-Year Change '04 to '08	Three-Year Change '05 to '08	Two-Year Change '06 to '08	One-Year Change '07 to '08
Revenue					
Median Change	3.0%	-0.3%	-2.6%	-5.2%	-7.2%
Effective Annual Change	0.6%	-0.1%	-0.9%	-2.5%	-7.2%
% Orgs with Positive Change	56%	50%	44%	28%	22%
Donors					
Median Change	-14.8%	-15.4%	-10.7%	-8.2%	-6.4%
Effective Annual Change	-2.8%	-3.6%	-3.4%	-4.0%	-6.4%
% Orgs with Positive Change	17%	17%	17%	17%	17%

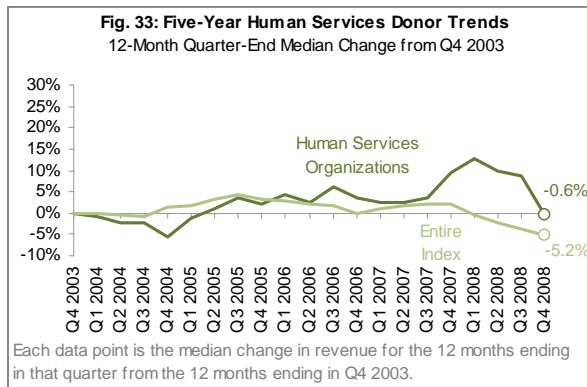
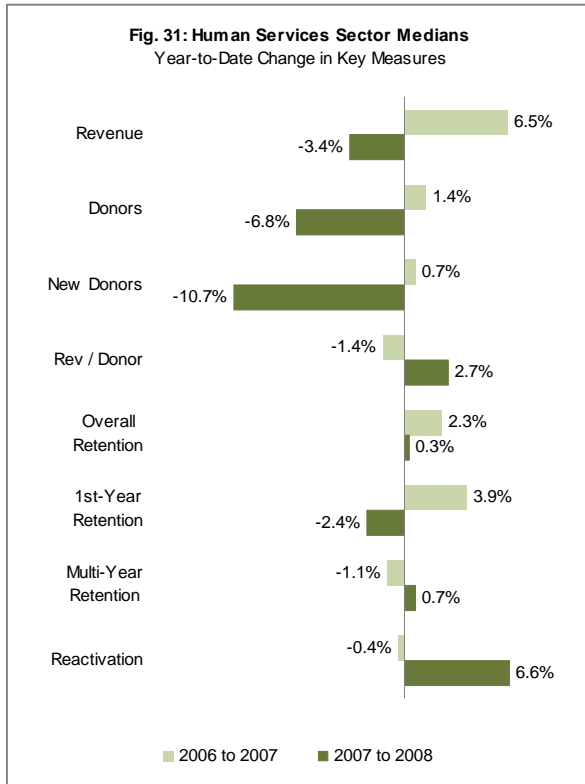
Effective Annual Change is the average yearly change over the stated time period, adjusted for compounding over that period.

Rates of donor decline have accelerated in a similar way. Over the past five years from 2003 to 2008 the effective annual rate of donor decline for the health sector was -2.8% per year. Over the most recent three years from 2005 to 2008 the rate of decline has been -3.4% per year, and in the most recent year, 2008, the decline from the previous year was -6.4%.

Human Services

7 organizations

The human services sector generally tends to track most overall index trends quite closely. Recently, it has been struggling with new donor growth but has outperformed the rest of the index in donor retention and reactivation.



Human services revenue declined a median -3.4% from 2007 to 2008, essentially the same as the overall index decline of -3.3%. 43% of the organizations in the human services sector saw positive revenue growth in 2008 (see Fig. 31).

Overall donors declined a median -6.8% from 2007 to 2008, the greatest overall donor decline in the index and more than double the overall index median decline of -3.0%. Only 29% of the organizations in the sector saw positive donor growth in 2009.

This decline in overall donors is due largely to declines in new donor acquisition. New donor numbers for the human services sector declined a median -10.7% from 2007 to 2008, the second-greatest decline in new donors in the index. Most of this decline appears to have come in the fourth quarter of 2008.

While the human services sector has been having difficulty with new donor acquisition recently, donor retention and reactivation rate growth have both been comparatively more stable. The sector had median retention rate growth of 0.3% from 2007 to 2008, compared to an overall index median retention rate decline of -1.4%. Sector reactivation rate growth was the highest in the index, rising a median 6.6% from 2007 to 2008, compared to an overall index median reactivation rate decline of -6.0%. The overall median retention rate was 53% and the median reactivation rate was 8% for human services organizations in 2008.

The growth in overall retention rates for the human services sector in 2008 were due entirely to increases in multi-year donor retention, which grew a median 0.7% from 2007 to 2008. This was the second-highest multi-year retention rate growth rate in the index.

The human services sector had the highest rate of revenue per donor growth in the index, increasing a median 2.7% from 2007 to 2008. Human services donors gave a median \$50 each in 2008.

Rolling revenue and donor trends show recent human services sector results in a longer-term context.

This analysis shows that in general, over the past five years, sector revenue growth has tracked that of the overall index relatively closely, but has outperformed the overall index in recent quarters. From 2003 to 2008, human services revenue grew a cumulative median 25.1%, compared to overall national index growth of 17.5% (see Figs. 32 and 34).

Similarly, sector donor growth has tracked that of the overall index relatively closely through 2007.

The sector did see a noticeable spike in donors early in 2008, and a steep readjustment in the last quarter of the year. Over the past five years as a whole, the sector has been able to outperform the index; human services donors declined a cumulative -0.6% from 2003 to 2008, compared to an overall index decline of -5.2% over the same period (see Figs. 33 and 34).

Fig. 34: Long-Term Human Services Revenue and Donor Trends

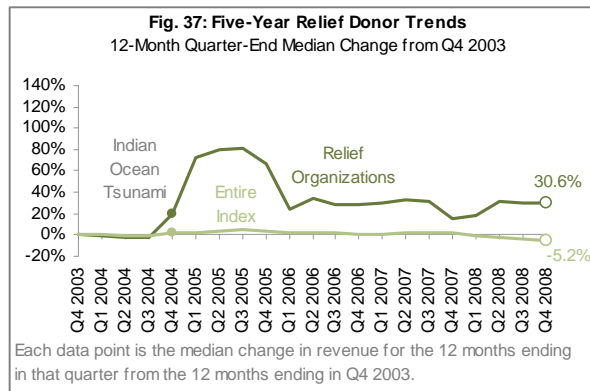
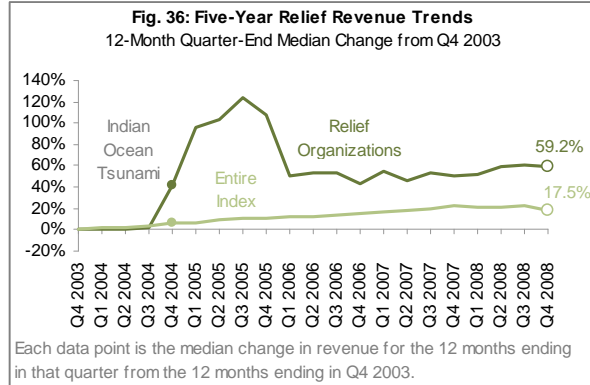
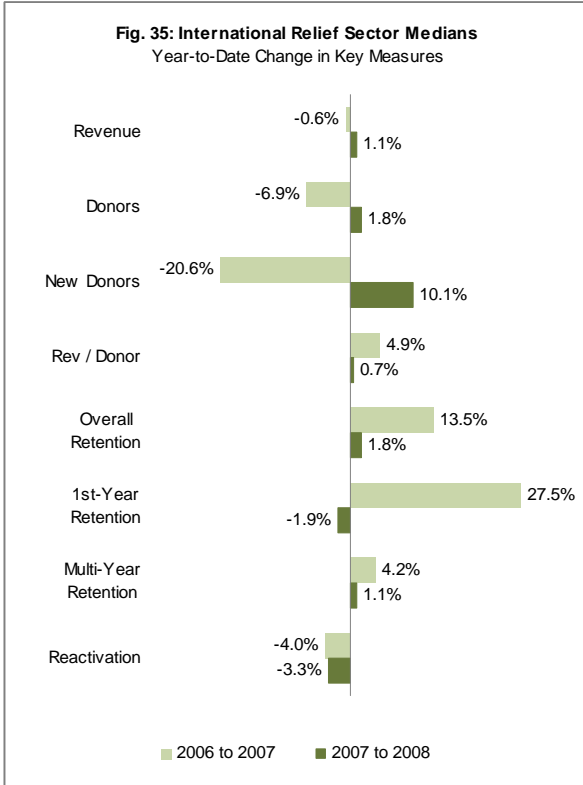
	Five-Year Change '03 to '08	Four-Year Change '04 to '08	Three-Year Change '05 to '08	Two-Year Change '06 to '08	One-Year Change '07 to '08
Revenue					
Median Change	25.1%	16.1%	-9.3%	3.4%	-3.4%
Effective Annual Change	5.6%	4.3%	-3.0%	1.7%	-3.4%
% Orgs with Positive Change	71%	71%	43%	71%	43%
Donors					
Median Change	-0.6%	7.7%	-5.7%	-5.9%	-6.8%
Effective Annual Change	-0.1%	2.0%	-1.9%	-2.9%	-6.8%
% Orgs with Positive Change	43%	71%	29%	29%	29%

Effective Annual Change is the average yearly change over the stated time period, adjusted for compounding over that period.

International Relief

13 organizations

Over the past several years, and continuing into 2008, the international relief sector has been one of the strongest in the index. Relief organizations had positive growth in both donors and revenue in 2008, at a time when almost all other sectors saw declines. Almost all key metrics for the sector – including revenue, donors, new donor acquisition, retention rate, and reactivation rate – are outperforming the index medians.



Revenue for the international relief sector increased a median 1.1% from 2007 to 2008, compared to an overall index median revenue decline of -3.3% over the same period (see Fig. 35). These increases were relatively widespread; 62% of the organizations in the relief sector had revenue increases in 2008.

The sector saw donor increases as well, with a median 1.8% donor increase from 2007 to 2008, compared to an overall index median donor decline of -3.0%. 69% of the organizations in the relief sector had donor increases in 2008.

These donor increases were due in large part to increases in new donor acquisition. New donor numbers for the sector increased a median 10.1% from 2007 to 2008; this was by far the largest new donor increase in the index and stood in stark contrast to the overall index median decline of -6.9% over the same period.

It should be noted, however, that this 10.1% increase in new donors came after -20.6% declines the previous year, and may be at least in part a rebound from that 2007 decline. In addition, 2008 new donor increases were not as widespread as overall donor increases; just over half (54%) of the organizations in the sector had new donor increases in 2008. This indicates a disparity in the sector; for the 54% of the relief organizations in the index that had increases in 2008, those increases were of a significant size – but 46% of the relief organizations in the index had declines.

Increases in donor retention also helped overall donor numbers as well. Overall retention rates increased by a median 1.8% for the sector, compared to an overall index median decline of -1.4%; the sector had the second-highest retention rate increase in the index.

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. Revenue and donors both declined significantly the next year as growth fell back to typical rates. In the second and third quarters of 2008, the sector experienced another upturn in both revenue and donors. This small spike may in part reflect disaster giving related to a cyclone in Myanmar and an earthquake in China, both of which occurred in May of 2008.

Over the long term, revenue and donors for the international relief sector are both up significantly over pre-tsunami numbers, indicating that relief organizations have been able to retain a substantial portion of the new donors they acquired as a result of disaster-related fundraising efforts.

Relief sector revenue grew a cumulative 59.2% over the past five years from 2003 through 2008, while the index as a whole had only 17.5% growth over that period. This makes for an impressive effective growth rate of 15% each year over those five years (see Figs. 36 and 38).

Donor numbers grew a cumulative 30.6% for the relief sector over the past five years, compared to an overall index median donor decline of -5.2% over that same period (see Figs. 37 and 38).

There was a noticeable decline in both revenue and donors for the relief sector over the three years from 2005 through 2008 – a median -33.3% for revenue and a median -30.4% for donors. These decreases were to be expected, however, following the huge influx of revenue and donors that came in during 2005 from disaster relief fundraising efforts. Over the long term, relief organizations are clearly experiencing strong cumulative revenue and donor growth.

Fig. 38: Long-Term International Relief Revenue and Donor Trends

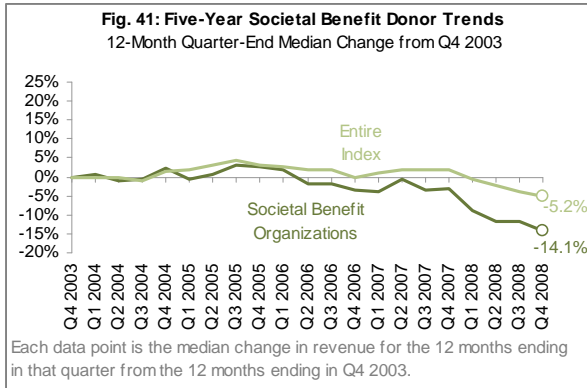
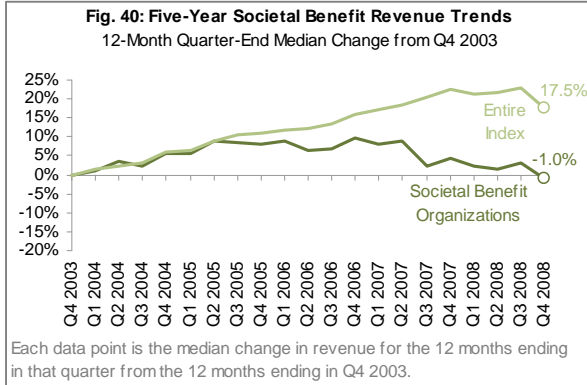
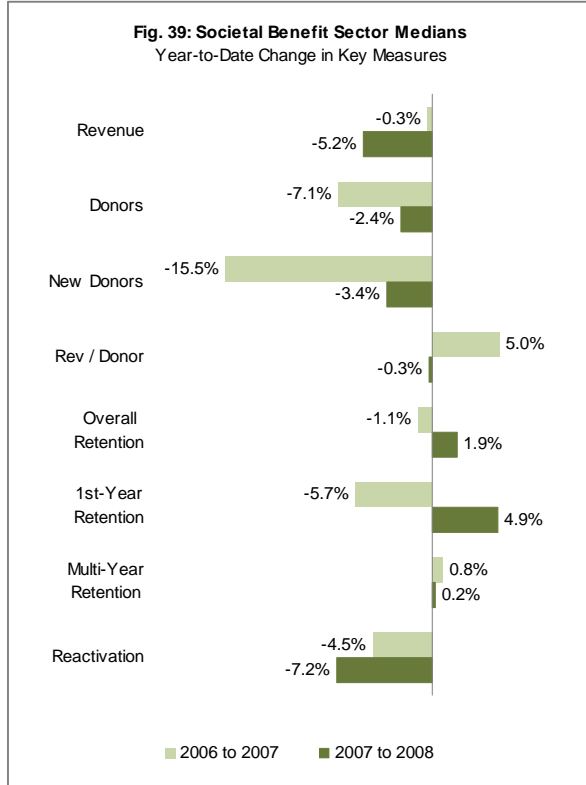
	Five-Year Change '03 to '08	Four-Year Change '04 to '08	Three-Year Change '05 to '08	Two-Year Change '06 to '08	One-Year Change '07 to '08
Revenue					
Median Change	59.2%	13.1%	-33.3%	4.7%	1.1%
Effective Annual Change	15.0%	3.4%	-9.9%	2.4%	1.1%
% Orgs with Positive Change	85%	54%	23%	69%	62%
Donors					
Median Change	30.6%	-3.7%	-30.4%	1.3%	1.8%
Effective Annual Change	6.9%	-0.9%	-9.1%	0.6%	1.8%
% Orgs with Positive Change	77%	38%	31%	54%	69%

Effective Annual Change is the average yearly change over the stated time period, adjusted for compounding over that period.

Societal Benefit

12 organizations

Since 2006, societal benefit organizations have experienced some of the greatest fundraising challenges of any sector in the index, with significant declines in most quarters in revenue, donors, new donor acquisition, retention, and reactivation. This has generally continued into 2008 although there are signs that at least some of these negative trends may be leveling off.



Revenue declined a median -5.2% from 2007 to 2008, the second-greatest revenue decrease of any sector in the index this year (see Fig. 39). Revenue declines were widespread across the sector, with just 17% of the societal benefit organizations experiencing positive revenue growth in 2008.

Donor numbers are showing some signs of improvement. Sector donors declined a median -2.4% from 2007 to 2008, better than the overall index median donor decline of -3.3% over the same period. In addition, donor declines were less widespread than revenue declines; 42% of the organizations in the societal benefit sector had positive donor growth in 2008.

Likewise, new donor acquisition for the sector fell a median -3.4% from 2007 to 2008, a relatively small decline compared to the overall index median decline of -6.9%. 42% of the organizations in the societal benefit sector had positive new donor growth in 2008.

It is important to note, however, that the small donor declines and small new donor declines both come after significant declines one year earlier and therefore may indicate more of a leveling off than a positive improvement.

The sector has also seen some improvement in retention rates as well. Retention rates rose by a median 1.9% from 2007 to 2008, the greatest increase of any sector in the index. This has resulted in societal benefit donors having a median retention rate of 57% in 2008, the highest in the index.

Retention rate growth has been spurred primarily by growth in first-year retention, which rose 4.9% from 2007 to 2008; this is the greatest growth in first-year retention of any sector in the index. Some of this growth in first-year retention may be in part a result of the downturn in new donors in 2007.

A rolling twelve-month revenue and donor analysis can provide longer-term perspective on these recent trends. Rolling trends show 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, with some of the largest declines coming in recent quarters. The result is that, over the past five years, total revenue and donor growth for the societal benefit sector both lag overall index medians to a significant degree.

From 2003 to 2008, societal benefit revenue declined a cumulative median -1.0%, compared to overall index revenue growth of 17.5% (see Fig. 40). Over the same period, societal benefit donors declined -14.1%, compared to an overall index decline of -5.2% (see Fig. 41).

While average rates of donor decline have stayed essentially stable over the past five years, rates of revenue decline have gotten progressively worse. The effective annual rate of revenue decline for the societal benefit sector over the five years from 2003 to 2008 was only -0.2% (see Fig. 42). But over the three years from 2005 to 2008 the annual rate of decline had dropped to -1.3%, and over the single year from 2007 to 2008 it was -5.2%.

Fig. 42: Long-Term Societal Benefit Revenue and Donor Trends

	Five-Year Change '03 to '08	Four-Year Change '04 to '08	Three-Year Change '05 to '08	Two-Year Change '06 to '08	One-Year Change '07 to '08
Revenue					
Median Change	-1.0%	-2.8%	-4.0%	-4.5%	-5.2%
Effective Annual Change	-0.2%	-0.7%	-1.3%	-2.2%	-5.2%
% Orgs with Positive Change	50%	42%	25%	42%	17%
Donors					
Median Change	-14.1%	-12.3%	-11.4%	-8.2%	-2.4%
Effective Annual Change	-2.7%	-2.9%	-3.6%	-4.0%	-2.4%
% Orgs with Positive Change	33%	25%	25%	25%	42%

Effective Annual Change is the average yearly change over the stated time period, adjusted for compounding over that period.

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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.

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.

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 June 2009, will examine activity for the first 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.