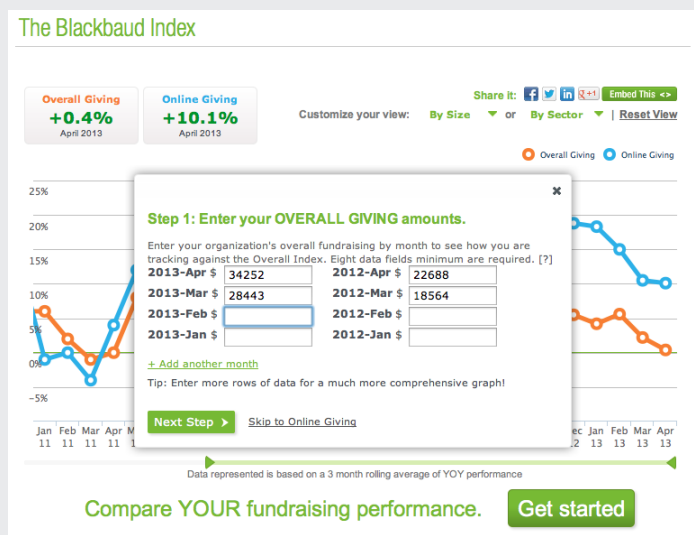


The Blackbaud Index

Charitable Giving Trends through April, 2013

WHAT'S NEW IN THE BLACKBAUD INDEX?

Compare YOUR fundraising performance to The Blackbaud Index

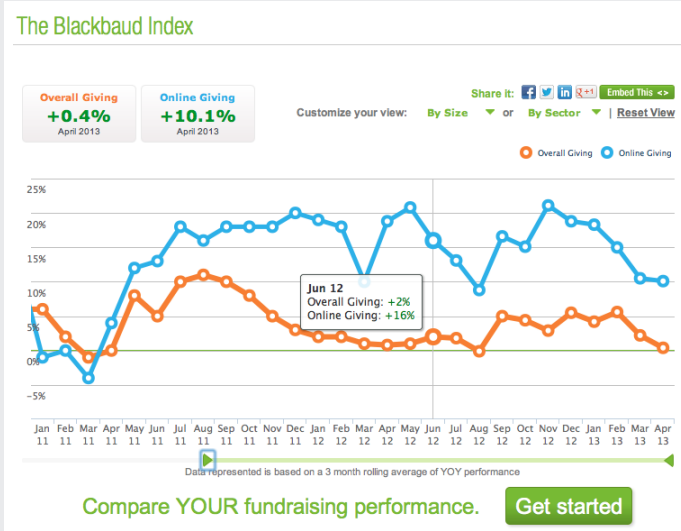


Interested in seeing how your organization is trending against The Blackbaud Index? You can now easily compare and visualize your fundraising by entering in your fundraising revenue to the interactive chart. The more you add, the more complete of a trend line you'll get!

You can choose to compare overall fundraising, online fundraising, or both. And, you can even compare it by size or sector (for those we currently publish indices for.) Knowing how your organization compares to its peers by size, mission, techniques, or other shared attributes can be invaluable when trying to determine if it was strategy, implementation, economies of scale, or donor behavior that drove results.

Oh, and while we're crunching your numbers, we'll share valuable fundraising tips to help you along the way!

New! View historical data from The Blackbaud Index



Instead of just displaying the past 12 months, The Blackbaud Index will now display archived data going back to January 2010. This will allow users to look at Index trends over a more extensive period of time to get a fuller picture of charitable giving in the United States.

New! Specialty indices focus on giving to healthcare, medical research organizations

In an effort to provide the most useful data for organizations in the healthcare field, The Blackbaud Index is splitting the Healthcare index, originally launched in 2011, into two specialty indices.

The Healthcare index now tracks fundraising revenue for hospitals, nursing facilities, psychiatric facilities and other healthcare centers, while the Medical Research index tracks fundraising revenue for organizations that raise money to fund medical research, as well as medical education and advocacy.

The two new indices have been created to reflect the different fundraising trends of the organizations they track, said Chuck Longfield, Blackbaud’s chief scientist.

Hospitals, for example, tend to focus on major gift fundraising, while research organizations tend to focus on direct marketing, direct mail and events, he said.

“When we tracked healthcare facilities and medical research organizations together, the trends that were happening within these unique fields tended to get blurred together,” he said. “Now, it is easy to see how hospitals are doing, differently than medical research.”

Tamra von Schroeck, the Phoenix-based senior director of operations and finance for philanthropy at Dignity Health, the fifth-largest hospital provider in the U.S. and the largest hospital system in California, agrees.

Creating separate indices for hospitals and for medical research

organizations “would be valuable because these two types of organizations are very inherently different from each other,” she said. “The more we can more succinctly compare ourselves for benchmarking purposes to other like organizations – in our case, those involved in hospital fundraising – the better.”

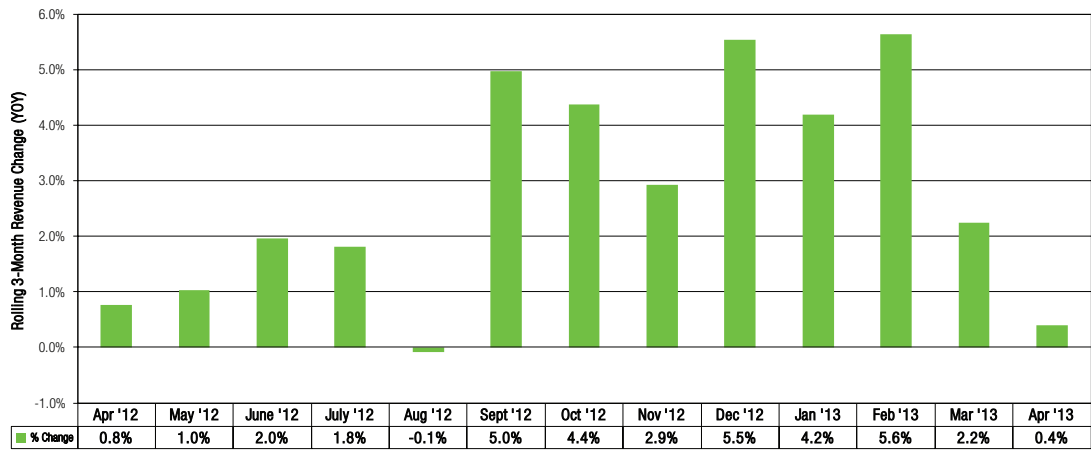
Shana Masterson, national associate director for interactive fundraising and engagement at the American Diabetes Association in Alexandria, VA, said the group is “always looking for ways to benchmark against other peer organizations.” But in many cases, she said, “hospital-based systems operate in a very different way and raise funds in a very different way than the American Diabetes Association.”

The new indices will now enable Healthcare and Medical Research organizations to benchmark their fundraising against peer organizations, which will ultimately help them fine-tune their fundraising strategies.

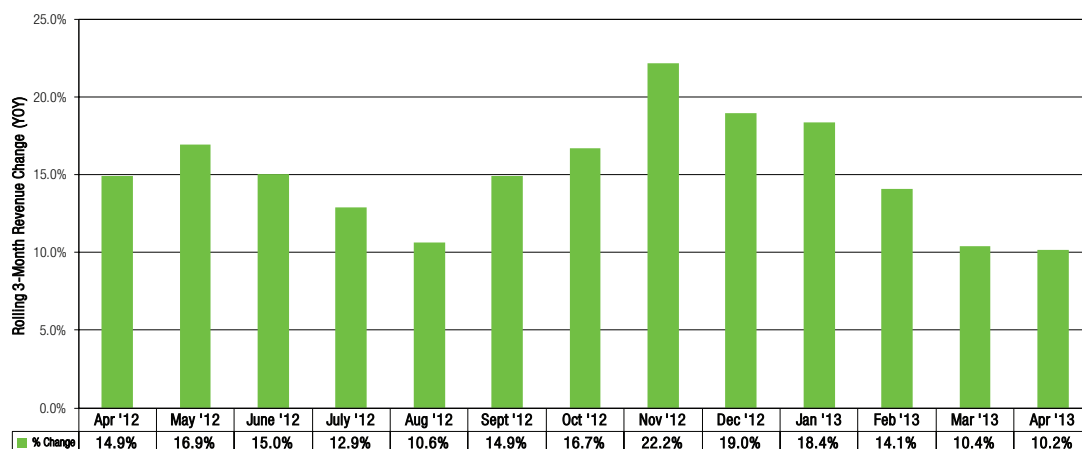
The Blackbaud Index – Charitable Giving Trends through April, 2013

Using data from 3,265 charities that raised nearly \$11.59 billion in the prior 12 months, the Blackbaud Index reports that **overall charitable giving grew 0.4 percent** for the three months ended April, compared to the same period a year earlier. And among 2,778 charities that raised over \$1.6 billion online, **online giving grew 10.2 percent** in the same three-month period, compared to the same period a year earlier.

The Blackbaud Index – Overall Giving



The Blackbaud Index – Online Giving



A Closer Look at the New Healthcare and Medical Research Indices

Overall fundraising revenue dips for healthcare, medical research

Overall fundraising revenue for 483 hospitals and other healthcare facilities representing nearly \$1.72 billion in annual revenue fell 1.7 percent in the three months ended April, compared to the same period a year earlier.

Overall fundraising revenue at 103 medical research organizations representing \$563 million in annual revenue fell 5.9 percent during the same period, according to new giving indices released by Blackbaud.

While they both declined in the most recent period compared to a year ago, fundraising patterns over the past year tracked by the Healthcare index and Medical Research index differed markedly from one another.

Online giving at 503 hospitals and other care facilities that raised a total of nearly \$154.5 million over 12 months, grew 11.7 percent in the three months ended April, compared to the same period a year earlier.

Online giving at 242 medical research organizations that raised a total of nearly \$475.5 million over 12 months, grew 1.9 percent during the same period.

Mixed results

The Healthcare Index reported declines in April, May, June, July and August 2012, and then grew in September, October, November and December 2012, and in January, February and March 2013.

In comparison, overall fundraising revenue at medical research organizations fell in April, May, July, August, November and December 2012 and in January 2013, while growing in June, September and October 2012, and in February and March 2013.

“The trends differ largely due to the type of fundraising these organizations do,” said Longfield. “Hospitals tend to do a lot of major gift fundraising, while research organizations tend to do a lot of direct marketing and events, which is evident in the results.”

For medical research organizations, “times are tough,” he said. “There is a lot of pressure on these organizations. Direct marketing and direct mail strategies, for example, have seen increasing competition. A lot of people who support these organizations support others.”

At hospitals and other care facilities, however, after declining through much of 2012, Longfield said, fundraising revenue grew through the latter part of the year and the early part of 2013, increases he attributed in part to a rebound in the stock market.

“Major gift fundraising is far more dependent on the stock market,” he said. “When people are feeling confident in their investments, and they have the resources, they're much more generous with big gifts.”

Healthcare: Investment in fundraising capacity pays off

Since the bottom fell out of the economy nearly five years ago, San Francisco-based Dignity Health has invested in building the capacity of its fundraising operation, an investment that has begun to help fuel growth in major gifts and planned gifts.

Operating over 40 nonprofit hospitals and care centers throughout California, Arizona and Nevada, Dignity Health raises roughly \$100 million a year in private philanthropy and government grants through 33 separate foundations that support the hospitals.

While they raise money through a range of programs that include annual support, special events, and public and private grants, those foundations generate 40 percent of their funds through a combination of major gifts and capital campaigns.

Dignity Health has invested in its major gift program, which also represents a significant share of capital campaign giving.

“We've been shouting from the rooftops that instead of focusing on special events and other less efficient revenue generators, there really needs to be a shift in focus to major gifts,” said von Schroeck.

Responding to recession

Dignity Health, formerly Catholic Healthcare West, has responded to the economic downturn by easing up on capital campaigns and events, refocusing its approach to its annual fund, and ramping up its major gifts and planned giving programs.

Where it once was engaged in roughly 25 capital campaigns at any given point in time and in the process of planning another 25, it now is currently fundraising for less than 10 throughout its system.

“It was a natural break in the action after coming off a very active period, and was exacerbated by the state of the economy,” von Schroeck said, explaining the recent consolidation in capital campaigns.

The philanthropy arm of Dignity Health also began to assess whether it might be better to expand its focus on “bricks and mortar” to include the programs the hospital system operates, she said.

Nearly all its foundations host two events a year, generally including a gala dinner and a golf tournament.

“They’re not the most cost-effective way to raise a dollar, and they don’t, generally speaking, move fundraising,” von Schroeck said. “We have only approximately 160 people across the foundations. Many times when the foundations do events, they don’t have the staff or strategy to later move those event participants to give bigger gifts.”

Dignity Health also has refocused its annual giving programs, which had lacked a consistent focus and strategy, she said. Now, working with a direct-mail house, the foundations send two mailings a year that include stories about the hospitals and their impact.

Investing in infrastructure

Several years ago, Dignity Health employed the equivalent of roughly 120 full-time employees in its fundraising operations, including its Systems Office employees in San Francisco and Phoenix, and its 33 foundations. Today, that number has grown to about 160, mainly with the addition of major gift officers and other supporting fundraisers.

The chief philanthropy officers at the foundations, in addition to their role as administrators, had been the employees mainly responsible for securing major gifts, which are defined as those of \$10,000 or more for most of the foundations. “There was too much going on for them to be the only person out there asking for gifts,” von Schroeck said.

Dignity Health also made a decision two years ago to invest in Blackbaud CRM™, a web-based constituent relationship management system including website tools that will consolidate separate systems at each of its foundations that are currently not consistent with one another and are underused because of outdated technology, she said.

In late 2013, the first seven databases serving 11 of the foundations will go live, with the remaining foundations' databases to be rolled out over the next two to three years. The new system will better enable the foundations to use a strategy known as “moves management” that is designed to track and advance the organization's relationship with donors and prospects, and build relationships around them and the organization.

In the past, von Schroeck said, Dignity Health lacked a state-of-the-art system to track its fundraising process, including the number of visits each fundraising officer made and their success rates. Now, with the technology to track progress, the foundations will use that data to set performance goals, evaluate the performance of individual fundraising officers, and develop action-based incentive bonuses.

The technology also should make their jobs easier and more enjoyable, von Schroeck said. After meeting with a prospect, for example, a fundraising officer sitting in her car can use a smart phone to input action items or next steps for working with the donor. Or when a fundraising officer schedules a visit with one prospect, he can use the software to identify other prospects located nearby and schedule several visits for the same trip.

"We need to take advantage of that technology and use our time wisely," von Schroeck said. "It's really about getting out of the office. So many people are bogged down by doing busy work in the office. We are focusing on getting the back-office tasks out of the way by simplifying them, and getting our fundraisers out the door."

Working smart

Based on the investment Dignity Health has made in boosting its fundraising infrastructure, von Schroeck said, she expects the foundations could capitalize on their local communities' capacity to give by doubling their combined annual fundraising to \$200 million in 10 years. "We know we have the capacity," she said. "We also know we're leaving a lot on the table. We think that's a reasonable goal once we have the proper tools in place."

The foundations also can use those tools to show donors, including the supported hospitals, which provide annual operating support, the value of investing in fundraising infrastructure, she said. Adequate investment in capacity is a challenge for any nonprofit, she said.

"It is important to make sure you're invested enough to capitalize on your potential and to begin to make the case, whether to donors or to the system who's investing," she said. "If there's an investment that can be made, whether in people and/or technologies, and as a result you can raise even more money to further your mission than you are now, why wouldn't you do it?"

Medical Research: Focusing on fundraising growth from special events

The American Diabetes Association decided in recent years that it wanted growth in revenue from special events to outpace growth in fundraising overall.

To make that happen, the Alexandria, VA-based organization has invested heavily in new positions and tools to support online fundraising and engagement. It also has focused on supporting individuals it identifies as having the greatest potential for giving or raising money, and it has worked to engage corporate sponsors.

"We took a very focused approach in terms of online fundraising, communications and tools," said Masterson. The investment has paid off: Last year, revenue from special events grew 16 percent, outpacing growth in its fundraising overall, with revenue from its two signature events growing at rates of 18 percent and 15 percent, respectively, and ranking second and third in the rate of growth among all events in the U.S. ranked by the Run Walk Ride Fundraising Council.

Online support for special events

In the year ended December 31, 2011, the American Diabetes Association generated nearly \$49 million combined from events, or nearly a fourth of the just over \$208 million the organization received in contributed income.

It is important to make sure you're invested enough to capitalize on your potential and to begin to make the case, whether to donors or to the system who's investing. If there's an investment that can be made, whether in people and/or technologies, and as a result you can raise even more money to further your mission than you are now, why wouldn't you do it?

— Tamra von Schroeck

In 2012, the Association raised just over \$24 million from Step Out, holding 123 walks throughout the U.S. that attracted over 120,000 participants, and it raised \$26.5 million from Tour de Cure, holding 88 cycling events that attracted 62,000 participants. Helping to drive that revenue, said Masterson, has been TeamRaiser™, a Blackbaud tool that supports peer-to-peer fundraising for events.

“A good amount of our revenue is sourced to participants who are asking friends and family to support their efforts for each event,” she said. “We really do encourage participants to sign up for events online using the TeamRaiser system.”

The Association asks participants to use the tool to set a goal; create a personal or team webpage, or both; personalize the page with their reason for riding or walking; and reach out to their networks of family and friends, either through branded emails that include a button or link to their webpages, or through other social media applications they can access at “participant centers” that provide support for Step Out and Tour de Cure.

The Association also works with Charity Dynamics, using its Boundless Fundraising™ Facebook® application that ties in with the TeamRaiser tools and centers, allowing participants to automatically post on Facebook information that links to their TeamRaiser donation form.

Customer support for online tools

To provide more support for participants in events, the Association has invested in staff, one-on-one trainings, documented instructions, webinars, videos and other ways to help people learn to make more productive use of its online tools and centers, Masterson said. Her own position, for example, was created two years ago.

The Association also has created about 15 positions for online managers, some by reallocating existing positions, to provide online fundraising and communications support for event managers whose job is to build relationships with teams and participants in a number of local walks and tours and support their fundraising efforts.

“Our event managers are very focused on helping people not only use their tools but use them better, more frequently, to really get to know how to use their Step Out and Tour centers to raise more funds,” Masterson said.

The Association also worked with Charity Dynamics to develop mobile apps that let participants raise money using their phones. “People are not 100 percent desktop anymore,” Masterson said. “We’re providing them with tools they can use on Facebook. They might use that more often than email. We’re expanding to where people are, being able to fundraise while standing in line in their grocery store.”

The Association also worked with Charity Dynamics to make its Step Out site “100 percent responsive,” featuring separate designs for optimal viewing on desktop computers, tablets and mobile devices, respectively. “You make very distinct choices about what the design will look like for each of those

platforms,” Masterson said. After rolling out the redesigned platforms for its Step Out site in March, the Association plans to roll out redesigned platforms for its Tour sites this summer.

Customer support for VIP participants, corporate sponsors

Another key to the Association's strategy for boosting revenue from events has been to identify “VIP” participants who are more likely to raise money and to increase support for their fundraising work.

Those participants include team captains; “Champions to Stop Diabetes” or participants who raise \$1,000 or more for a Step Out or Tour team; and “Red Riders” and “Red Striders,” or participants who have diabetes.

“We made a strategic decision to concentrate on these people in assisting them with their fundraising because they have more fundraising potential,” Masterson said.

Over the last few years, the Association has recruited thousands of “Champions to Stop Diabetes” and its VIP strategy overall has been a key factor in fundraising growth for its Step Out and Tour events, she said.

Also key has been a heightened effort to work with companies to form teams and sponsor events, including both national and particularly local sponsors, she said.

The Association also has offered employers its “Stop Diabetes @ Work” program, which includes a range of tools to complement their in-house wellness programs.

And it has stepped up its customer service to local companies to reinforce the value the Association adds to the companies in return for their investment in sponsoring its events.

► Visit www.blackbaud.com/blackbaudindex to benchmark your organization's performance against The Blackbaud Index, to view additional data, and to learn more about the methodology. You can also subscribe to free email or mobile alerts and access archive reports. Please share your feedback at bbindex@blackbaud.com.