

Target Analytics donorCentrics™ Index of National Fundraising Performance

2011 Fourth Calendar Quarter Results

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About the Index of National Fundraising Performance

The Target Analytics donorCentrics Index of National Fundraising Performance analyzes direct marketing giving for many of the largest non-profit organizations in the country. For the twelve months ending Q4 2011, Target Analytics evaluated transactions from 80 organizations, including over 38 million donors and more than 79 million gifts totaling over \$2.5 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 \$10,000, soft credits, and matching gift payments are excluded.

Quarterly results are reported on a calendar year basis. This report includes results through December 2011.

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 2011 Index Participants

Animal Welfare

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
National Trust for Historic Preservation
National World War II Museum
The Smithsonian Institution

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 Wide Fund for Nature

Health

ALSAC / St. Jude Children's Research Hospital
Alzheimer's Association
American Cancer Society
American Diabetes Association
American Health Assistance Foundation
American Heart Association
American Institute for Cancer Research
American Lung Association
Arthritis Foundation
Children's Cancer Research Fund
Cystic Fibrosis Foundation
Easter Seals
The Foundation for AIDS Research
Juvenile Diabetes Research Foundation
Leukemia and Lymphoma Society
March of Dimes
Mayo Clinic
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
ChildFund International
Doctors Without Borders
FINCA International
Habitat for Humanity International
Heifer Project International
International Rescue Committee
Mercy Corps
Operation Smile
Oxfam America
Plan USA
Project HOPE
Save the Children
U.S. Fund for UNICEF

Religion

Association of Marian Helpers
Missionary Association of Mary Immaculate
Sisters of St. Francis of Assisi
Sisters of St. Francis - PET
Society of the Divine Savior

Societal Benefit

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

Index Revenue and Donors Down Overall in 2011

Several Sectors Had Solid Performance, Primarily Due to Increases in Revenue per Donor

Q4 2011 Summary

After relatively stable post-recessionary performance throughout 2010, overall index revenue declined again in 2011. Revenue in the Target Index of National Fundraising Performance declined a median 2.1% from 2010 to 2011.

This was in some part due to the fact that the first quarter of 2010 was a time of extraordinary emergency-related giving for Haitian earthquake relief, and that even typical giving in 2011 might be expected to suffer somewhat by comparison. But prior-year emergency giving was not the only cause of overall index declines, which were widespread throughout the index and were not limited only to international relief organizations. Only 39% of the organizations in the index had year-over-year revenue increases in 2011.

Donor numbers dropped at the same rate as overall index revenue in 2011, declining a median 2.1% from 2010 to 2011. Just over one third, or 34%, of the organizations in the index had year-over-year donor increases in 2011.

This continues a trend that predates the recession. Donor populations have been shrinking for the past six years, primarily because of declines in new donor acquisition. The index has not experienced positive year-to-year overall donor growth or new donor growth since the U.S. Gulf Coast hurricanes in the third quarter of 2005.

In 2011, revenue per donor amounts rose, as they have ever since the end of the 2007-2009 recession. This growth was widespread throughout the index; 66% of the organizations in the index had positive revenue per donor growth over the year. However, declining overall revenue shows that, this year, revenue per donor increases are not making up for continuing donor declines.

2011 results vary considerably by industry sector.

- So far this year, the **international relief** sector has had the largest declines in the index in every key measure. Relief organizations experienced extraordinary giving in 2010 following a severe earthquake in Haiti in January. The declines the sector is seeing now are primarily a return to normal giving patterns from that phenomenal growth which may have been tempered by emergency giving in 2011.
- **Animal welfare** organizations had declines in donors and especially new donor acquisition in the index this year. This is unusual for this sector, which has been one of the strongest in the index for more than five years, experiencing high donor growth when most other sectors were experiencing dramatic declines. Revenue increases in 2011 were driven by strong increases in revenue per donor. It remains to be seen whether current trends are just a return to more normal giving patterns as well.
- **Health** organizations in the index continued to see declining performance in most key measures in 2011, as they have for most of the past five years. The only increasing metric in 2011 for the health sector was revenue per donor.
- The **environmental** sector continues to have mixed results. Donor numbers declined slightly for the sector in 2011 with revenue remaining essentially flat, but retention and reactivation rate growth were relatively strong.
- Two sectors in the index currently appear to be recovering from the recent recession. **Arts and culture** and **religious** organizations experienced strong performances in most key areas in 2011, as they returned to more normal levels of giving from previous years of decline. It is worth noting, however, that revenue growth for these sectors has been driven by increased revenue per donor, rather than increased donor volume.
- The human services and societal benefit sectors continued to be the brightest spots in the index this year. **Human services** organizations had some of the greatest increases in revenue, donor, and new donor acquisition while also managing to increase revenue per donor. **Societal benefit** organizations had strong growth in many areas – in particular, new donor acquisition – for the second year in a row.

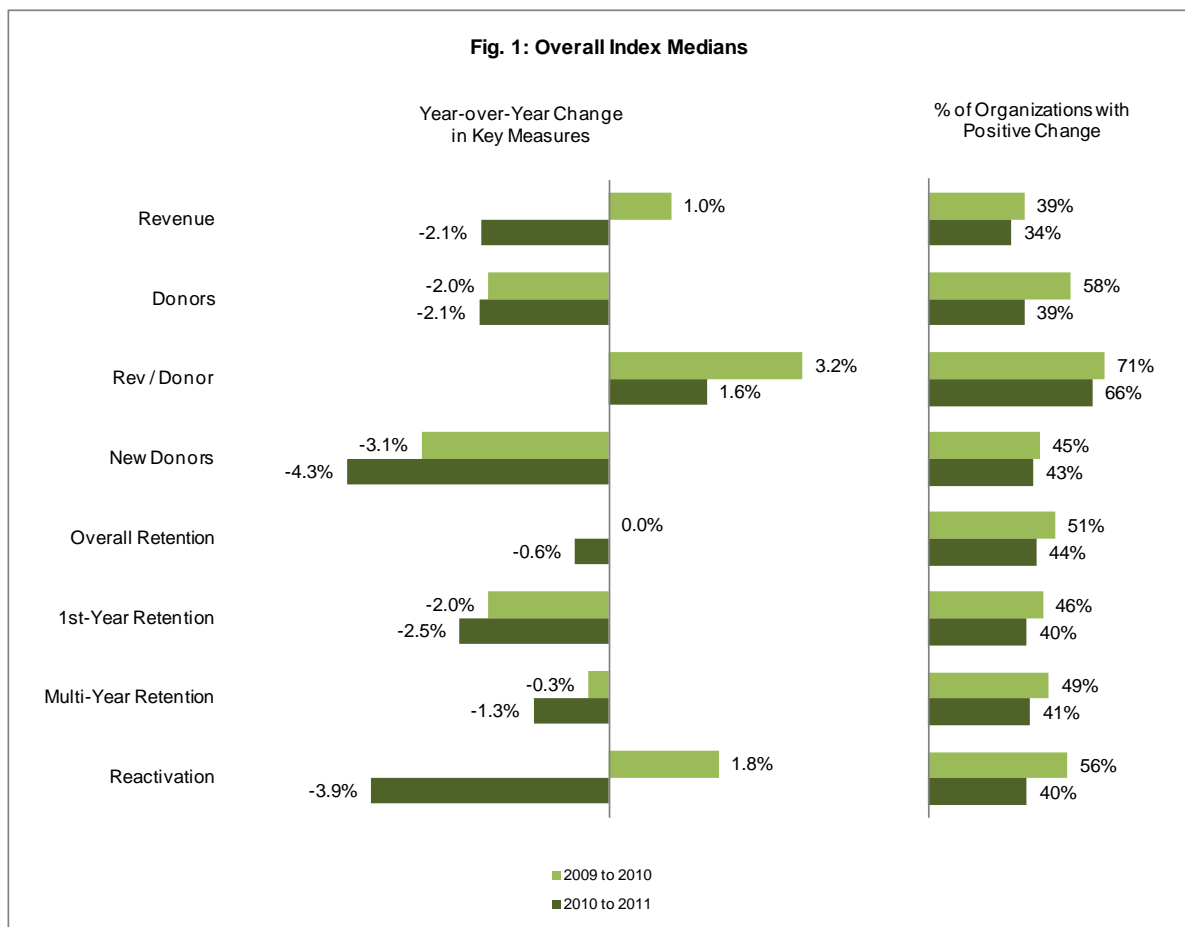
Overall Index Performance

All index results are medians unless otherwise specified.

Year-to-Year Change

Revenue for the Target index fell in 2011, declining a median 2.1% from 2010 (see Fig. 1). 34% of the organizations in the index had revenue increases and 66% had revenue declines over the year.

Continuing a trend that predates the recession, index donors declined a median 2.1% from 2010 to 2011. Donor populations have been shrinking for six years; the index has not experienced positive year-to-year donor growth since the U.S. Gulf Coast hurricanes in the third quarter of 2005. These declines also continue to be widespread; just over one third, or 39%, of the organizations in the index had positive donor growth in 2011.



Overall donor declines have been primarily due to declines in new donor numbers, which have also been generally shrinking since 2005. New donor acquisition fell a median 4.3% from 2010 to 2011, following a Haiti-boostered 3.1% decline the previous year.

Under normal circumstances, revenue per donor amounts tend to increase, most likely due to a combination of organizational practice and inflationary adjustments by donors. During the 2007-2009 recession, revenue per donor amounts went into an atypical decline, but returned to growth again in 2010 after the recession was over. In 2011, revenue per donor amounts continued to rise at typical rates, increasing a median 1.6% from 2010 to 2011 for the index as a whole. 66% of the organizations in the index had positive revenue per donor growth in the year.

So far this year, however, increases in revenue per donor have not allowed the index as a whole to maintain revenue levels in the face of falling donor populations.

Donor retention rates remained essentially flat from 2010 to 2011, falling a median 0.6% over the period. New donor retention declined slightly, by 2.1%, while multi-year donor retention was relatively stable.

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.

We have done some analysis on year-to-year trends for 2011, however, to evaluate the impact of recent current events and economic changes in more detail.

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

	Q1 2010 to Q1 2011	Q2 2010 to Q2 2011	Q3 2010 to Q3 2011	Q4 2010 to Q4 2011
Revenue	-1.2%	2.6%	3.3%	-1.0%
Donors	-3.4%	-2.8%	4.1%	-1.1%
New Donors	-10.2%	3.2%	8.4%	-0.8%
% of Orgs With Positive Revenue Change	41%	60%	59%	48%
% of Orgs With Positive Donor Change	34%	43%	60%	45%
% of Orgs With Positive New Donor Chang	39%	53%	61%	49%

This analysis shows that all giving, particularly new donor acquisition, was down in the first quarter of 2011 (see Fig. 2). This is to be expected, since Q1 2011 giving is being compared to extraordinary disaster-related giving in Q1 2010. The second quarter was comparatively more stable. In the third quarter there was growth in revenue, donors and new donor acquisition. The fourth quarter was relatively flat with small declines in all areas; about half the index organizations had positive change in these metrics.

Actual Median Values for Performance Metrics

In our index analyses, 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 key metrics based on a full year of data.

Median revenue per donor was \$70 for the index in 2011 (see Fig. 3). The international relief sector had the highest revenue per donor, with each donor giving \$173. The religion sector had the lowest revenue per donor, with each donor giving \$22.

Fig. 3: 2011 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	\$20,247,318	257,906	\$70	\$38	1.68
Animal Welfare	\$32,664,484	593,964	\$67	\$25	2.62
Arts & Culture	\$9,276,050	102,773	\$80	\$52	1.53
Environmental	\$16,655,967	265,634	\$67	\$40	1.68
Health	\$18,756,586	568,727	\$40	\$26	1.50
Human Services	\$27,440,395	511,794	\$55	\$30	2.01
International Relief	\$30,798,141	216,573	\$173	\$65	2.15
Religion	\$2,103,035	94,015	\$22	\$15	1.65
Societal Benefit	\$23,067,671	223,347	\$80	\$42	2.07
	<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%	50.5%	27.3%	58.4%	8.2%
Animal Welfare	23.2%	53.7%	32.0%	62.5%	9.0%
Arts & Culture	19.7%	65.4%	32.6%	70.8%	9.9%
Environmental	25.5%	53.0%	26.9%	61.7%	8.3%
Health	27.9%	43.7%	25.7%	53.7%	6.7%
Human Services	30.8%	51.2%	33.6%	57.1%	8.4%
International Relief	31.4%	42.8%	21.1%	58.4%	7.5%
Religion	29.3%	53.3%	30.2%	58.1%	10.8%
Societal Benefit	25.7%	56.4%	34.3%	64.4%	10.6%

Index donors gave a median 1.68 gifts each in 2011. Animal welfare organizations had the highest gift frequency of any sector, receiving a median 2.62 gifts per donor in 2011. Although sustainer or monthly giving programs are not widespread and typically account for a small fraction of giving, organizations with larger sustainer programs will drive up gifts-per-donor metrics.

The index as a whole had a median 50.5% donor retention rate in 2011. The arts and culture sector had the highest retention rate at a median 65.4%; the international relief sector had the lowest retention rate at a median 42.8%.

First-year retention rates were spread slightly differently across the index than were overall retention rates. The index as a whole had a median 27.3% first-year retention rate in 2011. The societal benefit sector had the highest first-year retention rate at 34.3%; the international relief sector had the lowest first-year retention rate at 21.1%.

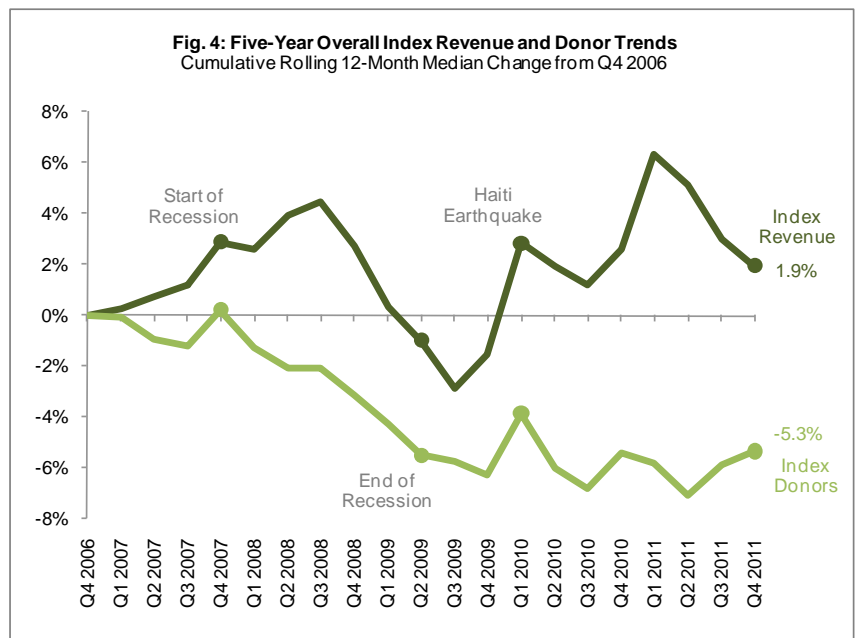
Long-Term Revenue Trends

Rolling twelve-month quarterly medians of revenue growth can provide longer-term context for year-over-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 helps to smooth 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 approximately 4% per year. Revenue grew at typical rates throughout 2006 and 2007 (see Fig. 4).

Revenue growth then declined substantially throughout much of 2008 and 2009, paralleling the weak economy during the recession.



Revenue began to grow again 2010, spiking particularly dramatically after the Haitian earthquake in January, and then declined again in 2011.

The result of these trends is that cumulatively, over the past five years, overall index revenue has grown quite slowly. From the twelve months ending Q4 2006 to the twelve months ending Q4 2011, index revenue grew a cumulative median 1.9%. This is an effective annual growth rate of 0.4% per year (see Fig. 5).

Real index revenue has declined by 8.9% 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 recent donor declines are part of a long-term pattern that was at its worst during the recent recession.

Donor numbers have generally been on a slow decline ever since the U.S. Gulf Coast hurricanes of Q3 2005. Declines intensified during the 2007-2009 recession and then continued at a more moderate pace after the recession was over (see Fig. 4). A positive spike in 2010 is likely at least partly due to disaster-related giving following a January earthquake in Haiti.

The result of these combined trends is that donor numbers have declined significantly over the past five years. Donors declined a cumulative median 5.3% from the twelve months ending Q4 2006 to the twelve months ending Q4 2011, for an effective annual rate of decline of 1.0% per year (see Fig. 5).

Fig. 5: Long-Term Index Revenue and Donor Trends

	Five-Year Change 2006 to 2011	Four-Year Change 2007 to 2011	Three-Year Change 2008 to 2011	Two-Year Change 2009 to 2011	One-Year Change 2010 to 2011
Revenue					
Median Change	1.9%	-2.7%	-1.6%	1.8%	-2.1%
Effective Annual Change	0.4%	-0.7%	-0.5%	0.9%	-2.1%
% Orgs with Positive Change	53%	44%	45%	56%	39%
Donors					
Median Change	-5.3%	-7.2%	-5.8%	-4.7%	-2.1%
Effective Annual Change	-1.0%	-1.8%	-1.9%	-2.3%	-2.1%
% Orgs with Positive Change	41%	38%	44%	44%	34%
New Donors					
Median Change	-14.4%	-15.1%	-9.9%	-4.0%	-4.3%
Effective Annual Change	-2.7%	-3.6%	-3.2%	-2.0%	-4.3%
% Orgs with Positive Change	43.0%	40.0%	33.0%	44.0%	43.0%

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.

As we have said in previous editions of the index, falling donor populations in the index may be due to a mix of factors. The recession certainly had an impact, but so also may have 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 Donors

Long term overall donor declines have been caused primarily by declines in new donor acquisition. Over the past five years, from the twelve months ending Q4 2006 to the twelve months ending Q4 2011, new donor numbers have fallen a cumulative median 14.4% (see Fig. 6). This is an effective annual rate of decline of 2.7% per year (see Fig. 5).

Although these new donor declines predate the recent recession, the recession did accelerate them. Over the most recent four years, from the twelve months ending Q4 2007 to the twelve months ending Q4 2011, new donor numbers fell a median 15.1%, for an effective annual decline of 3.6% per year.

Retention Rates

Lack of new donor growth is the primary cause of overall donor declines in the index, but falling first-year donor retention rates are also partly responsible.

Overall retention remained essentially flat in 2011. Retention rates fell a median 0.6% from 2010 to 2011, after flat 0.0% change the previous year (see Fig. 7). Just under half (45%) of the organizations in the index had positive retention rate growth in 2011.

This stability in overall retention masks the fact that first-year donor retention has been declining for the past two years. First-year retention rates fell 2.5% from 2010 to 2011, on top of a 2.0% decline the previous year. 40% of the organizations in the index had positive first-year retention rate growth in 2011.

Fig. 6: Five-Year Overall Index New Donor Trends
Cumulative Rolling 12-Month Median Change from Q4 2006

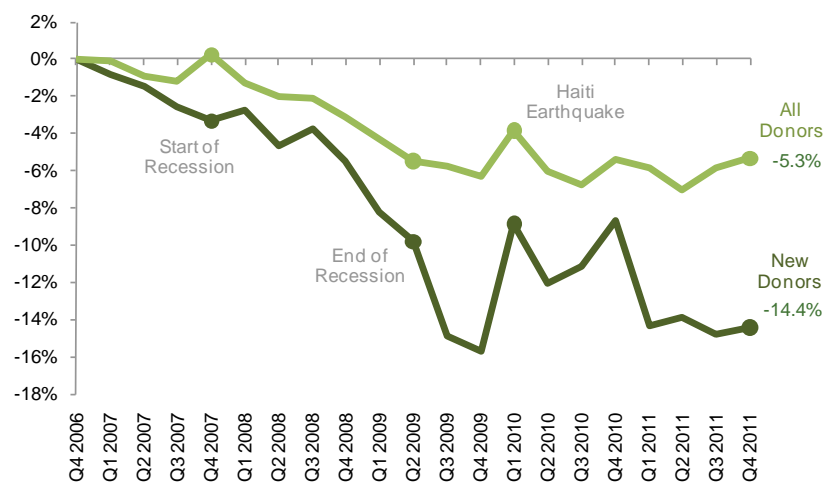


Fig. 7: Retention Rate Change

	Overall Retention		First-Year Donor Retention		Multi-Year Donor Retention	
	2009-2010	2010-2011	2009-2010	2010-2011	2009-2010	2010-2011
Overall Index	0.0%	-0.6%	-2.0%	-2.5%	-0.3%	-1.3%
Animal Welfare	-0.6%	0.5%	1.0%	-0.9%	1.6%	0.7%
Arts & Culture	2.8%	2.8%	-6.1%	2.0%	1.5%	1.6%
Environmental	-0.7%	0.1%	0.2%	-2.1%	-1.5%	-0.8%
Health	1.0%	-0.3%	-2.0%	-1.7%	0.4%	-3.1%
Human Services	-2.3%	-0.7%	-2.9%	-5.8%	-4.0%	0.9%
International Relief	7.7%	-19.2%	3.7%	-27.5%	6.9%	-8.8%
Religion	-3.2%	1.3%	-6.4%	0.8%	-2.2%	-0.9%
Societal Benefit	-2.6%	2.3%	-2.1%	7.5%	-0.2%	2.3%

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.

Multi-year retention has been less volatile. Overall, multi-year retention remained essentially flat, declining a median 1.3% from 2010 to 2011. 41% of the organizations in the index had positive multi-year retention rate growth in 2011.

The Impact of the Relief Sector on Overall Index Performance

The international relief sector had a dramatic spike in giving immediately following a severe earthquake in Haiti in January 2010. Now, one year later, the relief sector is experiencing almost equally dramatic declines in all key measures as giving returns to more typical levels, although these declines may have been tempered somewhat by emergency giving in 2011.

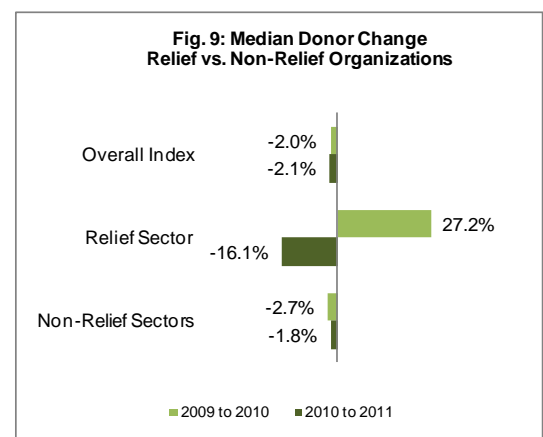
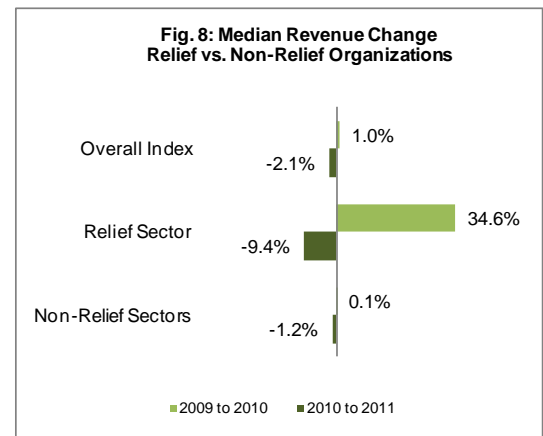
The purpose of the index is to allow participating organizations to compare their own performance to that of other sectors. Performance metrics based on aggregate index revenue or donors would be dominated by dramatic gains or losses by a few organizations – such as emergency-related fluctuations in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

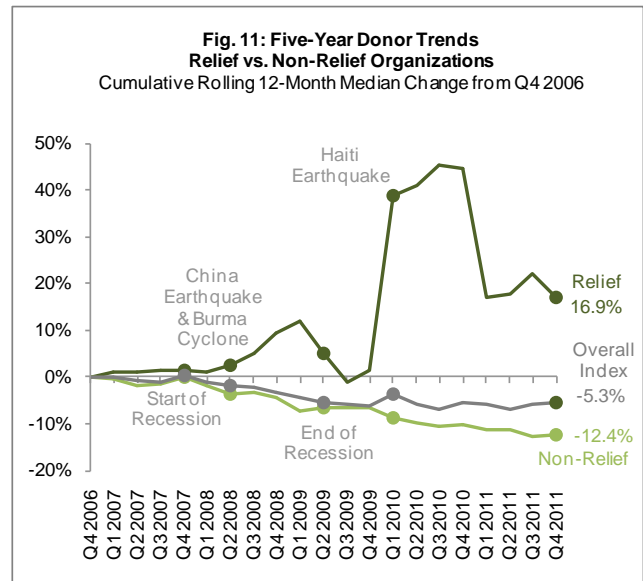
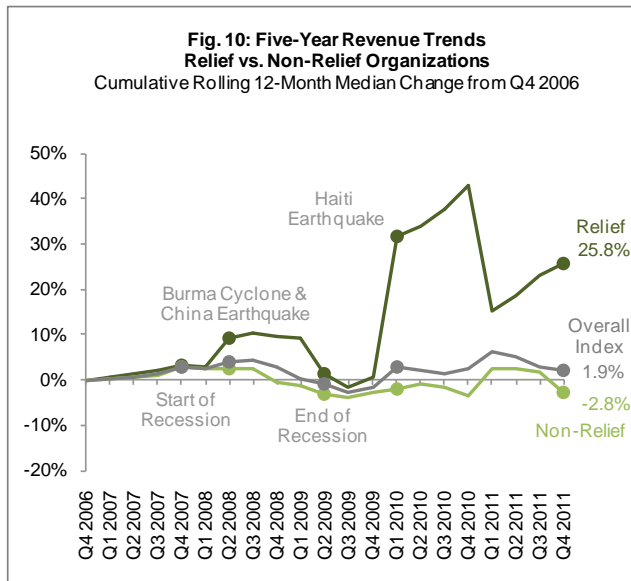
For this reason, all index results are reported as medians – the middle value of the relevant group of organizations. This generally mitigates the influence of atypical relief sector disaster giving on the index as a whole but it can still be valuable to look explicitly at the performance of non-relief organizations.

Relief sector giving does not influence overall year-to-year index results to a significant degree. Overall index revenue fell a median 2.1% and donors fell 2.1% from 2010 to 2011 (see Figs. 8-9). When relief organizations are removed from the calculations, index revenue fell a median 1.2% and index donors fell by 1.8%.

The cumulative effect of disaster-related giving to the relief sector is slightly more noticeable over the longer term, particularly in donor growth.

Over the past five years, from the twelve months ending Q4 2006 to the twelve months ending Q4 2011, overall index revenue declined a median 1.9%. When relief organizations are removed from the calculations, revenue has declined a median 2.8% over the same period (see Fig. 10).





Over the same five-year period, overall index donors declined a median 5.3%, but when relief organizations are removed from the calculations, donors declined by a somewhat greater 12.4% (see Fig. 11).

Effects of the Economy on Giving

Research by the Giving USA Foundation™ tells us 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 the Gross Domestic Product².

This means that in a slow economy, not only does giving slow down, but it also declines as a proportion of the average American's spending dollar. In recessionary periods, people shift their spending priorities away from charities, compounding the effects of an economic decline on fundraising.

The Target Analytics index has consistently supported both of these findings. Median index revenue growth has generally paralleled 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 entered a recession in December 2007 and emerged from it in June 2009³. Since then, some indicators of US economic growth have certainly improved; in particular, positive GDP growth for the past two years⁴. However, other indicators – particularly job growth – have not been as consistently encouraging⁵.

Non-profit direct marketing revenue in the Target index declined in 2008 and early 2009 as the economy weakened, and donor declines intensified during that time as well. We reported overall revenue declines in seven consecutive editions of the index (Q2 2008 through Q4 2009), with some of the steepest downturns coming in the first half of 2009.

Non-profit revenue in the index leveled off after the declared end of the recession but has remained essentially flat since then. Overall, it appears that most participating organizations have not yet regained any significant portion of the ground lost over the past four years.

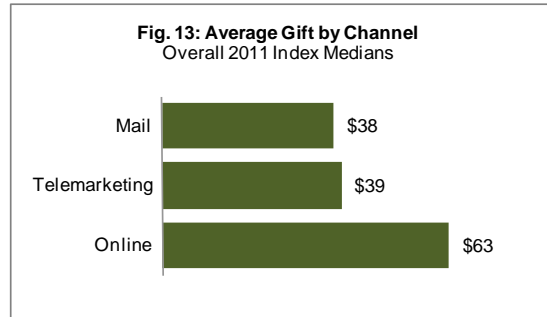
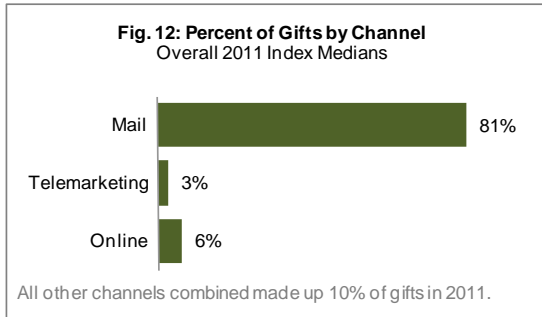
This may not be unexpected. Further research by the Giving USA Foundation indicates that once a recession is over, it has taken an average of three to four years for inflation-adjusted charitable giving to rise back up to pre-recession levels⁶.

The Growth of Internet Giving

By the time of publication of this edition of the index, we were able to identify and verify gift channels for 71 of the 80 participating organizations, and so are able to include a giving channel analysis in this report.

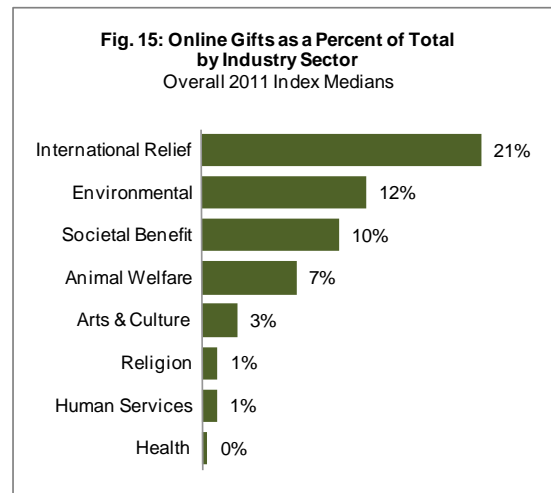
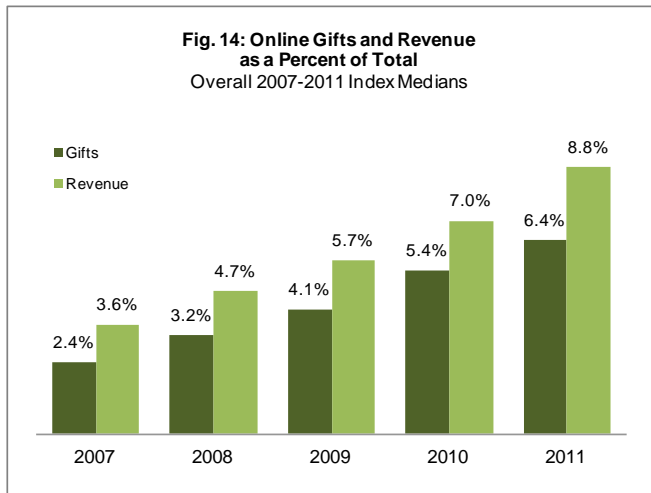
The organizations that participate in the index are large direct marketing organizations that rely primarily on direct mail. Revenue from other channels, such as telemarketing and the internet, makes up a relatively small portion of the overall total, and revenue from large-scale events is generally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

In 2011, a median 81% of all index revenue came in through the mail, 3% came in through telemarketing, and 6% came in over the internet (see Fig. 12).



There is a great difference in the relative sizes of mail and internet gifts; internet gifts tend to be significantly larger than gifts given through direct mail. For index organizations in 2011, the median mail gift was \$38 while the median online gift was \$63 (see Fig. 13). For this reason, online giving makes up a larger proportion of overall revenue than it does of overall gifts.

The percentage of gifts and revenue coming in online have both been growing steadily over the past five years. In 2007, internet giving accounted for 2.4% of all gifts and 3.6% of all revenue. By 2011, internet giving accounted for 6.4% of all gifts and 8.8% of all revenue (see Fig. 14).

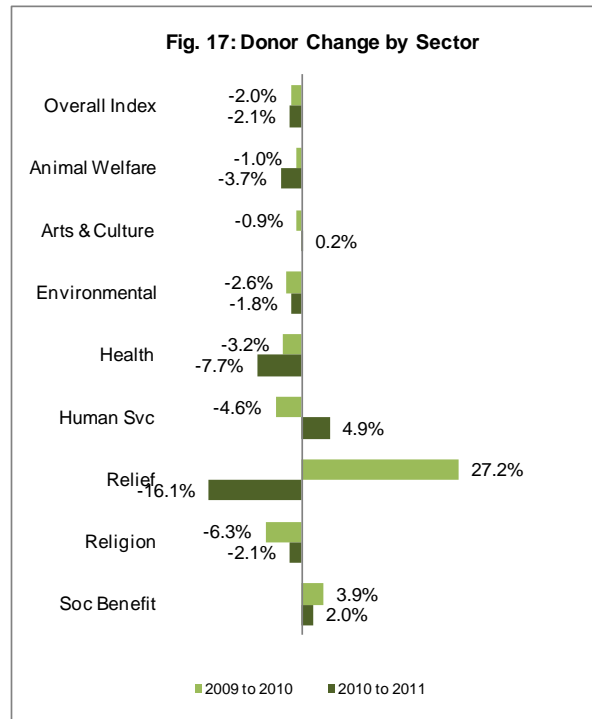
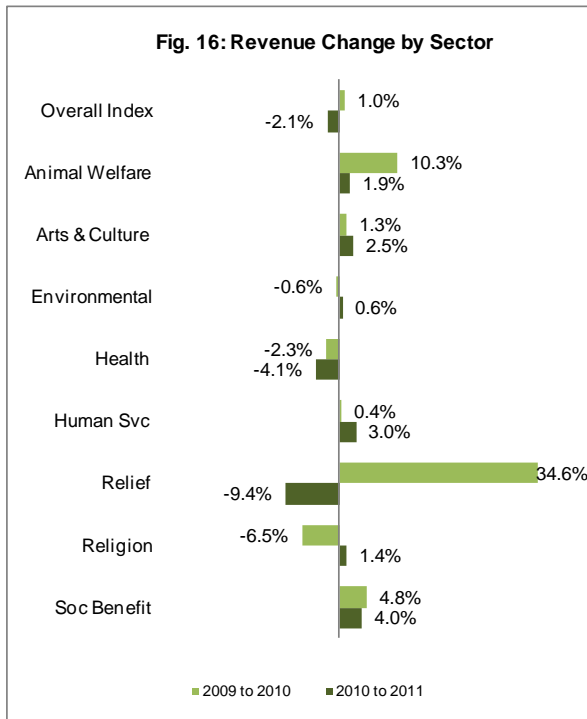


There is a great deal of variation in the prevalence of online giving among the different industry sectors in the index (see Fig. 15). In general, animal welfare, environmental, international relief, and societal benefit organizations receive proportionately more gifts online than do the other sectors in the index. Relief organizations in particular have been able to take good advantage of the online giving channel, using it to enable their donors to respond immediately to emergency fundraising appeals.

Industry Sector Performance

In 2011, fundraising performance varied widely across different industry sectors in the index with six of the eight sectors having flat or increasing revenue with five of eight sectors experiencing declining donors (see Figs. 16-17).

The **international relief** sector again experienced the largest declines in the index every key measure. This sector experienced extraordinary giving in the first quarter of 2010 following a severe earthquake in Haiti; the declines the sector is seeing now are primarily a return to normal giving patterns from that phenomenal growth, rather than a concerning decline. Declines in the sector may have been tempered somewhat by emergency giving in 2011 related to an earthquake and tsunami in Japan and a drought in the Horn of Africa.



Health organizations in the index continued to see declining performance in most key measures, as they have for most of the last five years. Median declines in donors and revenue were larger in 2011 than in 2010.

Animal welfare organizations had declines in donors and acquisition but increases in revenue in 2011. As a sector, these organizations have seen tremendous donor growth over the past five years and are now seeing a return to more normal giving; however, they have been able to overcome donor downturns with increased donor value.

The **environmental** sector continues to have mixed results. Revenue was flat and donor numbers declined slightly for the sector in 2011, closely paralleling the donor declines in the overall index. Reactivation rate growth was relatively strong in 2011 after large declines in 2010.

Two sectors in the index currently appear to be stabilizing from the recent recession. **Arts and culture** and **religious** organizations are experiencing flat or growing revenue following much instability. Donors did decline slightly in 2011 but increased revenue per donor helped stabilize overall revenue. Current performance for both of these sectors is encouraging after a difficult three years.

The human services and societal benefit sectors appear to be the brightest spots in the index this period. **Human services** organizations had some of the greatest increases in revenue, donor, and new donor acquisition while also managing to increase revenue per donor. **Societal benefit** organizations had strong growth in many areas – in particular, revenue and new donor acquisition – for the second year in a row.

New Donors

Overall donor declines in the index were driven primarily by declines in new donor acquisition. As was the case with revenue and overall donor growth, new donor growth in 2011 was sharply divided by sector.

Arts and culture and societal benefit had significant new donor growth from 2010 to 2011 with societal benefit experiencing new donor growth for the past two years (see Fig. 18). Human services and religious organizations also had moderate new donor growth in 2011.

International relief and animal welfare had significant new donor declines from 2010 to 2011. Health and environmental had declines in new donor acquisition from 2010 to 2011. For these two sectors, this came on top of equally significant new donor declines in the previous year.

Retention Rates

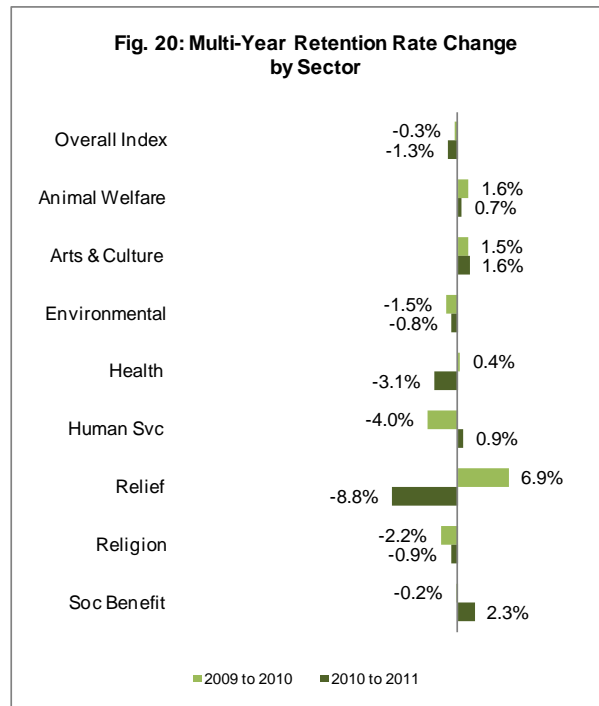
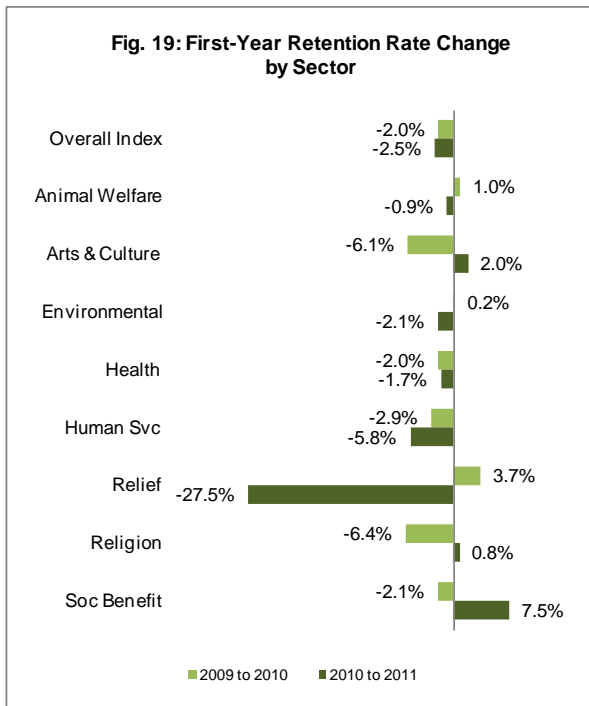
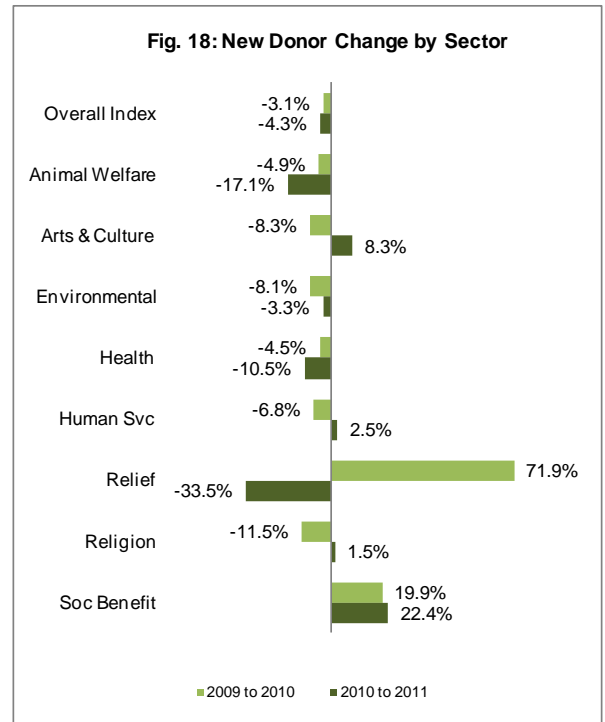
Donor retention has been an area of concern in the index throughout 2011. While declining new donor acquisition is primarily responsible for the overall index donor declines, falling retention rates – particularly first-year retention rates – also certainly play a part. Now, in the fourth quarter, we can get a complete picture of full-year retention rate changes.

Six of the eight sectors in the index had flat or declining first year retention from 2010 to 2011 (see Fig 19). Health and human services have now seen first-year retention rates decline for the second year in a row.

For the international relief sector first-year retention rate declines were dramatic, a 27.5% decline from 2010 to 2011. This is to be expected following the response to the earthquake in Haiti in 2010.

Multi-year retention was, as always, more stable than first-year retention. Arts and culture and societal benefit organizations in the index had increases in multi-year donor retention in 2011. Animal welfare, environmental, human services and religious organizations remained essentially flat and health and international relief organizations had large declines (see Fig 20).

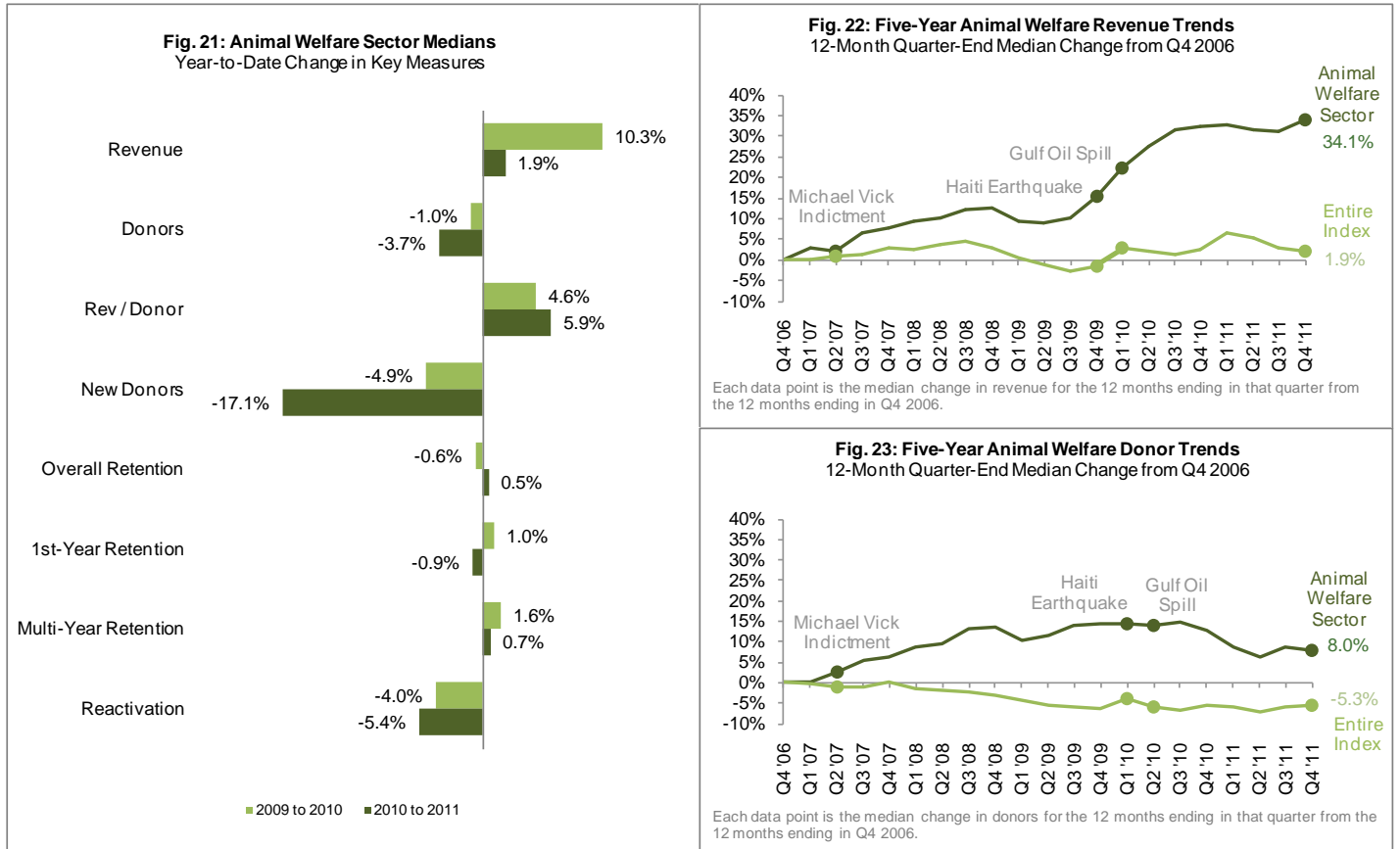
Individual sector results are explained in more detail on the following pages. All sector results are medians unless otherwise specified.



Animal Welfare

4 organizations

The animal welfare sector has been one of the strongest sectors in the index for more than five years, with significant donor growth during a time when most other sectors had donor declines. In 2011, however, this sector has seen declines in donors and particularly new donor acquisition, all of which are among the largest declines in the index. At least some of this may be a return to normal giving following extraordinary fundraising in 2010 after the Haitian earthquake and the Gulf Coast oil spill.



Animal welfare revenue increased a median 1.9% from 2010 to 2011, compared to an overall index median revenue decline of 2.1% (see Fig. 21). Two of the four organizations in this sector had revenue growth in 2011.

Donors to animal welfare organizations declined a median 3.7%, from 2010 to 2011, compared to an overall index median donor decline of 2.1%. New donor acquisition declined a median 17.1% from 2010 to 2011, compared to an overall index median new donor decline of 4.3%.

Rolling twelve-month trends give us more long-term context for recent animal welfare sector performance. The sector received a substantial amount of giving in late 2005 after the U.S. Gulf Coast hurricanes and had an accompanying decline in revenue and donors one year later, in 2006. Since then, the sector has had two significant event-related spikes in revenue and donors over the past five years; one in 2007 following the conviction of professional football player Michael Vick on dog fighting charges, and one in the first half of 2010 following the Haitian earthquake and the BP oil spill.

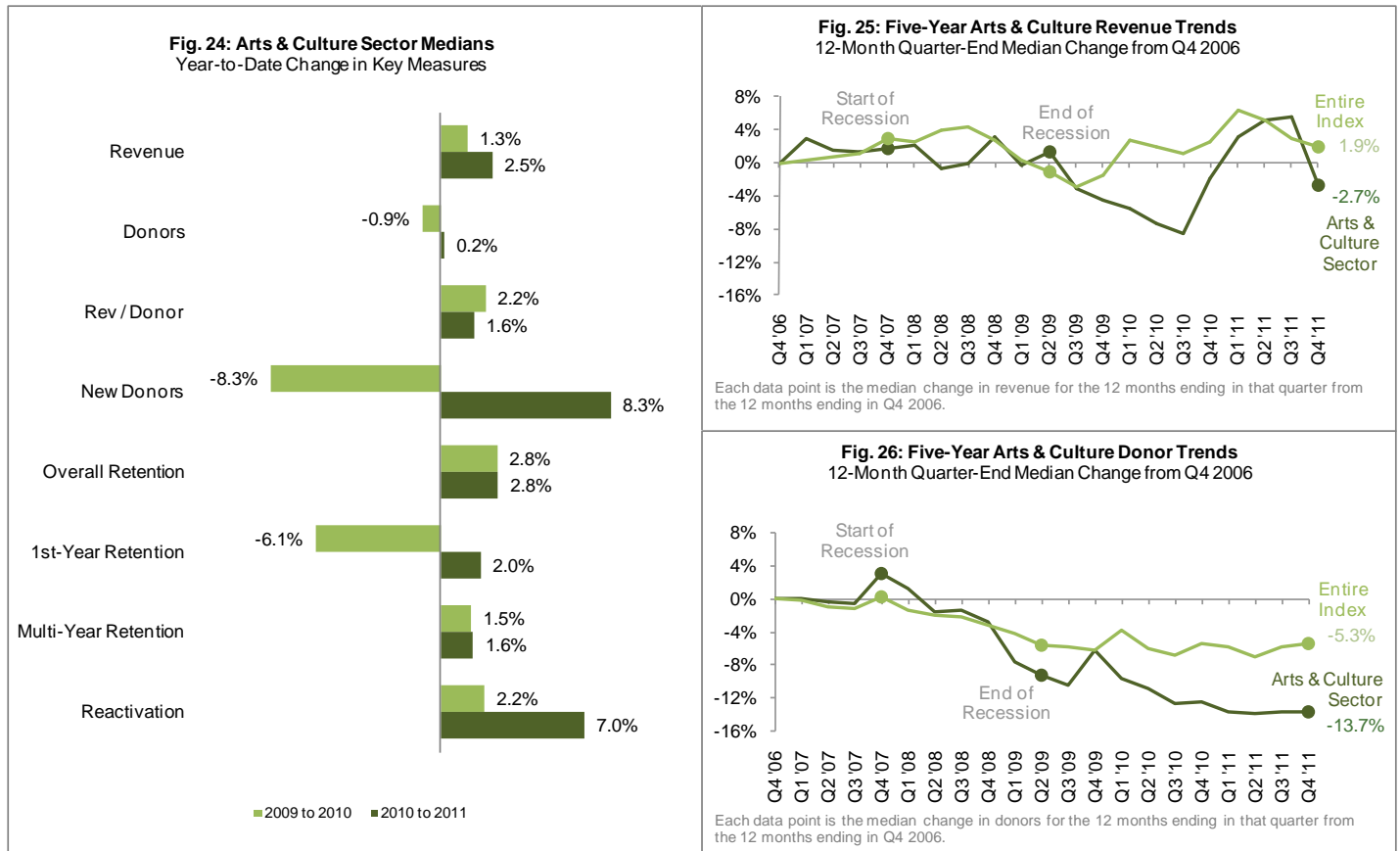
These spikes have enabled the animal welfare sector to outperform index revenue and donor medians significantly over the past five years. From the twelve months ending Q4 2006 to the twelve months ending Q4 2011, revenue growth for the animal welfare sector grew by a cumulative median 34.1%, while the index as a whole had revenue growth of 1.9% (see Fig. 22). Over the same period, sector donors grew by a median 8.0% while the overall index saw a median donor decline of 5.3% (see Fig. 23).

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

Arts & Culture

5 organizations

During the recent recession, arts and culture organizations had flat to negative trends in most key measures that were similar to or slightly more negative than those of the index as a whole. The sector particularly struggled with new donor acquisition and first-year donor retention. In 2011, however, increases in revenue, revenue per donor, retention, and reactivation and, in particular, new donor acquisition indicates that the sector may be experiencing stabilization.



Arts and culture sector revenue increased a median 2.5% from 2010 to 2011 (see Fig. 24), compared to overall index revenue declines of 2.1%. This was the third largest increase in revenue in the index over the period. Three of the five organizations in the sector had positive revenue growth in 2011.

Sector donors increased a median 0.2% from 2010 to 2011, compared to overall index donor declines of 2.1%. This was one of three sectors with flat or increasing donors in the index. Three of the five organizations in the sector had positive donor growth in 2011.

New arts and culture donors increased by 8.3% from 2010 to 2011. This was one of four sectors with increases in new donors in the index but is likely at least in part a rebound from 8.3% declines over the same period the previous year. Three of the five organizations in the sector had positive new donor growth in 2011.

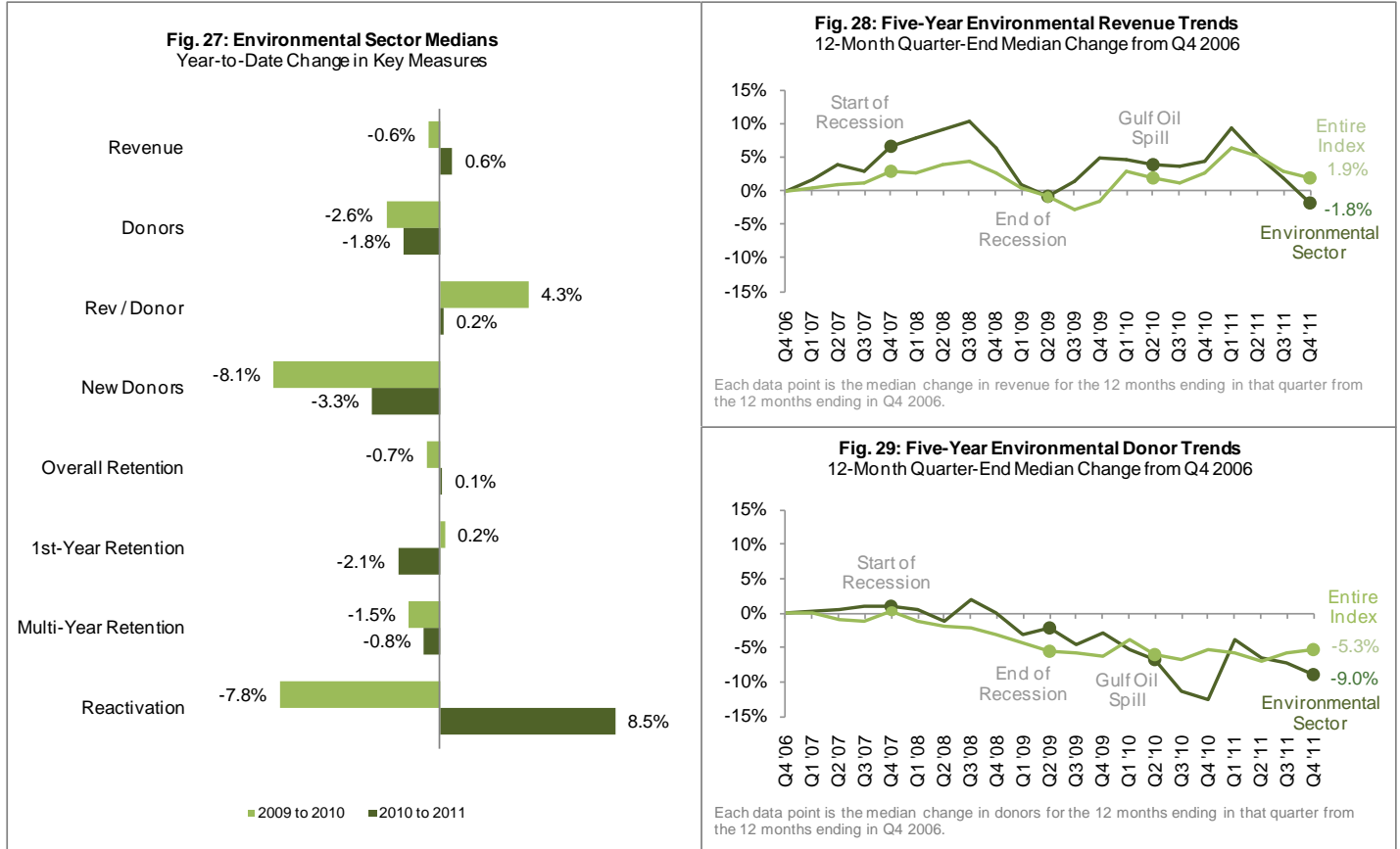
Twelve-month rolling trends can provide longer-term context for recent arts and culture sector results. Revenue and donor growth for the sector have both been volatile; both generally matched the overall index from 2007 to 2009 but underperformed it in 2010. The spike in revenue in the first quarter of 2011 appears to be driven primarily by two of the five organizations in the sector. Over the past five years, from the twelve months ending Q4 2006 to the twelve months ending Q4 2011, the arts and culture sector has had cumulative median revenue decline of 2.7%, while the index grew 1.9% (see Fig. 25). Over the same period, the sector had a cumulative median donor decline of 13.7%, significantly greater than the overall index decline of 5.3% (see Fig. 26).

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

Environment

13 organizations

Unlike many index sectors, the environmental sector does not tend to see a great deal of fluctuation in giving from quarter to quarter or from year to year. Environmental organizations maintained their revenue levels better than most during and after the recent recession. And while environmental donors have declined over the past five years, these declines have generally not been as severe as they have been for other sectors, and are currently tracking close to overall index medians.



Revenue for the environmental sector increased 0.6% from 2010 to 2011, compared to overall index declines of 2.1% (see Fig. 27). 54% of the environmental organizations in the index had positive revenue growth in 2011.

Environmental donors decreased a median 1.8% from 2010 to 2011, while the index as a whole declined 2.1%. 31% of the environmental organizations in the index had positive donor growth in 2011.

New donor acquisition declined 3.3% for the sector from 2010 to 2011, while the index as a whole declined 4.3%. 46% of the organizations in the sector had positive new donor growth over the period.

Reactivation rates rose significantly for the sector in the 2011, increasing 8.5% from 2010 to 2011, after declines of 7.8% in the same period the previous year.

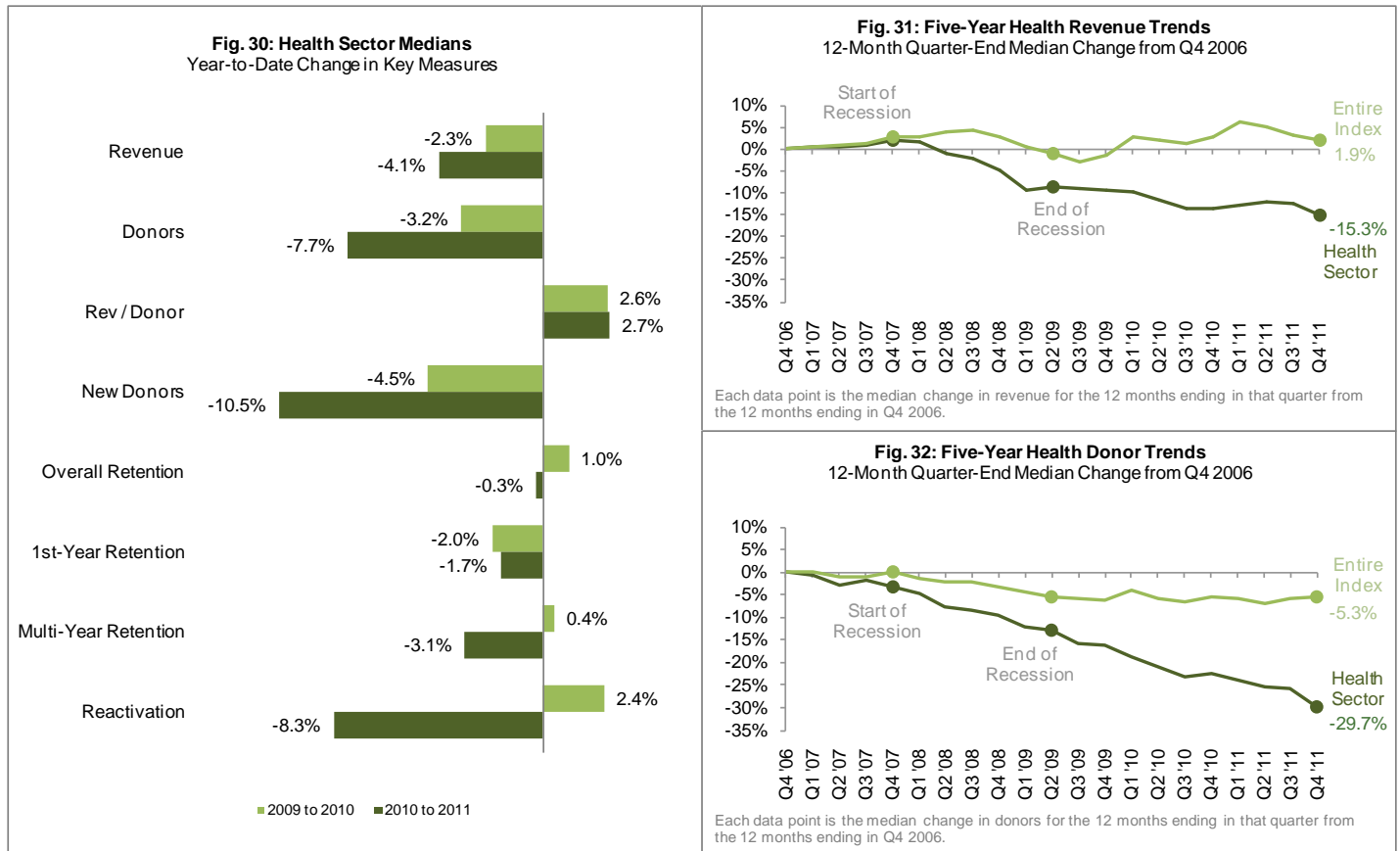
Twelve-month rolling trends can provide longer-term context for recent sector trends. This analysis shows that ever since a 2007 pre-recessionary boost in revenue, environmental revenue and donor growth have followed index medians relatively closely. The result is that the sector has been able to remain close to the index as a whole as compared to other sectors.

From the twelve months ending Q4 2006 to the twelve months ending Q4 2011, the environmental sector had median cumulative revenue decline of 1.8% while overall index revenue grew a median 1.9% over the same period. (see Fig. 28). From the twelve months ending Q4 2006 to the twelve months ending Q4 2011, the sector had cumulative median donor declines of 9.0% while the index as a whole had similar donor declines of 5.3% (see Fig. 29).

Health

19 organizations

Health organizations have had some of the greatest fundraising challenges in the index for much of the past five years. Negative health sector trends predated the recent recession but were significantly intensified by it. In 2011, sector revenue, donor, and new donor acquisition declines continued to be among the largest in the index, and came on top of declines over the same period in the previous year.



Health sector revenue declined a median 4.1% from 2010 to 2011 (see Fig. 30). Only 16% of the organizations in the health sector had positive revenue growth in 2011.

Health sector donors declined a median 7.7% from 2010 to 2011. Only 16% of the organizations in this sector had positive donor growth in 2011.

New donors for the sector declined 10.5% from 2010 to 2011 following a 4.5% decline in the previous year. 26% of the organizations in the health sector had positive new donor growth in 2011.

Revenue per donor did increase for the sector in 2011, rising 2.7% from 2010 to 2011. However, these increasing revenue per donor amounts may be a reflection of the declining numbers of relatively low-dollar new donors.

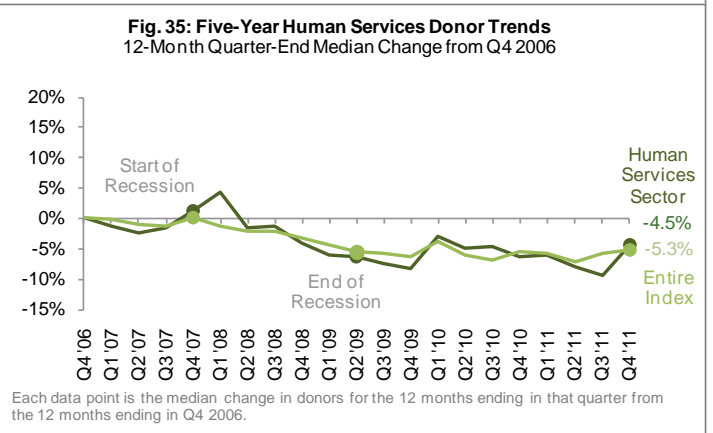
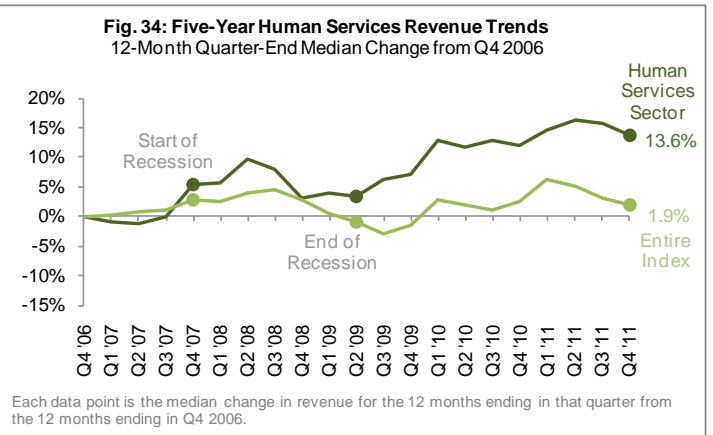
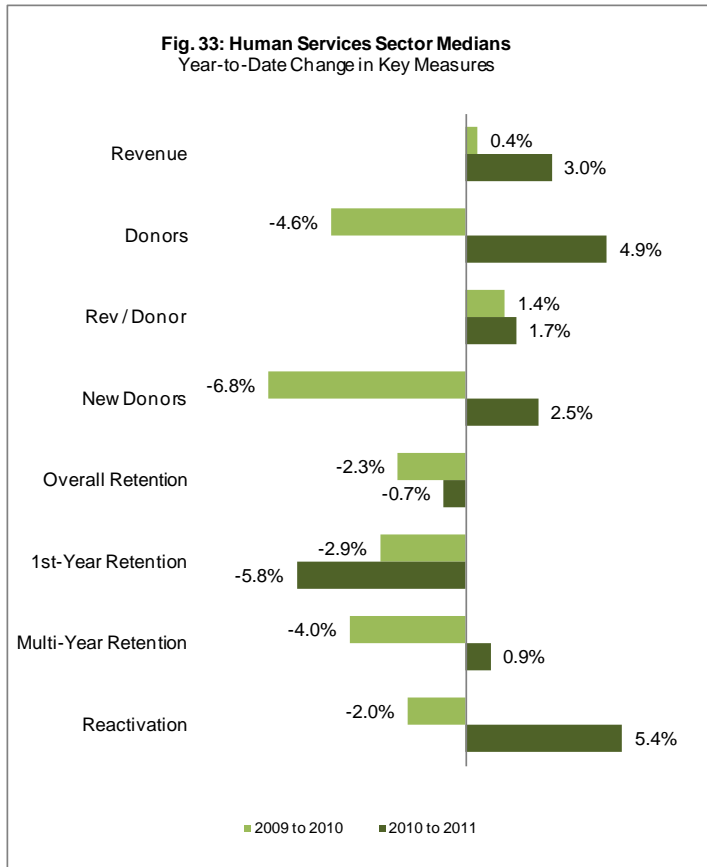
Health sector revenue and donor growth have both lagged overall index median trends significantly over the long term. From the twelve months ending Q4 2006 to the twelve months ending Q4 2011, health organizations had cumulative revenue declines of 15.3%, compared 1.9% growth for the index as a whole (see Fig. 31). Over the same five-year period, health organizations had a cumulative donor decline of 29.7%, compared to a decline of only 5.3% for the index as a whole (see Fig. 32).

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

Human Services

7 organizations

The human services sector was one of the strongest in the index during the recent recession, well outperforming the index in both revenue and donor growth during both 2008 and 2009. During this time of greatest need, donors may have deliberately concentrated their giving on organizations in this sector, which provide direct aid to the disadvantaged. After the end of the recession, human services organizations had mixed results, maintaining revenue levels but struggling with acquisition and retention. In 2011, however, the sector appeared to be going through another surge in giving, with the highest rates of donor growth and the second highest in revenue growth in the index.



Human services sector revenue grew a median 3.0% from 2010 to 2011 (see Fig. 33), while the index as a whole had revenue declines of 2.1%. This was the second largest revenue increase of any sector in the index; four of the seven organizations in this sector had positive revenue growth in 2011.

Human services donors grew by a median 4.9% from 2010 to 2011. This was the largest donor growth of any sector in the index and came at a time when the index as a whole had donor declines of 2.1%. Five of the seven organizations in this sector had positive donor growth in 2011.

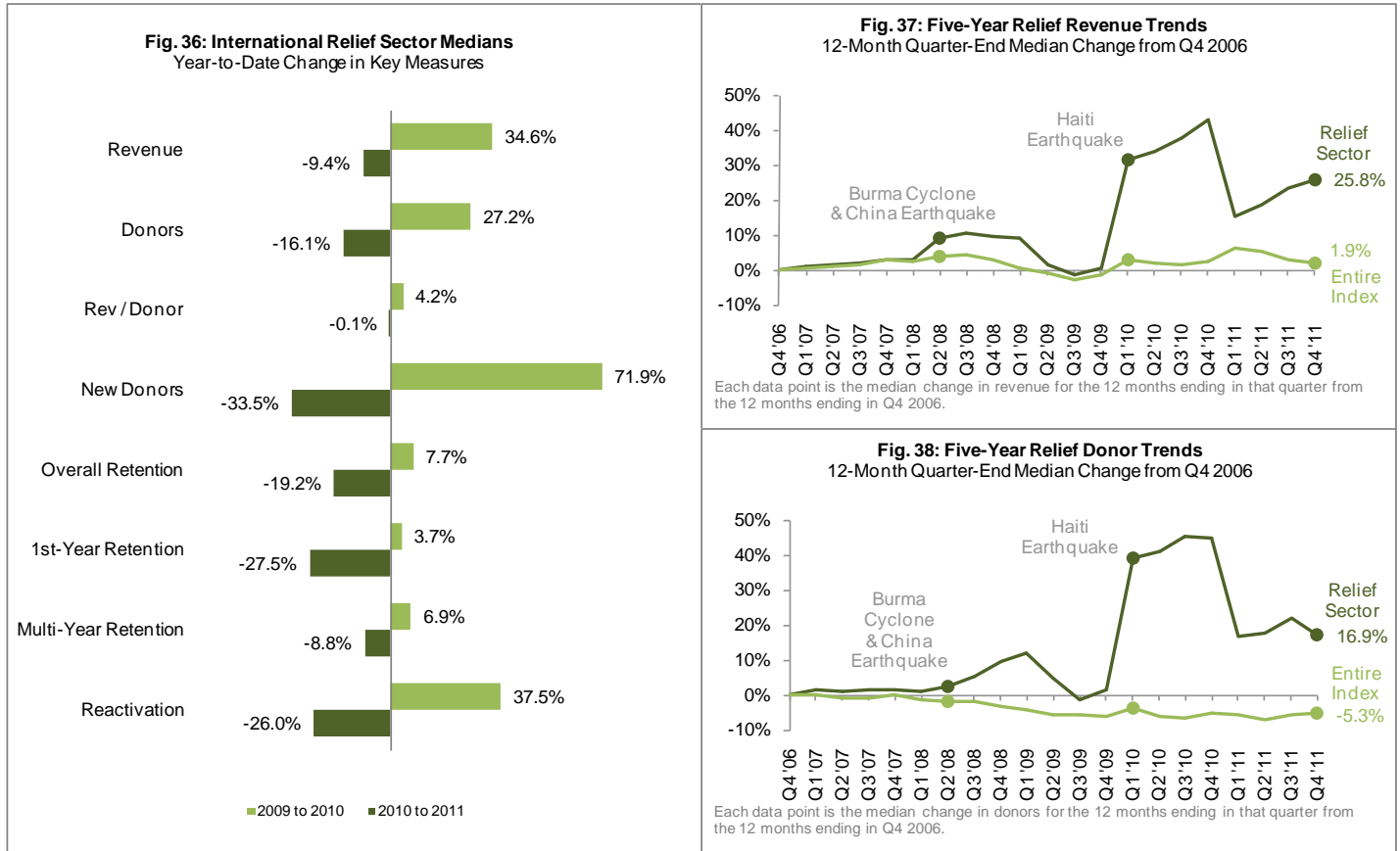
New donor acquisition was similarly strong, up 2.5% from 2010 to 2011. Four of the seven organizations in this sector had positive new donor growth in 2011.

Rolling twelve-month trends can give a longer-term perspective to current results and show that the sector has well outperformed the index in revenue growth over the past five years. From the twelve months ending Q4 2006 to the twelve months ending Q4 2011, human services revenue grew a cumulative median 13.6% while overall index revenue grew by 1.9% (see Fig. 34). Over the same five-year period, sector donors declined a cumulative median 4.5%, while the index as a whole had declined 5.3% (see Fig. 35).

International Relief

16 organizations

Recent relief sector performance has been dominated by fundraising following a severe earthquake in Haiti on January 12, 2010. The sector experienced extraordinary growth in all key areas last year, on a scale almost equal to the period after the Indian Ocean tsunami of 2004. In 2011 the sector had the large declines in all key measures that would be expected with giving returning to more typical levels, although emergencies in Japan and the Horn of Africa may have tempered the declines somewhat.



Revenue for the international relief sector declined a median 9.4% from 2010 to 2011 (see Fig. 36). This was by far the largest revenue decline in the index. Only two relief organizations had revenue increases in 2011.

Relief organizations had the largest donor declines in the index as well, with a 16.1% decline in overall donors and a 33.5% decline in new donors from 2010 to 2011. Two of the organizations in the sector had positive donor growth and five had positive new donor growth in the 2011.

Revenue per donor for the sector was flat in 2011, declining a median 0.1% from 2010 to 2011. This may indicate that relief organizations have been relatively successful in maintaining giving amounts from those donors they were able to retain after the Haitian earthquake. This is particularly notable considering that emergency gifts tend to be significantly larger than non-emergency gifts, and that relief organizations already receive the largest gifts of any sector.

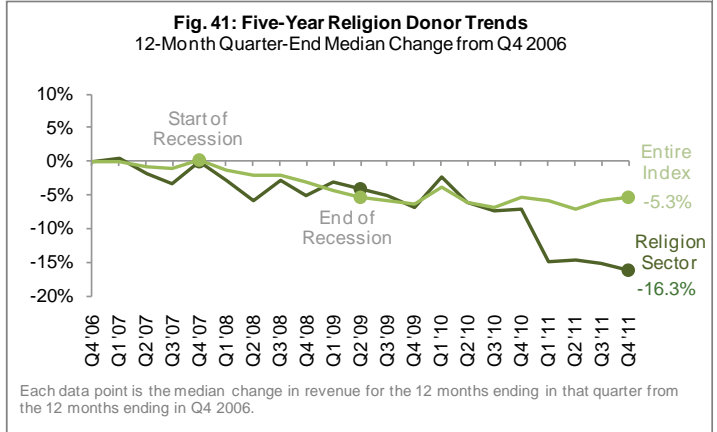
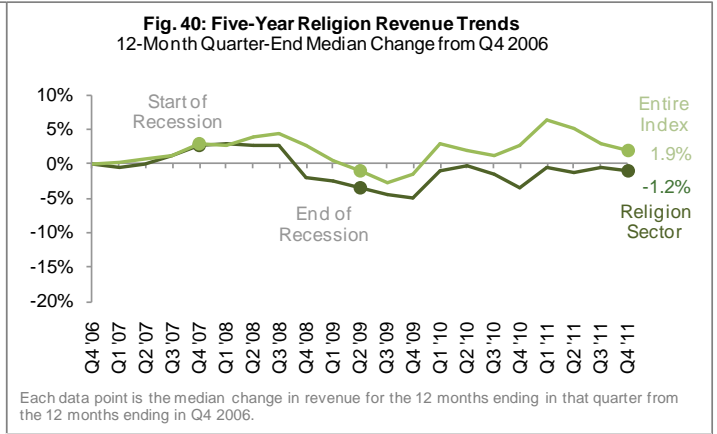
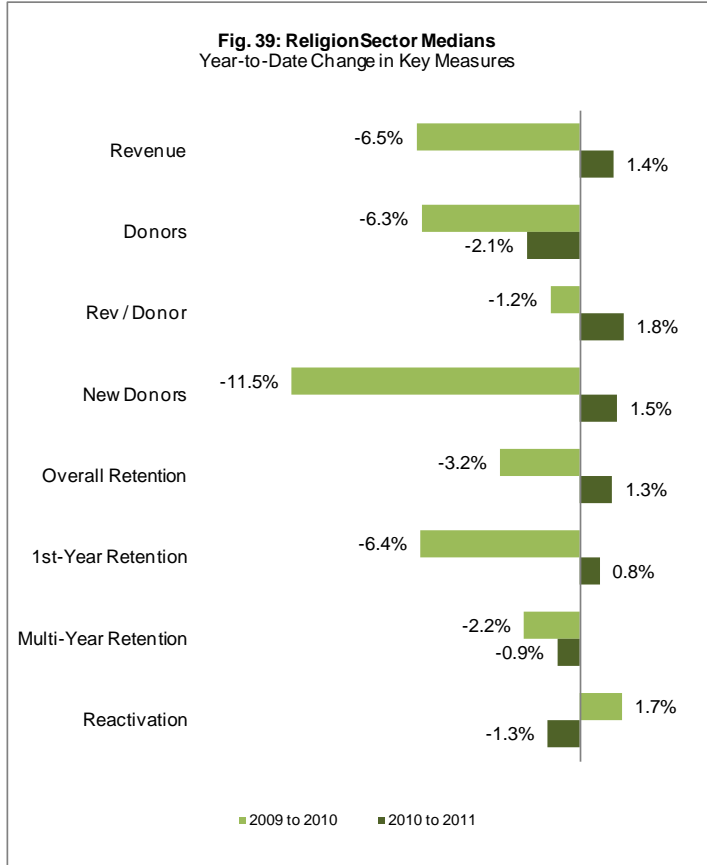
Rolling revenue and donor trends can give a longer-term context for recent relief sector performance. Since 2007, sector revenue and donors have roughly paralleled overall index medians, with the exception of a small spike related to emergency-related giving in 2008 and the dramatic Haiti-related spike in 2010.

This emergency giving has helped the relief sector to outperform the index as a whole over the past five years. Relief sector revenue is up a cumulative 25.8% from the twelve months ending Q4 2006 to the twelve months ending Q4 2011, while the index as a whole had revenue growth of 1.9% (see Fig. 37). Donor numbers are up 16.9% for the relief sector over the same five-year period, compared to an overall index median donor decline of 5.3% (see Fig. 38).

Religion

5 organizations

Religious organizations in the index have experienced a fair amount of volatility over the past several years. The sector saw strong growth in all key measures in the first half of 2011 with a leveling out of key measures by the end of 2011. This comes after steep declines in almost all key measures in the same period the previous year, and is likely more of a recovery or a return to normal giving patterns than a spike in fundraising.



Religion sector revenue rose a median 1.4% from 2010 to 2011 (see Fig. 39). Three of the six organizations in this sector had positive revenue growth in 2011. Sector donors declined 2.1% from 2010 to 2011, the same level as the index as a whole. Two of the five organizations in this sector had positive donor growth in 2011.

The religion sector had new donor growth in 2011; new donors to religious organizations rose a median 1.5% from 2010 to 2011, at a time when the index as a whole had new donor declines of 4.3%. Four of the five organizations in this sector had positive new donor growth over the period.

Retention was an area of particular concern for the religion sector in 2010, when the sector had large retention rate declines. Retention rates appear to have recovered somewhat in 2011.

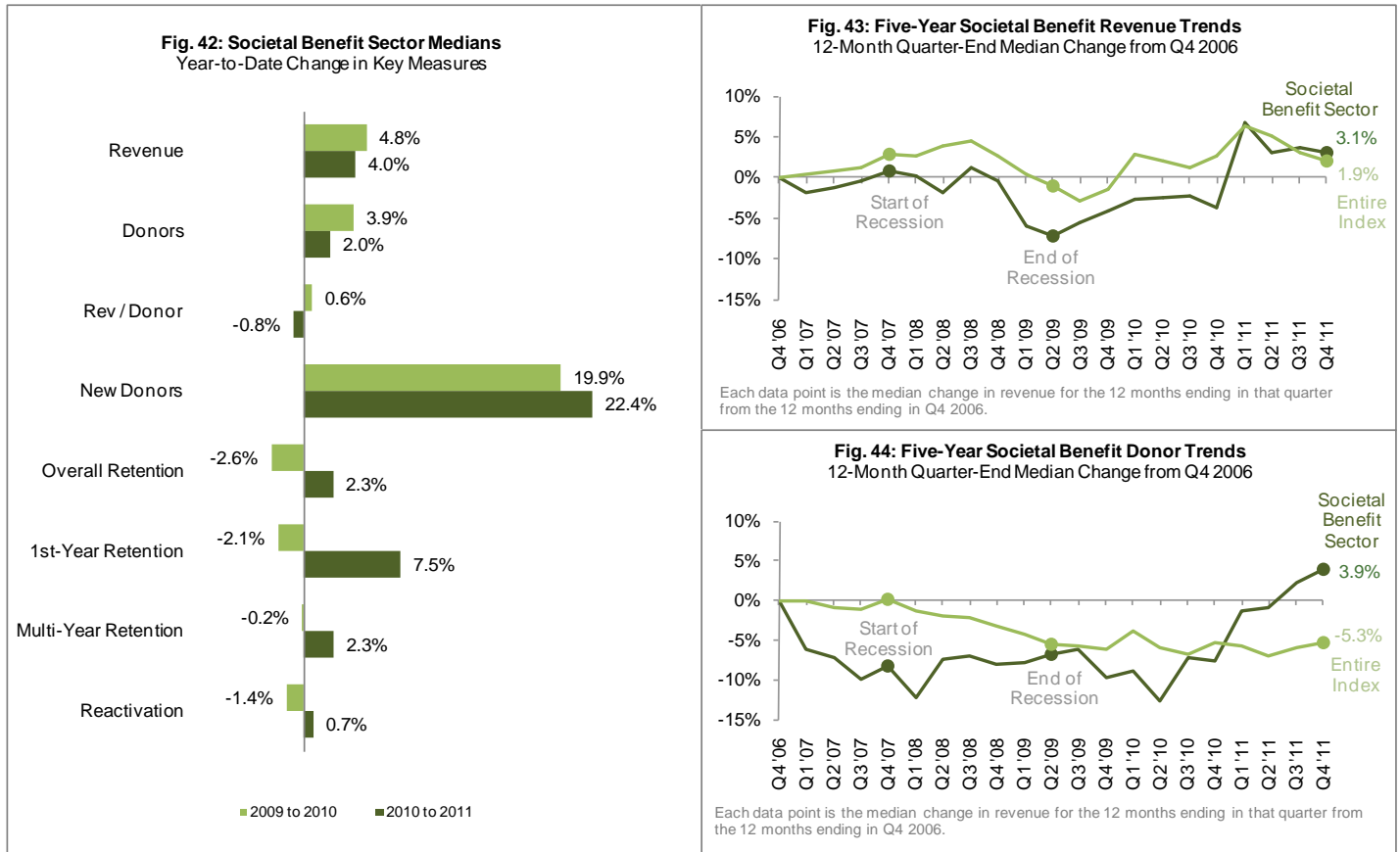
From the twelve months ending Q4 2006 to the twelve months ending Q4 2011, sector revenue declined a cumulative median 1.2%, compared to overall index median growth of 1.9 % (see Fig. 40). Over the same period, sector donor numbers declined a median 16.3%, compared to overall index declines of 5.3% (see Fig. 41).

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

Societal Benefit

11 organizations

From 2006 to 2009, societal benefit organizations experienced some of the greatest fundraising challenges of any sector in the index. These negative trends appear to have turned around for the sector in 2010 and 2011. Societal benefit organizations had strong revenue and donor increases and the largest increase in new donor acquisition in the index this period.



Societal benefit sector revenue increased a median 4.0% from 2010 to 2011 (see Fig. 42), compared to overall index median declines of 2.1%. Revenue growth was relatively widespread; 64% of the organizations in the sector had positive revenue growth in 2011. Societal benefit donor populations grew a median 2.0% from 2010 to 2011, while the index as a whole experienced donor declines of 2.1%. 55% of the organizations in the sector had positive donor growth in 2011.

Unlike most index sectors, societal benefit organizations had relatively strong new donor growth throughout 2009 and 2010, and this growth has continued into 2011. New donors for the sector grew by a median 22.4% from 2010 to 2011. This was the largest growth in new donors in the index and came on top of 19.9% growth in the same period in the previous year. 55% of the organizations in this sector had positive donor growth in 2011.

Revenue per donor was down slightly by a median 0.8% in 2011, but this may be due at least in part to the sustained influx of comparatively lower-dollar new donors.

A rolling twelve-month revenue and donor analysis can provide a longer-term perspective on these recent trends. It shows that the sector generally underperformed the index in revenue and donor growth from 2006 to 2009, but that the sector regained ground in 2010 and in 2011.

The result is that cumulative revenue and donor growth for the societal benefit sector over the past five years have both been above overall index medians. From the twelve months ending Q4 2006 to the twelve months ending Q4 2011, societal benefit revenue rose a cumulative median 3.1%, compared to overall index revenue growth of 1.9% (see Fig. 43). Over the same period, societal benefit donors increased a cumulative median 3.9%, compared to the overall index decline of 5.3% (see Fig. 44).

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6. Giving USA Foundation, "Giving Recovery after Economic Depression or Recession," *Giving USA Spotlight*, Issue 2, 2009, p. 8. Article written by Melanie Miller, Sarah Schaefer, and Corinne Wagner of the Center on Philanthropy at Indiana University.

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.

Sector definitions are 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 July 2012, will examine activity for the first quarter of 2012. 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.