

The Blackbaud Index

January 2012

This quarter's report focuses on data through November, 2011 and features the introduction of a new specialty index focused on public, society benefit organizations with guest commentary from Andrew Watt, president and chief executive officer, Association of Fundraising Professionals (AFP) and Nichole Krieger, senior director corporate and direct marketing, Paralyzed Veterans of America.

Visit www.blackbaud.com/blackbaudindex on the 15th of each month (or the next business day) for updates to The Blackbaud Index, to view historical charts, and to subscribe to monthly alerts.

The Blackbaud Index of Charitable Giving

Fundraising has returned to pre-recession levels. Through the first 11 months of 2011, overall giving is up 3.4% over 2010, and is now officially above the level of giving last seen in 2007.

Chuck Longfield, Blackbaud's chief scientist and creator of The Blackbaud Index noted that while giving is up, the increase is not uniform across all sub-sectors. However, most nonprofits saw greater stability and predictability in their 2011 fundraising than in the past few years.

"Total U.S. charitable giving appears to finally be back to its pre-recession levels," said Longfield.

"Fundraising remains challenging but hopefully the worst is behind us and nonprofits will continue to see positive growth in 2012."

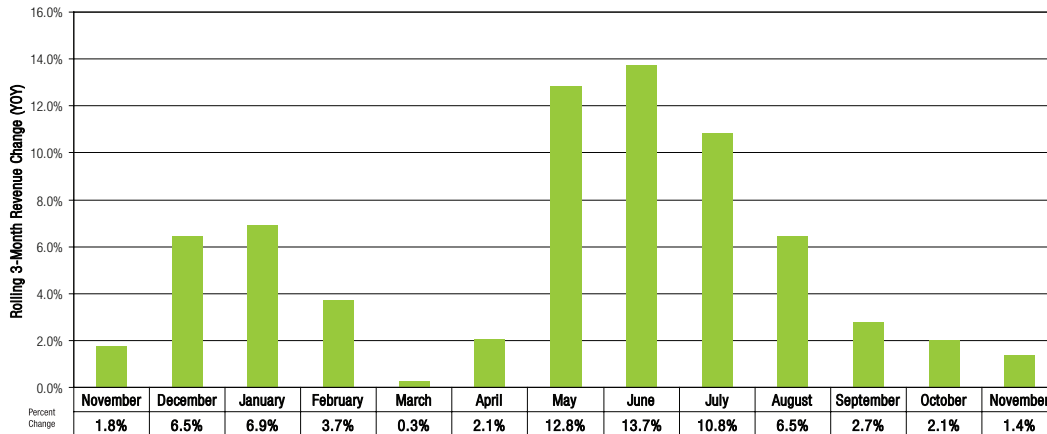
The Blackbaud Index of Charitable Giving reports that overall charitable revenue grew 1.4% for the three months ending November 2011, as compared to the same period in 2010. This trend is based on \$2.5 billion in 12 months' revenue from 1,281 nonprofit organizations.

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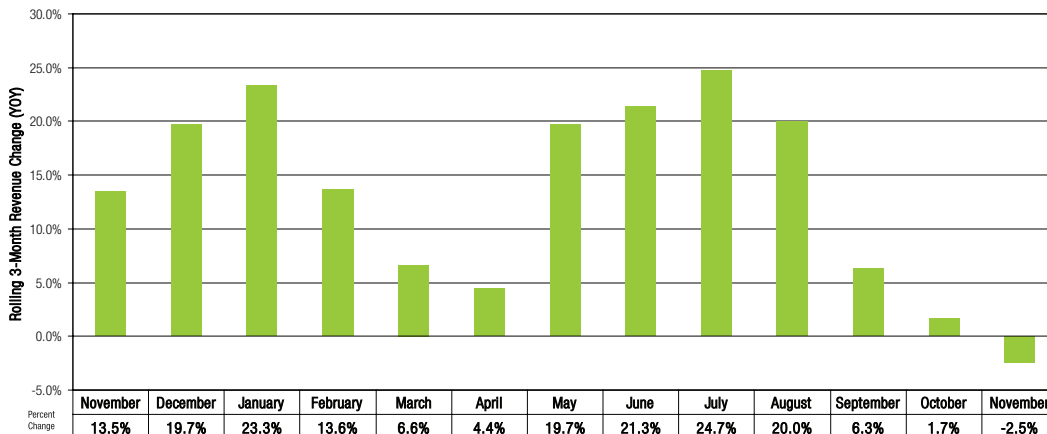
The Blackbaud Index of Charitable Giving



The Blackbaud Index of Charitable Giving represents 1,281 organizations with \$2.5 billion in 12-month combined revenue. The chart represents the % change in three month revenue as compared with the same period in the prior year.

Blackbaud also releases additional data and analysis that reports on organizations by size. The Index found that three-month overall charitable revenue for small organizations (prior year revenue of < \$1 million) decreased 2.5% in November, while overall charitable revenue at medium organizations (prior year revenue of \$1 – 10 million) increased 8.2%, and overall charitable revenue at large organizations (prior year revenue > \$10 million) decreased 0.4 %.

The Blackbaud Index of Charitable Giving - Small Organizations



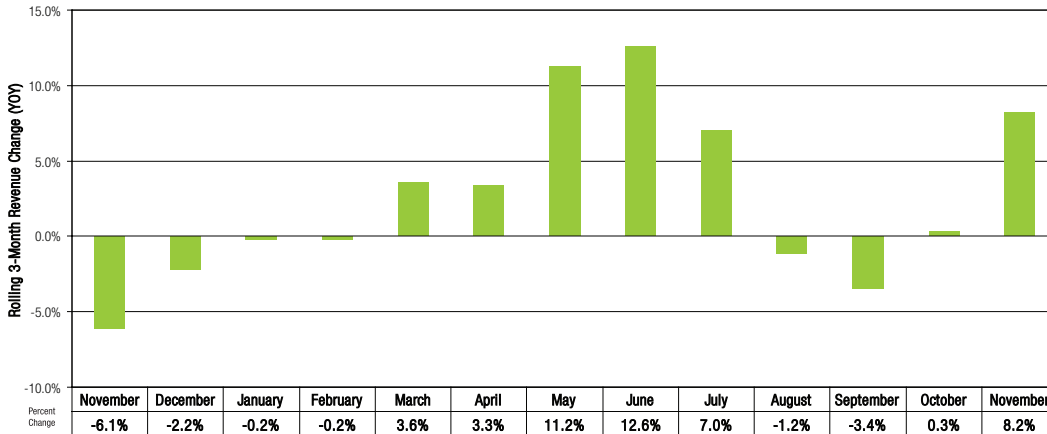
The Blackbaud Index of Charitable Giving — Small Organizations represents 1,025 organizations with combined revenue of \$399 million. The chart represents the % change in three month revenue as compared with the same period in the prior year.

“Total U.S. charitable giving appears to finally be back to its pre-recession levels. Fundraising remains challenging but hopefully the worst is behind us and nonprofits will continue to see positive growth in 2012.”

— Chuck Longfield
Chief Scientist and Creator of The Blackbaud Index
Blackbaud

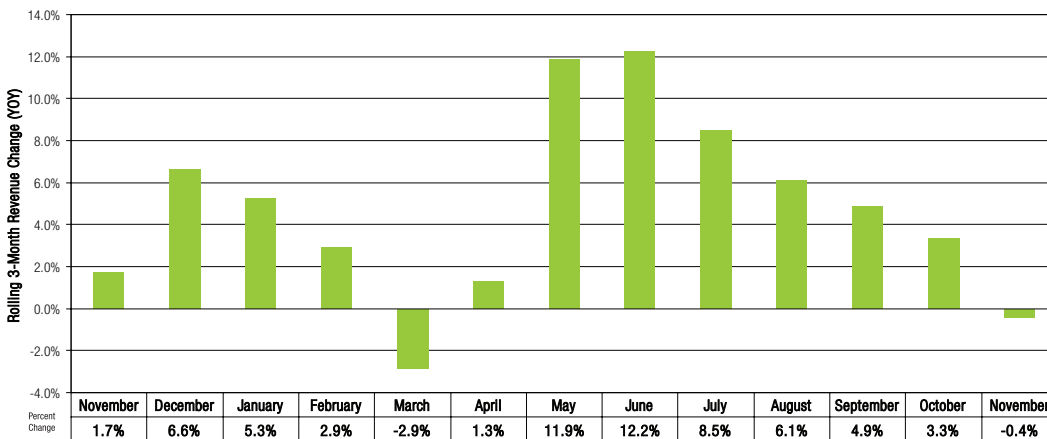
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The Blackbaud Index of Charitable Giving - Medium Organizations



The Blackbaud Index of Charitable Giving — Medium Organizations represents 231 organizations with combined revenue of \$603 million. The chart represents the % change in three month revenue as compared with the same period in the prior year.

The Blackbaud Index of Charitable Giving - Large Organizations



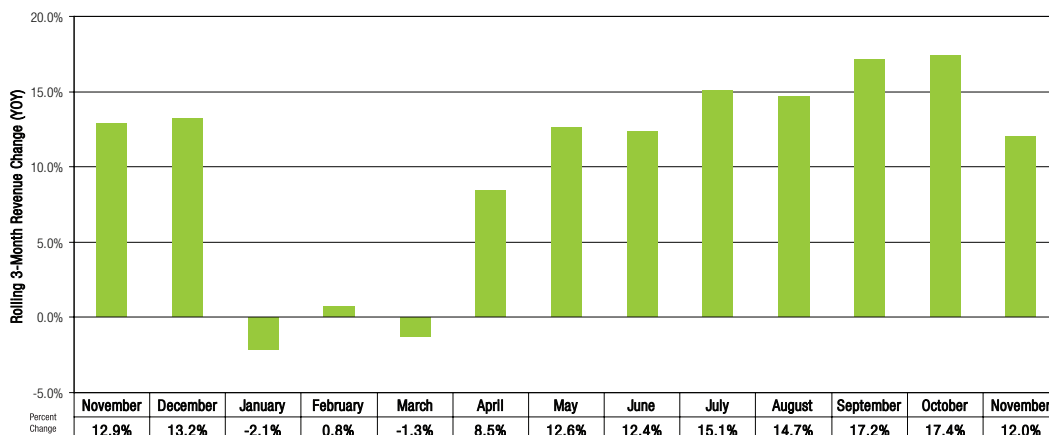
The Blackbaud Index of Charitable Giving — Large Organizations represents 25 organizations with combined revenue of \$1.5 billion. The chart represents the % change in three month revenue as compared with the same period in the prior year.

The Blackbaud Index of Online Giving

"The Blackbaud Index of Online Giving continues to show double-digit growth in November," said Steve MacLaughlin, Blackbaud's director of Internet solutions. "This marks seven consecutive months with growth over 10% on a year-over-year basis. Online giving growth remains very positive across small, medium, and large sized nonprofit organizations. These trends are important to see in the last quarter when a very significant amount of online giving happens."

The Blackbaud Index of Online Giving reports that online revenue increased by 12% for the three months ending November 2011, as compared to the same period in 2010. This trend is based on \$383 million in 12 months' online revenue from 1,769 organizations.

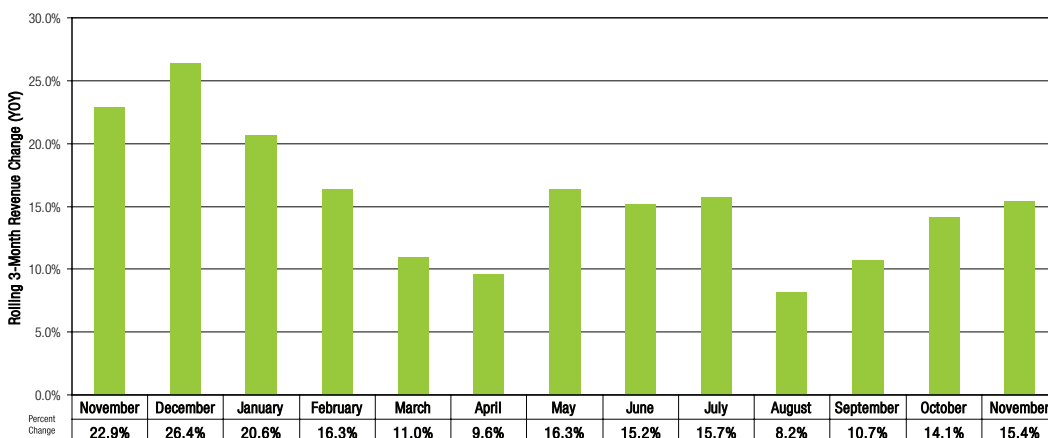
The Blackbaud Index of Online Giving



The Blackbaud Index of Online Giving represents 1,769 organizations with \$383 million in 12-month combined online revenue. The chart represents the % change in three month revenue as compared with the same period in the prior year.

The Index found that three-month online revenue for small organizations (prior year revenue of < \$1 million) increased 15.4% in November, while online revenue at medium organizations (prior year revenue of \$1 – 10 million) increased 12.1%, and online revenue at large organizations (prior year revenue > \$10 million) increased 10.8%.

The Blackbaud Index of Online Giving - Small Organizations

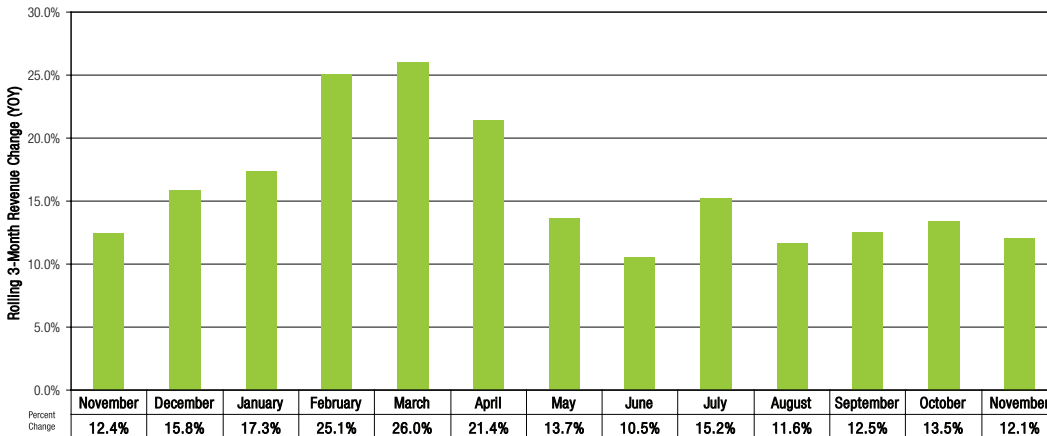


The Blackbaud Index of Online Giving – Small Organizations represents 698 organizations with \$34 million in 12-month combined online revenue. The chart represents the % change in three month revenue as compared with the same period in the prior year.

“The Blackbaud Index of Online Giving continues to show double-digit growth in November. This marks seven consecutive months with growth over 10% on a year-over-year basis. Online giving growth remains very positive across small, medium, and large sized nonprofit organizations. These trends are important to see in the last quarter when a very significant amount of online giving happens.”

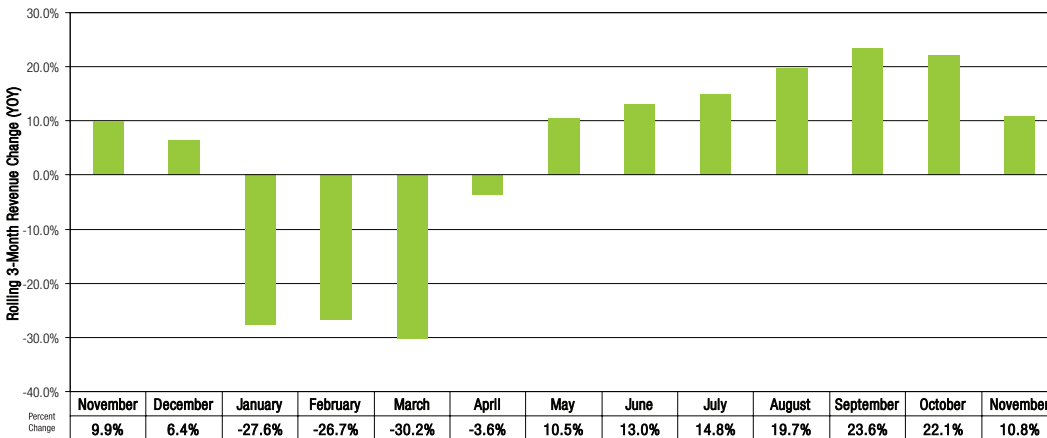
— Steve MacLaughlin
 Director of Internet Solutions
 Blackbaud

The Blackbaud Index of Online Giving - Medium Organizations



The Blackbaud Index of Online Giving – Medium Organizations represents 669 organizations with \$98 million in 12-month combined online revenue. The chart represents the % change in three month revenue as compared with the same period in the prior year.

The Blackbaud Index of Online Giving - Large Organizations



The Blackbaud Index of Online Giving – Large Organizations represents 402 organizations with \$252 million in 12-month combined online revenue. The chart represents the % change in three month revenue as compared with the same period in the prior year.

The Blackbaud Index – By Organization Type

NEW! The Blackbaud Index – Public, Society Benefit

We are introducing a new specialty index this month, focused on the public, society benefit sub-sector, which will be updated monthly going forward. These organizations are defined by Giving USA as organizations that collect funds for redistribution to multiple kinds of charities, organizations focused on civil rights, voter education and registration, public policy research, social science research and community and



About the Association of Fundraising Professionals

The Association of Fundraising Professionals (AFP) represents more than 30,000 members in 227 chapters throughout the world, working to advance philanthropy through advocacy, research, education and certification programs. The association fosters development and growth of fundraising professionals and promotes high ethical standards in the fundraising profession. For more information, visit www.afpnet.org.

neighborhood economic and civic development. It also includes leadership programs. Organizations include United Ways, Jewish federations, and freestanding donor-advised funds. (Note: community foundation donor-advised funds are not included). Blackbaud used these organizations' National Taxonomy of Exempt Entities (NTEE) codes as reported on their 990 tax returns for grouping purposes.

The Blackbaud Index of Charitable Giving reports that public, society benefit organizations had an overall charitable revenue increase of 5.4% for the three months ending November 2011, as compared to the same period in 2010. This trend is based on \$180 million in 12 month revenue from 95 organizations.

The Blackbaud Index of Online Giving reports that public, society benefit organizations had an online revenue increase of 11.9% for the three months ending November 2011, as compared to the same period in 2010. This trend is based on \$14 million in 12 month revenue from 105 organizations.

- For historical charts, visit www.blackbaud.com/blackbaudindex.

A Closer Look with Andrew Watt, FInstF, President and Chief Executive Officer, Association of Fundraising Professionals

“Challenge the status quo.” That’s the advice that Andrew Watt, president and chief executive officer of the Association of Fundraising Professionals shares as fundraisers head into 2012, uncertain how to grow their fundraising beyond the minimal growth trajectory that is hovering on flat. Although still positive, The Blackbaud Index of Charitable Giving continued its slow decline in November, and it remains to be seen when that trend will reverse.

Watt heads up the 30,000-member association, which focuses on advancing philanthropy by enabling people and organizations to practice ethical and effective fundraising. “We’ve been getting quite positive messages from our members, who are optimistic, but I don’t think anyone feels they are going to see spectacular growth in 2012,” he said. “If the economy continues to stagnate, I cannot see that people can afford to hold off on investing in growth.”

According to AFP and the Center on Nonprofits and Philanthropy at the Urban Institute’s 2011 Fundraising Efficiency Project (FEP) study, nonprofits were investing primarily in staffing (with more contract services vs. fixed overhead) and professional development. The study found that fulfillment and other peripheral services are where a lot of outsourcing is taking place, while organizations are keeping core competencies in house.

In addition to investing, Watt advises nonprofits to get creative, innovate and be open to taking risk. “If you accept that this is the reality that we are living in, you cannot fight that you have to be more creative and more entrepreneurial in raising funds,” said Watt. “It is essential to get closer to donors, understand their motivation, and give them opportunities to engage in the way they choose to.”

Adding to the stagnating economy is the challenge of an election year, which tends to put the halt on any supportive legislative actions for the sector and adds competition for direct marketing, said Watt. “In an election year, we all get inundated with more and more approaches, which tends to distract people, however, if you are truly committed to a particular cause, it’s not going to make a difference. It is the peripheral giving that may suffer.”

To break through the noise, Watt advises to get focused. “Nonprofits have to make absolutely certain they stay fresh and at the forefront,” he said, “keeping the necessity of what they are delivering at the front of people’s minds.” Adding to that, it is important to engage in lateral thinking and remaining nimble enough to take advantage of social issues that arise.

When it comes to innovation, there are many resources nonprofits can turn to for inspiration including SOFII, Ashoka, and TED, even if they are on a shoestring budget. “Organizations are recognizing that they need to change to grow and a lot of fundraisers are taking advantage of the position they are in to push for change,” said Watt. “I always see crisis as being exciting—you need to be jolted out of your comfort zone from time to time. It’s an exciting time to be in the profession as we’re in completely uncharted territory.”

Diversifying fundraising is key, said Watt, but at the same time, it is important to focus on the motivation, not the medium. He expects to see continued growth in online giving and sees a huge opportunity with mobile and social media channels, where nonprofits are just starting to explore.

When taking a closer look at the public society benefit sub-sector, it is no surprise to Watt that it is growing, as donors see investing in the community as critical. “We’ve basically been in recession since the end of 2007,” said Watt. “One of the things that is constantly held up in front of us is that governments are pulling back in investing in things that are essential to the community.”

According to Watt, in the past 10 years, there has been an increasing number of very wealthy younger donors who have very clear ideas of what they can achieve with their money. They also want to retain a high degree of control of the spend. Over the last two years though, he said, there has been a shift back towards the community and broader giving as donors feel they can’t afford to not get involved in addressing their communities’ pressing issues.

“The beneficiaries of this shift are going to be the organizations seen as delivering critical services,” said Watt. “However, people don’t have limitless quantities to expend, so the very specifically-focused organizations become vulnerable during this time.”

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— Andrew Watt
President and CEO
Association of Fundraising
Professionals

A Nonprofit Perspective with Nichole Krieger, Senior Director Corporate and Direct Marketing, Paralyzed Veterans of America

As a veterans service organization that has been in existence for more than 60 years, Paralyzed Veterans of America has seen its share of economic ups and downs. Like many nonprofits in the public, society benefit sub-sector, the organization does not receive government funding, but gets all its support from corporations and the general public.

This puts the organization in a unique position according to Nichole Krieger, senior director corporate and direct marketing, Paralyzed Veterans of America. “There is more competition than there has ever been before, and it is getting harder and harder to fundraise,” she said. “It makes it challenging because the government seems to be providing fewer programs to the public at large and the need for nonprofits to fill this role is greater than ever.”

PVA has 3.8 million donors who give frequently and fundraises from three key areas:

- Individual giving (large donors)
- Direct marketing (traditional mail and online)
- Corporations (event-based and cause marketing)

The recession has greatly affected the organization and the veterans it supports. 85 percent of severely disabled veterans are now unemployed. PVA has six vocational rehabilitation centers across the country, which are corporately-funded, working towards finding jobs for those individuals. Although the organization’s mission is of great concern to the American people and individual and corporate giving are up; through the end of 2011, PVA is down about 5 percent from last year’s fundraising revenue totals. Part of this is due to challenges with the post office and mail deliverability. In addition, the organization’s donor database is greatly affected by economic factors. So much so in fact, that when the price of gas goes up, direct marketing costs go up and the discretionary income of their donors is affected, which means fundraising drops. The organization’s premium program – centered on calendar, card, and label mailings – took a direct hit in 2011 due to these factors.

Online giving was a bright spot for PVA in 2011. After switching platforms, redesigning its website, and cleaning up data, online fundraising grew 30% year over year. “The new system we are using allows us to get more strategic and targeted with new functionality and analytical and tracking capabilities,” said Krieger. “In addition to a major site redesign and data cleansing, we have invested in keyword search and search engine optimization.”

As PVA’s fundraising staff members look forward to 2012, they are looking to build their sustainer program, meld their premium and non-premium programs, and hone in on how they are communicating with their donors. Krieger’s advice to fundraisers? Stay the course, become more efficient, and be smarter about how you mine and model data. “Follow the data and really try to get at it as best as you can,” she said. “You can never do enough of that!”



**Paralyzed Veterans
of America**

About Paralyzed Veterans of America

Sixty-five years ago, Paralyzed Veterans of America was founded by a band of spinal cord injured service members who returned home from World War II to a grateful nation, but also to a world with few solutions to the challenges they faced. These veterans from the “Greatest Generation” made a decision not just to live, but to live with dignity as contributors to society. They created an organization dedicated to veterans service, medical research and civil rights for people with disabilities. And for more than six decades, Paralyzed Veterans of America and its 34 chapters have been working to create an America where all veterans and people with disabilities, and their families, have everything they need to thrive. For more information, visit www.pva.org.

The Blackbaud Index – By Organization Type (continued)

The Blackbaud Index – Healthcare

Healthcare organizations are defined by Giving USA as organizations providing care, such as clinics and hospitals. They also include health-related research facilities, disease specific organizations for research or patient/family support, mental health services and research, and health policy centers.

The Blackbaud Index of Charitable Giving reports that healthcare organizations had an overall charitable revenue increase of 2.1% for the three months ending November 2011, as compared to the same period in 2010. This trend is based on \$407 million in 12 month revenue from 182 organizations.

The Blackbaud Index of Online Giving reports that healthcare organizations had an online revenue increase of 4.2% for the three months ending November 2011, as compared to the same period in 2010. This trend is based on \$189 million in 12 month revenue from 453 organizations.

- For historical charts, visit www.blackbaud.com/blackbaudindex.

The Blackbaud Index – International Affairs

International affairs organizations are defined by Giving USA as international aid, development and relief, as well as policy and analysis organizations.

The Blackbaud Index of Charitable Giving reports that international affairs organizations had an overall charitable revenue decrease of 4% for the three months ending November 2011, as compared to the same period in 2010. This trend is based on \$382 million in 12 month revenue from 15 organizations.

The Blackbaud Index of Online Giving reports that international affairs organizations had an online revenue increase of 18.6% for the three months ending November 2011, as compared to the same period in 2010. This trend is based on \$28 million in 12 month revenue from 51 organizations.

- For historical charts, visit www.blackbaud.com/blackbaudindex.

The Blackbaud Index – Environmental and Animal Welfare

Environmental and animal welfare organizations are defined by Giving USA as zoos and aquariums; botanical gardens and horticultural programs; humane societies and other animal rescue organizations; wildlife and habitat preservation groups; and organizations working for pollution abatement and control. The sub-sector also includes programs for environmental education, outdoor survival, and beautification of open spaces.

The Blackbaud Index of Charitable Giving reports that environmental and animal welfare organizations had an overall charitable revenue decrease of 5.4% for the three months ending November 2011, as compared to the same period in 2010. This trend is based on \$277 million in 12 month revenue from 84 organizations.

“There is more competition than there has ever been before, and it is getting harder and harder to fundraise. It makes it challenging because the government seems to be providing fewer programs to the public at large and the need for nonprofits to fill this role is greater than ever.”

— Nichole Krieger
Senior Director Corporate and
Direct Marketing
Paralyzed Veterans of America

The Blackbaud Index of Online Giving reports that environmental and animal welfare organizations had an online revenue increase of 8.2% for the three months ending November 2011, as compared to the same period in 2010. This trend is based on \$19 million in 12 month revenue from 107 organizations.

- For historical charts, visit www.blackbaud.com/blackbaudindex.

The Blackbaud Index - Human Services

Human services organizations are defined by Giving USA as charities focused on courts and legal services; employment and vocational training; food and nutrition; long-term housing and temporary shelter; public safety and community disaster relief; recreation and sports; youth development; family and children's services; emergency assistance for families; and independent living and self-sufficiency for women, seniors, veterans, and individuals with disabilities.

The Blackbaud Index of Charitable Giving reports that human services organizations had an overall charitable revenue increase of 1.3% for the three months ending November 2011, as compared to the same period in 2010. This trend is based on \$747 million in 12 month revenue from 403 human services organizations.

The Blackbaud Index of Online Giving reports that human services organizations had an online revenue increase of 20.6% for the three months ending November 2011, as compared to the same period in 2010. This trend is based on \$64 million in 12 month revenue from 537 human services organizations.

- For historical charts, visit www.blackbaud.com/blackbaudindex.

The Blackbaud Index – Arts, Culture, and Humanities

Arts, Culture, and Humanities organizations are defined by Giving USA as museums of all kinds, historical societies, humanities organizations; and media and communication charities, including public broadcasting.

The Blackbaud Index of Charitable Giving reports that arts, culture, and humanities organizations had an overall charitable revenue increase of 7.7% for the three months ending November 2011, as compared to the same period in 2010. This trend is based on \$315 million in 12 month revenue from 146 organizations.

The Blackbaud Index of Online Giving reports that arts, culture, and humanities organizations had an online revenue increase of 8.4% for the three months ending November 2011, as compared to the same period in 2010. This trend is based on \$21 million in 12 month revenue from 158 organizations.

- For historical charts, visit www.blackbaud.com/blackbaudindex.

A Message from Chuck Longfield, Chief Scientist, Blackbaud A Closer Look at The Blackbaud Index

Each month, we draw actual revenue statistics from the databases of thousands of organizations using a variety of fundraising systems to determine how much revenue was raised in the prior month. We include revenue from all sources of fundraising activities: direct mail, telemarketing, face-to-face fundraising, email, online giving, mobile giving, small- and large-scale events, and major and deferred giving. We do not include the unfulfilled portion of pledge gifts, but we do include the donated value of in-kind and stock gifts. We include giving from individuals, corporations, and foundations, but do not include giving by individuals or corporations to private and community foundations or other intermediaries. To include these gifts would double count the revenue when those organizations subsequently make grants to other nonprofits. We do not currently exclude the value of goods and services provided in exchange for gifts (e.g., the cost of premiums) but hope to in the future. And lastly, we do include adjustments made to gifts (e.g., bounced checks and refunds) to provide a more accurate accounting of real revenues. As a result, you may find that indices' values change slightly from month to month, as we obtain newly-adjusted data from each organization. Each organization is then categorized by one of eight sectors using its National Taxonomy of Exempt Entities – or NTEE code – as reported on its 990 tax return. These sectors are international affairs; education; environment and animals; healthcare; human services; international affairs; public, society benefit; and religion. Religious organizations are currently excluded from The Blackbaud Index of Online Giving, as we don't believe the data set we have for this group is representative at this time.

We report both indices as a three-month moving average of year-over-year percent changes in revenue. What exactly does this mean? Each month, we add up all of the revenue for the prior three months and compare this total to the same three months one year earlier to calculate the annual percent change. Why do this? Many organizations have big campaigns (events or mailings) that occur at roughly the same time each year. However, if an event was in late April one year but early May the next, the change in monthly revenue might be significant, while the change in revenue over a three-month period might actually be the same. An index based on a moving average is less sensitive to these small timing issues and will serve as a more practical decision-making tool. However, one downside to a moving average is that the “smoother” index will dampen large fluctuations caused, for example, by disaster relief giving.

We also adjust the indices to be representative of the nonprofit industry, by size of organization and by industry sector. There are more than one million nonprofits in the United States, and we didn't want the indices to be skewed by organizations or sectors where our dataset had greater representation. Using the 990 data, we determined the relative representation of fundraising revenue by size and sector and adjusted our results accordingly. As such, the resulting indices are more representative of both specific sectors and the industry as a whole.



Chuck Longfield

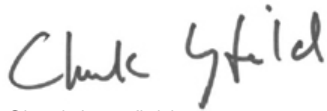
Chuck Longfield became Blackbaud's chief scientist in January 2007 and is the founder of Target Software, Inc. and Target Analysis Group, Inc. Chuck has extensive experience designing and implementing national as well as international constituency databases that address the fundraising information needs at many of the world's largest nonprofit organizations. Prior to founding the Target companies in 1992, Chuck taught math to middle and high school students. He was honored by FundRaising Success in 2007 with a lifetime achievement award for his contribution to the nonprofit sector. He holds a BA in mathematics and an MEd from Harvard University and has more than 25 years of experience helping nonprofits automate their fundraising operations.

How Will the Indices Change Over Time?

As mentioned above, we will adjust the indices monthly to reflect updated data. Similarly, we will adjust the indices as new organizations join in or others drop out. Along with the launch of The Blackbaud Index of Charitable Giving and The Blackbaud Index of Online Giving, we are also releasing additional indices that segment organizations by size. After all, the trends in giving at a small nonprofit that raises \$100,000 a year may very well differ from one that raises \$100,000,000 a year, even if they are in the same sector. And we are producing separate indices for each sector, as well as for various channels. Knowing how an organization compares to similar cohorts 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.

I'm sure many of you who share my passion for the nonprofit sector will have great ideas for other directions in which we can take these indices. My team and I look forward to your suggestions and hope you find these initial indices useful.

Please share your feedback at bbindex@blackbaud.com.



Chuck Longfield

Blackbaud's Chief Scientist and Creator of The Blackbaud Index

About Blackbaud

Serving the nonprofit and education sectors for 30 years, Blackbaud (NASDAQ: BLKB) combines technology and expertise to help organizations achieve their missions. Blackbaud works with more than 25,000 customers in over 60 countries that support higher education, healthcare, human services, arts and culture, faith, the environment, independent K-12 education, animal welfare, and other charitable causes. The company offers a full spectrum of cloud-based and on-premise software solutions and related services for organizations of all sizes including: fundraising, eMarketing, social media, advocacy, constituent relationship management (CRM), analytics, financial management, and vertical-specific solutions. Using Blackbaud technology, these organizations raise more than \$100 billion each year. Recognized as a top company by Forbes, InformationWeek, and Software Magazine and honored by Best Places to Work, Blackbaud is headquartered in Charleston, South Carolina and has employees throughout the US, and in Australia, Canada, Hong Kong, Mexico, the Netherlands, and the United Kingdom. For more information, visit www.blackbaud.com.

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> Visit www.blackbaud.com/blackbaudindex for further data on The Blackbaud Index and additional industry subsets, for monthly updates on the 15th, or to subscribe to email or text alerts. Please share your feedback at bbindex@blackbaud.com.