

# Index of National Fundraising Performance

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2009 Fourth Calendar Quarter Results

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# Target Analytics Index of National Fundraising Performance

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## About the Index of National Fundraising Performance

The Target Analytics Index of National Fundraising Performance analyzes direct marketing giving for many of the largest non-profit organizations in the country. For the twelve months ending Q4 2009, Target Analytics evaluated transactions from 79 organizations, including over 38 million donors and more than 74 million gifts totaling over \$2 billion in revenue.

The Target Index reports on direct marketing giving only; direct mail is the dominant revenue source for most organizations but web, telemarketing, canvassing, and other gifts considered to be direct marketing are also included. Individual payments greater than \$5,000, soft credits, and matching gift payments are excluded.

Quarterly results are reported on a calendar year basis. This report includes results through December 2009. Index findings are based on analysis of actual donor transactions, not survey responses from fundraisers. All calculated measures have been reviewed by participants for accuracy.

## Q4 2009 Index Participants

### **Animal Welfare**

American Humane Association  
ASPCA  
Humane Society of the United States  
International Fund for Animal Welfare  
People for the Ethical Treatment of Animals

### **Arts & Culture**

Colonial Williamsburg Foundation  
National Law Enforcement Officers Memorial Fund  
National Trust for Historic Preservation  
National World War II Museum  
The Smithsonian Institution  
United States Holocaust Memorial Museum

### **Environment**

Defenders of Wildlife  
Earthjustice  
Environmental Defense Fund  
Greenpeace USA  
National Parks Conservation Association  
National Wildlife Federation  
Natural Resources Defense Council  
The Nature Conservancy  
The Ocean Conservancy  
Sierra Club  
Trout Unlimited  
The Wilderness Society  
World Wildlife Fund

### **Health**

ALSAC / St. Jude Children's Research Hospital  
Alzheimer's Association  
American Cancer Society  
American Diabetes Association  
American Health Assistance Foundation  
American Heart Association  
American Institute for Cancer Research  
American Lung Association  
Arthritis Foundation  
Children's Cancer Research Fund  
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  
Doctors Without Borders  
Habitat for Humanity International  
Heifer Project International  
International Rescue Committee  
Mercy Corps  
Operation Smile  
Oxfam America  
Project HOPE  
Save the Children  
U.S. Fund for UNICEF

### **Religion**

Franciscan Friars of the Atonement at Graymoor  
Missionary Association of Mary Immaculate  
National Shrine of St. Jude  
Sisters of St. Francis of Assisi  
Sisters of St. Francis - PET  
Society of the Divine Savior

### **Societal Benefit**

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

# Non-Profit Direct Marketing Revenue Declined in 2009 for Most Industry Sectors

Declines in Many Key Metrics Continue for a Second Year

## Q4 2009 Summary

During 2008 and 2009, most of the organizations in the index had declines in many key measures of fundraising. Almost all of the metrics analyzed in the index declined in both years, including overall revenue, overall donors, and new donor acquisition. These declines were likely caused, at least in part, by a weak economy.

2009 appears in several respects to have been a somewhat more difficult year than 2008. Some of the largest revenue declines during the current recession came in the first two quarters of 2009. And overall revenue per donor declined in 2009; this is the first year this has happened since index reporting began in 2002.

Index organizations have seen gradual declines in donor numbers for at least three and a half years, since the U.S. Gulf Coast hurricanes of 2005. These donor declines increased in magnitude in the fourth quarter of 2008 and in the first three quarters of 2009, suggesting that the recession accelerated the rate of decline.

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

Animal welfare organizations have generally had the strongest fundraising performances in the index in recent years, although they did see declines in some key measures in 2009.

The human services sector has generally performed more strongly during the current recession than any other sector. Since human services organizations provide aid to the disadvantaged, this may be where many donors feel they should concentrate their giving during hard economic times.

International relief organizations have experienced some of the greatest revenue and donor declines of any sector in the index in 2009. This may be due not only to the economy but also because 2009 results are being compared to a strong disaster-related fundraising year in 2008.

Many relief organizations saw tremendous growth in donations surrounding a severe earthquake in Haiti in January 2010. We will be able to evaluate the immediate impact of that event in our next index analysis, which will cover the first quarter of 2010.

## Overall Index Performance

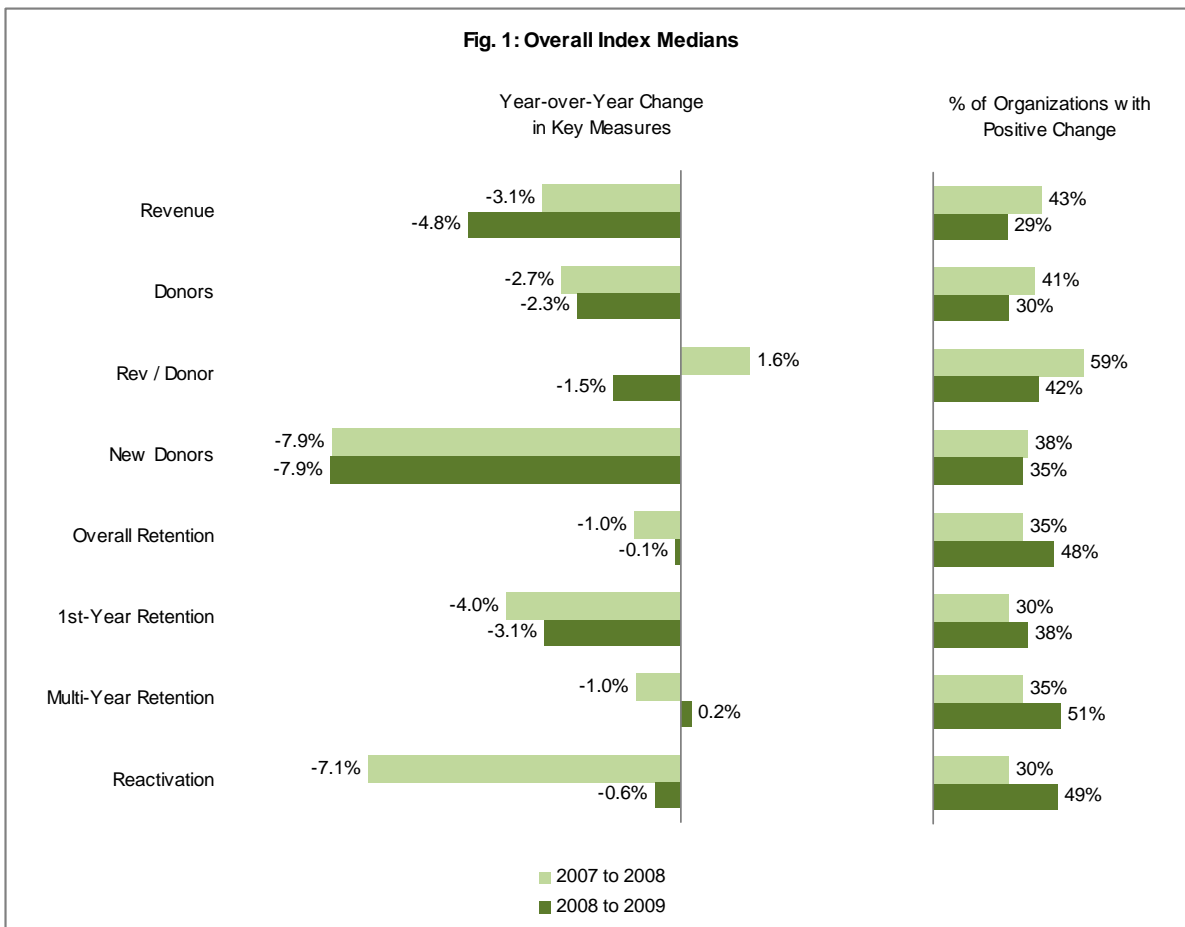
All index results are medians unless otherwise specified.

### Year-to-Year Change

Almost all of the key metrics analyzed in the index declined from 2008 to 2009 (see Fig. 1). Many, including revenue, donors, new donor acquisition, first-year retention, and reactivation, are down for the second year in a row.

Overall index revenue declined a median 4.8% from 2008 to 2009, following a median 3.1% decline the year before. Revenue declines were widespread; less than a third (29%) of the organizations in the index had positive revenue growth in 2009.

Index donor numbers fell a median 2.3% from 2008 to 2009, following a median 2.7% decline the year before. Donors have been declining consistently for more than three 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. Only 30% of the organizations in the index had positive donor growth from 2008 to 2009.



As in previous years, donor declines are due primarily to declines in new donor numbers, which fell 7.9% from 2008 to 2009. Just over a third (35%) of the organizations in the index had positive new donor growth in 2009.

First-year retention rates fell for the second consecutive year, declining 3.1% from 2008 to 2009 after a decline of 4.0% the previous year.

Overall retention rates were flat, steadied by flat to slightly positive multi-year retention rate growth.

Reactivation rates also remained essentially flat, falling a median 0.6% from 2008 to 2009.

Revenue per donor grew every year from 2002 to 2008, making up for any donor declines and allowing overall revenue to continue to grow in those years. In 2009, however, revenue per donor declined by a median 1.5%. 42% of the organizations in the index had revenue per donor increases in 2009.

**Actual Median Values for Performance Metrics**

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

Median revenue per donor was \$60 for the index as a whole in 2009 (see Fig. 2). The international relief sector had the highest revenue per donor in the index, with each donor giving \$144 in 2009. The religion sector had the lowest revenue per donor in the index, with each donor giving \$24 in 2009.

Overall, index donors gave a median 1.66 gifts each in 2009. Animal welfare organizations had the highest gift frequency of any sector in the index, at a median 2.44 gifts per donor in 2009. Although sustainer or monthly giving programs are not widespread and typically account for a small fraction of giving, organizations with those programs will drive up gifts-per-donor metrics.

**Fig. 2: 2009 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	\$15,160,139	263,292	\$60	\$34	1.66
Animal Welfare	\$10,819,517	223,033	\$49	\$25	2.44
Arts & Culture	\$9,008,640	108,070	\$71	\$49	1.47
Environmental	\$12,840,199	263,292	\$61	\$41	1.59
Health	\$17,483,148	743,846	\$38	\$26	1.50
Human Services	\$26,504,386	452,481	\$58	\$28	2.02
International Relief	\$26,139,863	213,158	\$144	\$64	1.99
Religion	\$5,499,137	203,941	\$24	\$13	1.86
Societal Benefit	\$19,340,410	192,690	\$77	\$40	1.93

	<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	25.9%	51.6%	29.3%	59.1%	7.9%
Animal Welfare	29.0%	51.3%	25.3%	59.1%	7.9%
Arts & Culture	15.6%	65.0%	32.1%	69.9%	9.7%
Environmental	24.8%	52.0%	26.8%	61.8%	9.8%
Health	30.2%	45.4%	27.7%	54.1%	7.3%
Human Services	38.7%	51.7%	32.7%	58.9%	7.4%
International Relief	24.9%	47.2%	23.7%	58.9%	6.8%
Religion	23.1%	52.1%	32.7%	58.6%	10.3%
Societal Benefit	19.4%	55.6%	31.9%	62.3%	10.1%

The index as a whole had a median 51.6% donor retention rate in 2009. The arts and culture sector had the highest retention rate in the index at a median 65.0% in 2009; the health sector had the lowest retention rate in the index at a median 45.4%.

First-year retention rates were spread slightly differently across the index than were overall retention rates. The index as a whole had median 29.3% first-year retention in 2009. The religion and human services sectors had

the highest first-year retention rates in 2009 at 32.7%; the international relief sector had the lowest first-year retention rate in the index at 23.7%.

**Single Quarter Change**

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 magnify increases and decreases in donors and revenue.

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

This analysis shows that revenue and donor numbers both declined in the first three quarters of 2009, with the greatest magnitude declines coming in the first quarter of the year. Roughly a third of the organizations in the index had positive revenue growth in each of those three quarters (see Fig. 3).

**Fig. 3: Median Single-Quarter Year-to-Year Change**

	Q1 2008 to Q1 2009	Q2 2008 to Q2 2009	Q3 2008 to Q3 2009	Q4 2008 to Q4 2009
Revenue	-7.5%	-4.7%	-5.4%	-0.6%
Donors	-5.6%	-4.7%	-1.4%	1.1%
% of Orgs With Positive Revenue Change	23%	37%	33%	48%
% of Orgs With Positive Donor Change	24%	39%	46%	57%

In the fourth quarter of 2009, revenue remained essentially flat, declining by a median 0.6%, and donor numbers grew by 1.1%. Almost half of the organizations in the index had positive revenue growth from the fourth quarter of 2008 to the fourth quarter of 2009.

It is important to remember, however, that organizations in the index had large declines in both revenue and donors in the fourth quarter of 2008. While fourth quarter 2009 performance appears encouraging, it is being compared to a fairly weak period in the previous year.

**Long-Term Revenue Trends**

Rolling twelve-month quarterly medians of revenue growth can provide long-term context for year-to-year index trends. A rolling analysis compares the twelve months of revenue ending in each quarter to the twelve months of revenue ending in a specified starting quarter.

This smoothes out seasonal differences and allows us to see continuous movement from one quarter to the next, instead of simply comparing one full or partial year to the next full or partial year.

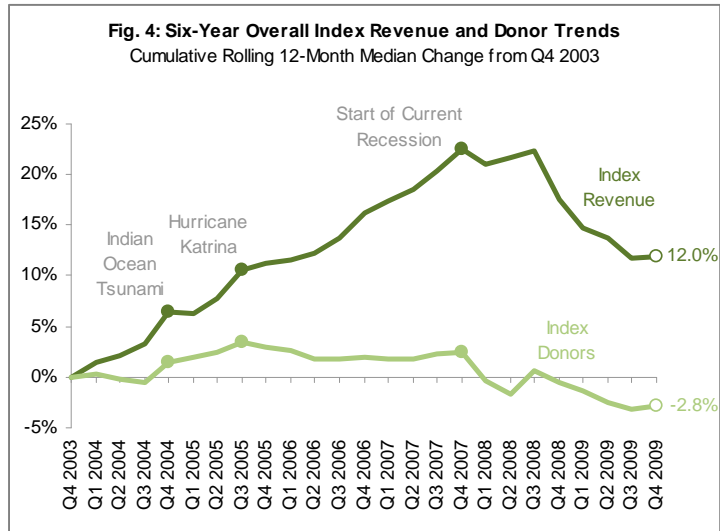
Historically, rolling index revenue has grown at an average of about 4% per year. Revenue grew faster than average during 2005, when organizations received record contributions after the Indian Ocean tsunami and the U.S. Gulf Coast hurricanes, and then returned to typical rates in 2006 and 2007.

Revenue growth slowed during the first three quarters of 2008 and then declined substantially in the fourth quarter of 2008 and the first three quarters of 2009, paralleling the weak economy.



In the fourth quarter of 2009, revenue and donor declines appear to have leveled off somewhat (see Fig. 4). This may in part be because this fourth quarter rolling result includes the relatively moderate declines of Q4 2009, and follows the third quarter rolling period which includes the particularly large declines of Q4 2008.

Cumulatively over the past six years, including the record tsunami and hurricane giving periods, revenue has grown at lower than normal rates. From the twelve months ending Q4 2003 to the twelve months ending Q4 2009, index revenue grew a cumulative median 12.0%. This is an effective annual growth rate of 2.1% per year (see Fig. 5).



Over the most recent two years since the start of the current recession, overall index revenue has declined substantially. From the twelve months ending Q4 2007 to the twelve months ending Q4 2009, overall index revenue declined a median 7.3%. This is an effective annual rate of decline of 3.6% per year.

Real index revenue has declined by 4.6% over the past six years and by 9.6% over the past two years when revenue dollar amounts are adjusted for inflation<sup>1</sup>.

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

	Six-Year Change Q4 2003 to Q4 2009	Five-Year Change Q4 2004 to Q4 2009	Four-Year Change Q4 2005 to Q4 2009	Three-Year Change Q4 2006 to Q4 2009	Two-Year Change Q4 2007 to Q4 2009	One-Year Change Q4 2008 to Q4 2009
<b>Revenue</b>						
Median Change	12.0%	1.7%	-2.7%	-2.9%	-7.3%	-4.8%
Effective Annual Change	2.1%	0.3%	-0.7%	-1.0%	-3.6%	-4.8%
% Orgs with Positive Change	67%	52%	44%	39%	25%	29%
<b>Donors</b>						
Median Change	-2.8%	-7.2%	-9.7%	-6.4%	-5.8%	-2.3%
Effective Annual Change	-0.5%	-1.4%	-2.3%	-2.1%	-2.9%	-2.3%
% Orgs with Positive Change	43%	35%	30%	28%	29%	30%

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.

**Long-Term Donor Trends**

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

Donor numbers rose during the Indian Ocean tsunami and the U.S. Gulf Coast hurricanes of 2005, but have been on a slow decline ever since. The decline intensified during the recent recession (see Fig. 4).

The result of these combined trends is that donor numbers have declined substantially over the past six years. Donors declined a cumulative median 2.8% from the twelve months ending Q4 2003 to the twelve months ending Q4 2009. This is an effective annual rate of decline of 0.5% (see Fig. 5).

Donor declines have been particularly large over the most recent four-year period since the 2005 Gulf Coast hurricanes, as would be expected after such a large influx of new disaster-related donors. From the twelve

months ending Q4 2005 to the twelve months ending Q4 2009, donors declined by 9.7%, for an effective annual rate of decline of 2.3% each year. Less than a third of the organizations in the index had positive cumulative donor growth over this period.

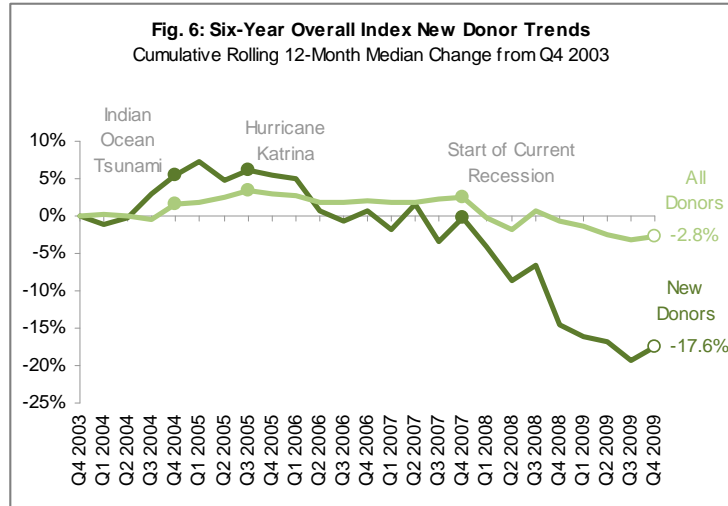
As we have said in previous editions of the index, falling donor populations across the index may be due to a mix of factors including economic changes, a changing generational profile in the United States, changing attitudes of donors about giving, and a change in focus by fundraisers toward higher-dollar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

**New Donor Declines**

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

Over the past six years, from the twelve months ending Q4 2003 to the twelve months ending Q4 2009, new donor numbers have fallen a cumulative median 17.6% (see Fig. 6). This is an effective annual rate of decline of 2.7% per year.

New donor declines have been much greater during the current recession than they have been over the entire past five years. New donor numbers fell a cumulative median 13.8% from the twelve months ending Q4 2007, when the recession began, to the twelve months ending Q4 2009. This is an effective annual rate of decline of 6.7% per year.



**Retention Rate Trends**

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

Overall retention remained essentially flat in 2009. Retention rates fell a median 0.1% from 2008 to 2009, after a decline of 1.0% the previous year (see Fig. 7). Half (48%) of the organizations in the index had positive retention rate growth in 2009.

**Fig. 7: Retention Rate Change**

	Overall Retention		First-Year Donor Retention		Multi-Year Donor Retention	
	2007-2008	2008-2009	2007-2008	2008-2009	2007-2008	2008-2009
Overall Index	-1.0%	-0.1%	-4.0%	-3.1%	-1.0%	0.2%
Animal Welfare	-1.2%	0.5%	0.6%	0.8%	-0.7%	1.3%
Arts & Culture	-1.2%	1.4%	-3.7%	2.3%	-1.3%	0.3%
Environmental	-3.1%	-1.7%	-5.2%	-5.1%	-3.5%	-0.6%
Health	-1.8%	1.2%	-2.4%	-0.5%	-1.6%	1.0%
Human Services	-4.9%	0.3%	-5.4%	-3.9%	-4.2%	1.4%
International Relief	-0.2%	-1.4%	-4.5%	-5.2%	0.1%	-2.9%
Religion	-0.9%	1.7%	-4.3%	-1.4%	-1.2%	2.4%
Societal Benefit	1.6%	-1.9%	3.4%	-2.1%	0.1%	-1.5%

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.

This apparent 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 3.1% from 2008 to 2009, on top of a 4.0% decline the previous year. Only 38% of the organizations in the index had positive first-year retention rate growth in 2009.

Multi-year retention has been less volatile and has increased slightly for most sectors in the index. Overall, multi-year retention remained essentially flat, at 0.2% growth from 2008 to 2009. 51% of the organizations in the index overall and five of the eight sectors in the index had positive multi-year retention rate growth in 2009.

**Effects of the Economy on Giving**

Research by the Giving USA Foundation™ indicates that charitable giving revenue growth rises during periods of strong economic growth and slows during periods of relative economic weakness. Non-profit giving trends are not limited to simple parallels with national economic growth, however. The Foundation has reported in their publication *Giving USA* that during harder economic times, charitable giving falls as a percentage of national Gross Domestic Product (GDP)<sup>2</sup>.

This means that in a slow economy, not only does giving slow down as well, but it also declines as a proportion of the average American’s spending dollar. In recessionary periods, people shift their spending priorities away from charities, compounding the effects of an economic decline on fundraising. Revenue growth patterns in the Target Analytics index have consistently supported both of these findings. Median index revenue growth generally parallels national economic performance and tends to grow more slowly than GDP during periods of relative economic hardship.

According to the National Bureau of Economic Research (NBER), the United States economy entered a recession in December 2007<sup>3</sup>. As would be expected, non-profit direct marketing revenue in the index began to decline as the economy weakened, and already ongoing donor declines intensified during that time. We reported overall revenue declines in the last six editions of the index (Q2 2008 through Q4 2009), with some of the steepest downturns coming in the first half of 2009.

As of this analysis, there have been some indications of improvement in the U.S. economy; in particular, positive GDP growth in the third and fourth quarters of 2009<sup>4</sup>. This in itself is not enough to declare that the recession is over, however, and the NBER will not likely announce an official end to the current recession until well into 2010.

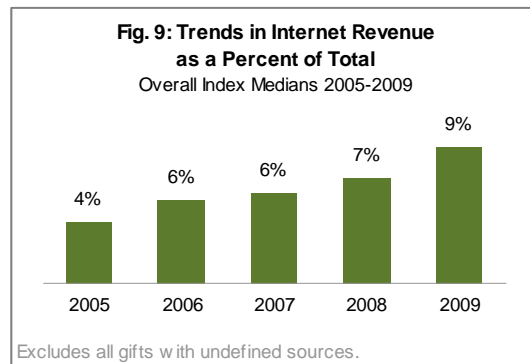
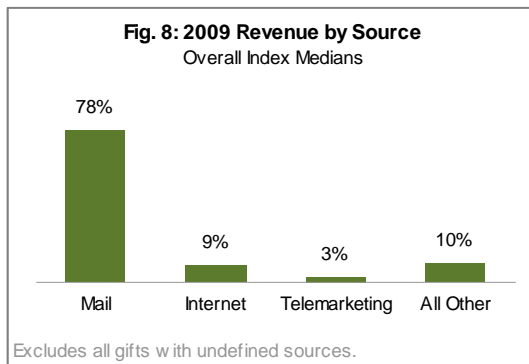
**The Growth of Internet Giving**

By the time of publication of this edition of the index, we were able to identify and verify gift channels for 36 of the 79 participating organizations, and are therefore 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 sources, such as telemarketing and the internet, makes up a relatively small portion of the overall total, and revenue from large-scale events is generally not included in the index analysis.

In 2009, a median 68% of all index revenue came in through the mail. 9% came in over the internet and 3% came in through telemarketing (see Fig. 8).

The proportion of revenue coming in online has been growing steadily over the past five years. In 2005, internet gifts made up only 4% of all revenue. But by 2009, the internet accounted for 9% of total revenue (see Fig. 9).

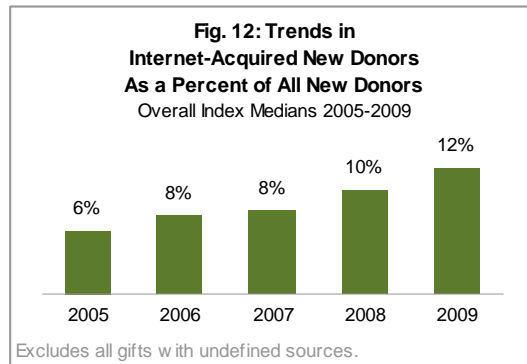
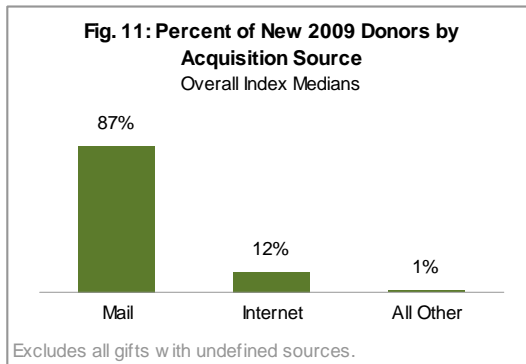
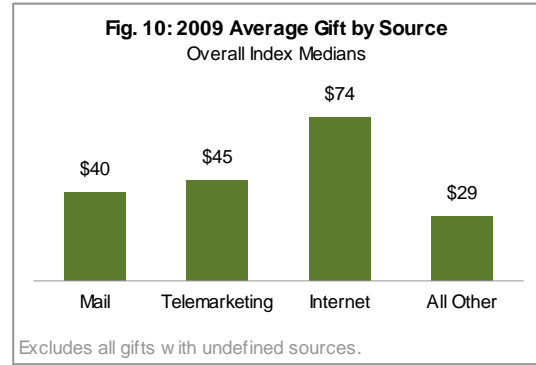


There is a great difference in the relative sizes of mail and internet gifts – internet gifts tend to be significantly larger than gifts given through direct mail.

For index organizations in 2009, the median online gift was \$79 while the median mail gift was \$41 (see Fig. 10).

As would be expected with overwhelmingly mail-based programs, most new donors are acquired through the mail. For index organizations in 2009 a median 87% of all new donors were acquired through the mail, while only 12% of all new donors were acquired online (see Fig. 11).

However, as with overall giving, the proportion of new donors being acquired online is growing. Over the past five years, the proportion of donors acquired online has risen – from a median of 6% in 2005 to 12% in 2009 (see Fig. 12).



## Industry Sector Performance

All sector results are medians unless otherwise specified.

### Revenue and Donors

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

The animal welfare and human services sectors had the strongest performances in 2009 in most key measures. Other sectors in the index experienced declines in most key measures but no single sector stood out as consistently having the largest declines in all areas.

Animal welfare and human services were the only sectors in the index to have revenue increases from 2008 to 2009 (see Fig. 13).

Animal welfare and human services organizations were also the only sectors in the index to maintain essentially flat donor numbers from 2008 to 2009. All other sectors had donor declines (see Fig. 14).

International relief organizations had the largest revenue declines in the index 2009 but this could be in part a rebound from strong disaster-related giving in 2008.

Health organizations had the largest donor declines in the index in 2009.

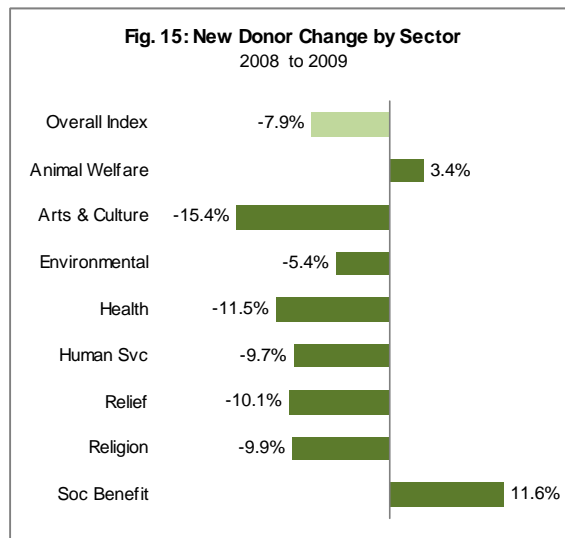
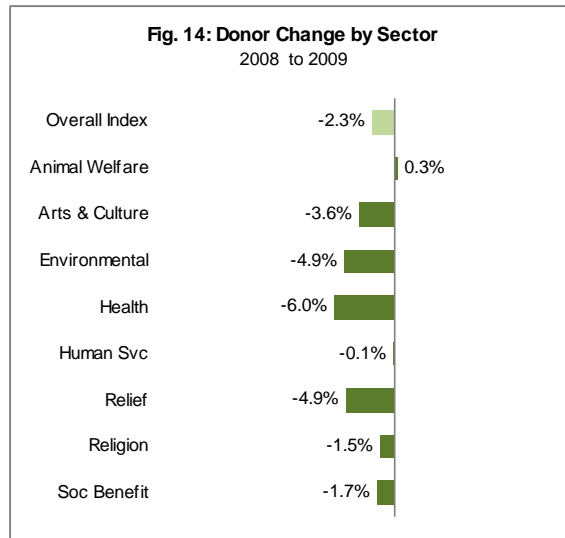
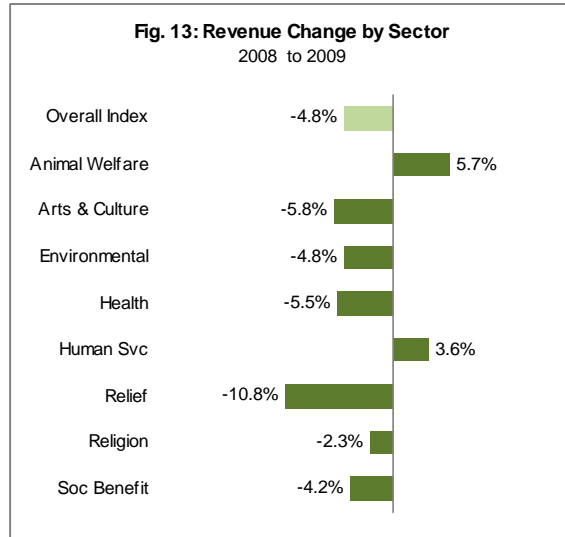
### New Donor Growth

New donor acquisition was down from 2008 to 2009 for almost all sectors in the index (see Fig. 15). This was the primary cause of overall donor declines in the index.

Two sectors did have positive growth in new donors in 2009 – societal benefit and animal welfare. For societal benefit organizations, this is an encouraging change after several consecutive quarters of declines in acquisition.

Arts and culture and health organizations had the largest new donor declines in 2009.

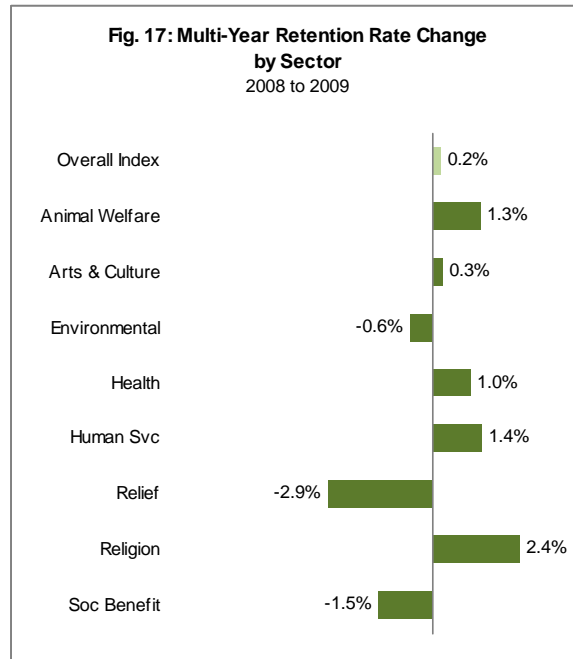
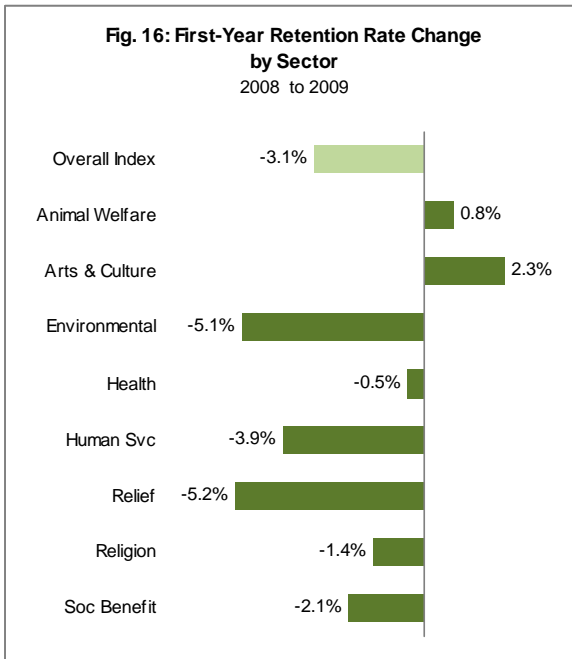
The human services sector had significant declines in new donors as well. This suggests that the revenue growth for human services organizations this year came primarily from improved retention and reactivation of donors already on file.



**Retention Rates**

First-year retention rates were down across almost all sectors from 2008 to 2009, sometimes substantially (see Fig. 16). Animal welfare and arts and culture organizations were the only ones to experience median first-year retention rate increases. The relief and environmental sectors had the largest first-year retention rate declines over the period.

Multi-year retention rates are more varied across different industry sectors (see Fig. 17).



Religious, human services, and animal welfare organizations had the greatest multi-year retention rate increases in the index. For the human services sector, which was one of the only sectors to have revenue increases this year, it appears that their multi-year donor base that is coming back at atypically high rates during this time of need and more than making up for declining acquisition and first-year retention.

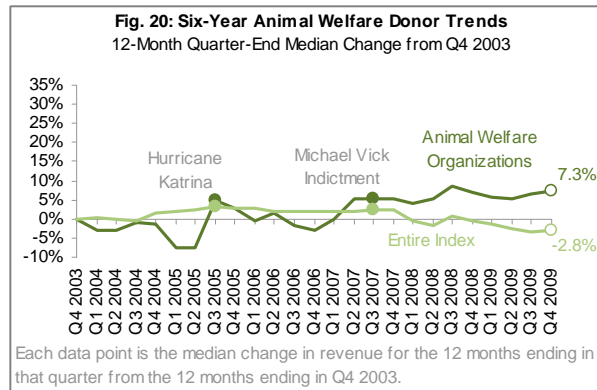
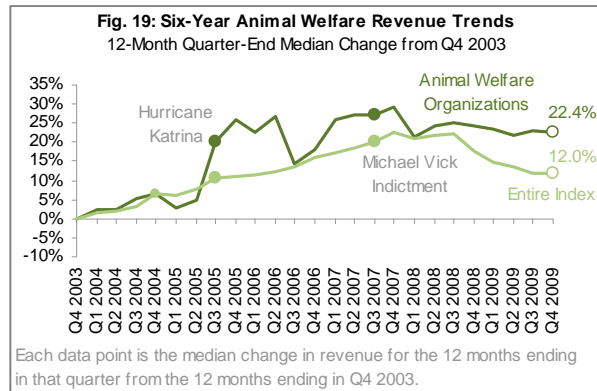
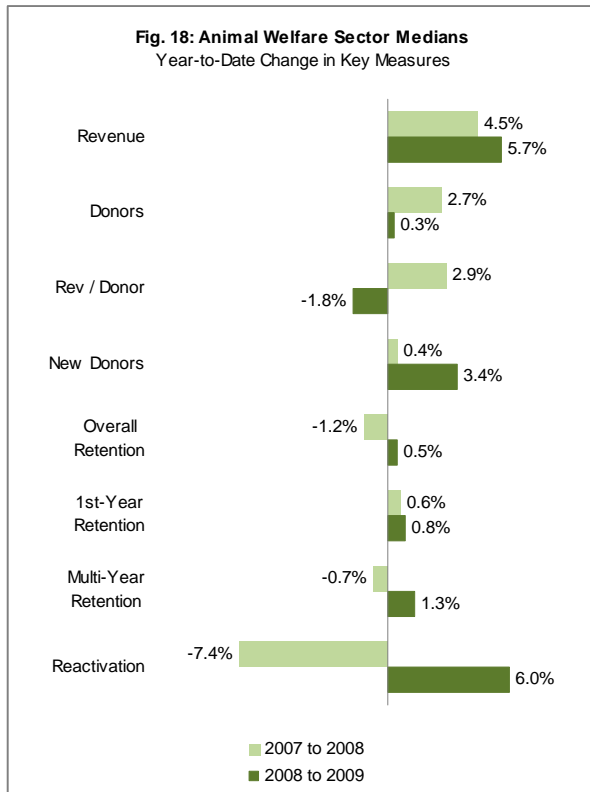
Relief organizations had the greatest declines in both first-year and multi-year retention rates in 2009. This is likely at least partly due to a general return to more typical giving that relief organizations are experiencing after strong disaster-related fundraising in 2008.

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

## Animal Welfare

5 organizations

The animal welfare sector has been one of the strongest sectors in the index for more than four years. The effects of the struggling economy appeared to have caught up with the sector a bit in the first half of 2009, as evidenced by declining revenue and donors during that period, but the sector ended the year overall with some of the largest increases in the index in revenue, new donor acquisition, and first-year retention. These organizations also were able to maintain essentially stable donor counts at a time when most other sectors were seeing significant donor declines.



Animal welfare revenue increased a median 5.7% from 2008 to 2009 (see Fig. 18). This was the greatest overall revenue growth of any sector in the index, at a time when the index as a whole experienced revenue declines of 4.8%. Three of the five organizations in this sector had revenue increases in 2009.

Donors to animal welfare organizations stayed essentially flat, increasing a median 0.3% from 2008 to 2009, compared to an overall index median donor decline of 2.3%. Three of the five organizations in this sector had donor increases in 2009.

Sector new donor acquisition increased 3.4% from 2008 to 2009. This was one of only two sectors in the index to have positive new donor growth in 2009; the index as a whole had new donor declines of 7.9%.

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

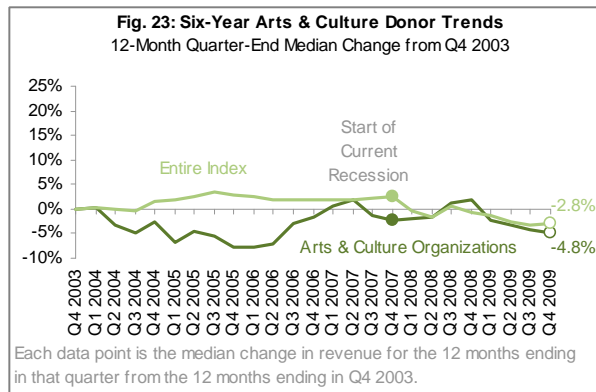
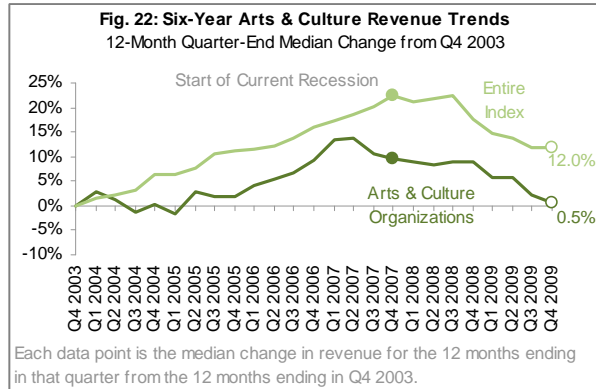
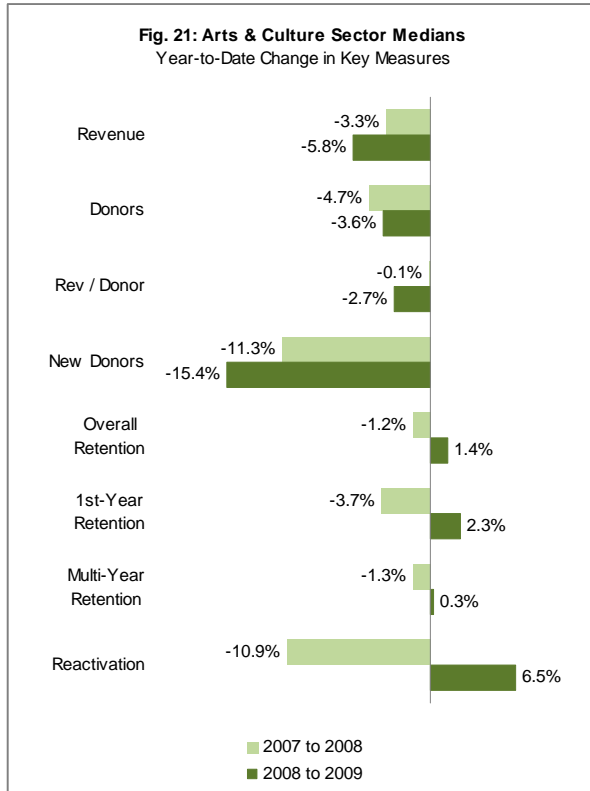
Cumulatively, over the past six years, the animal welfare sector has outperformed index revenue and donor medians significantly. From the twelve months ending Q4 2003 to the twelve months ending Q4 2009, revenue growth for the animal welfare sector grew by a cumulative median 22.4%, while the index as a whole grew just 12.0% (see Fig. 19). Over the same six-year period, sector donors grew by a median 7.3% while the overall index saw a median donor decline of 2.8% (see Fig. 20).

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

## Arts & Culture

6 organizations

During 2009, arts and culture organizations experienced declines in most key measures that were similar to or slightly greater than those of the index as a whole. The sector is particularly struggling with new donor acquisition. Over the long term, the sector has underperformed the index in revenue growth and performed similarly to it in donor growth.



Arts and culture sector revenue declined a median 5.8% from 2008 to 2009 (see Fig. 21). This was close to the overall index revenue decline of 4.8% but was nevertheless one of the largest overall revenue declines of any sector in the index. Only one of the six organizations in the sector had positive revenue growth in 2009.

Sector donors declined a median 3.6% from 2008 to 2009, compared to an overall index median donor decline of 2.3%. One of the six organizations in the sector had positive donor growth in 2009.

New arts and culture donors declined by 15.4% in 2009. This was the largest new donor decrease in the index and came on top of an 11.3% decline the previous year. However, two of the six organizations in the sector did have positive new donor growth in 2009.

The sector did have the greatest increases in first-year donor retention rates in the index, with 2.3% growth from 2008 to 2009. However, this may be partly to be expected due to smaller populations of acquired donors in the previous year.

Twelve-month rolling trends can provide longer-term context for recent arts and culture sector results. Over the past six years, revenue growth for the sector has lagged the overall index, but donor growth has been similar to that of the overall index. From the twelve months ending Q4 2003 to the twelve months ending Q4 2009, the arts and culture sector has had cumulative revenue growth of 0.5%, compared to overall index growth of 12.0% (see Fig. 22). Over the same six-year period, the sector had cumulative median donor declines of 4.8%, compared to an overall index decline of 2.8% (see Fig. 23).

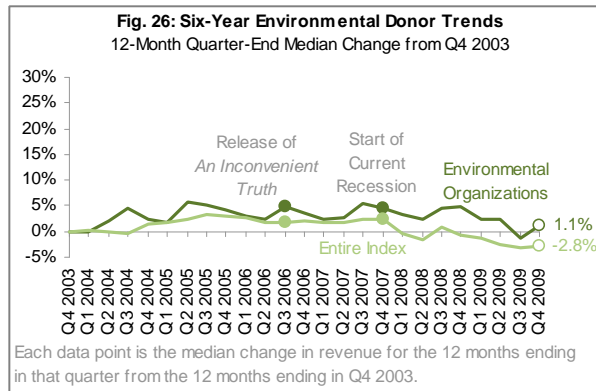
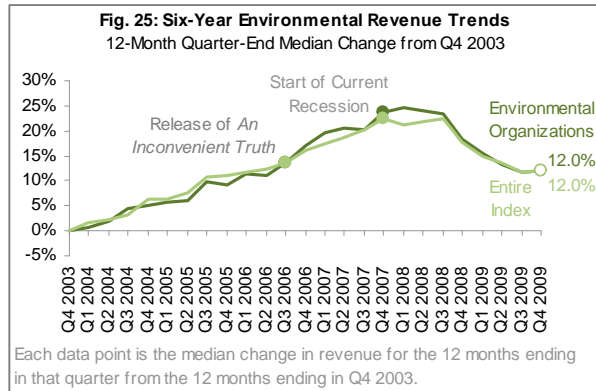
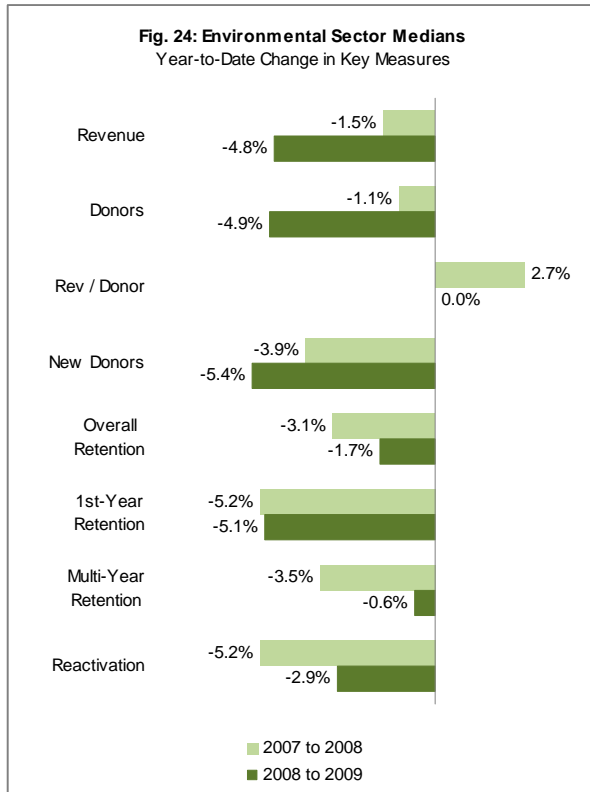
The sector had an anomalous spike in both revenue and donors in the second quarter of 2007. This spike appears not to be attributable to any single external event but appears instead to be a coincidental convergence of events affecting the organizations in the sector – changes in strategy, capital campaigns, and current events.



## Environment

13 organizations

Over the past five years, the environmental sector has tracked overall index trends more closely than any other sector. In 2009 environmental organizations had revenue and donor declines close to index medians. The sector had better new donor performance than the index as a whole but struggled with first-year donor retention.



The environmental sector had a median revenue decline of 4.8% from 2008 to 2009 (see Fig. 24), exactly the same as the overall index median. Revenue declines were widespread across the sector; only 23% of the environmental organizations in the index had positive revenue growth in 2009.

Donors to the environmental sector declined a median 4.9% from 2008 to 2009, somewhat larger than the overall index median donor decline of 2.3%. 38% of the environmental organizations in the index had positive donor growth in 2009.

New donor acquisition fell for the environmental sector by a median 5.4% from 2008 to 2009. In spite of the decline, this was one of the strongest new donor performances in the index; five of the eight sectors in the index had greater new donor declines than the environmental sector. 31% of the environmental organizations in the index had positive new donor growth from 2008 to 2009.

Twelve-month rolling trends can provide longer-term context for recent sector trends.

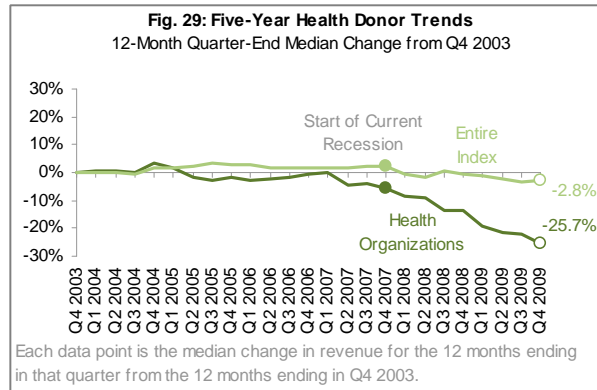
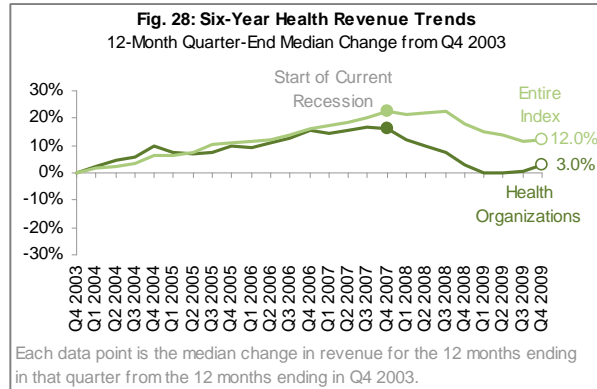
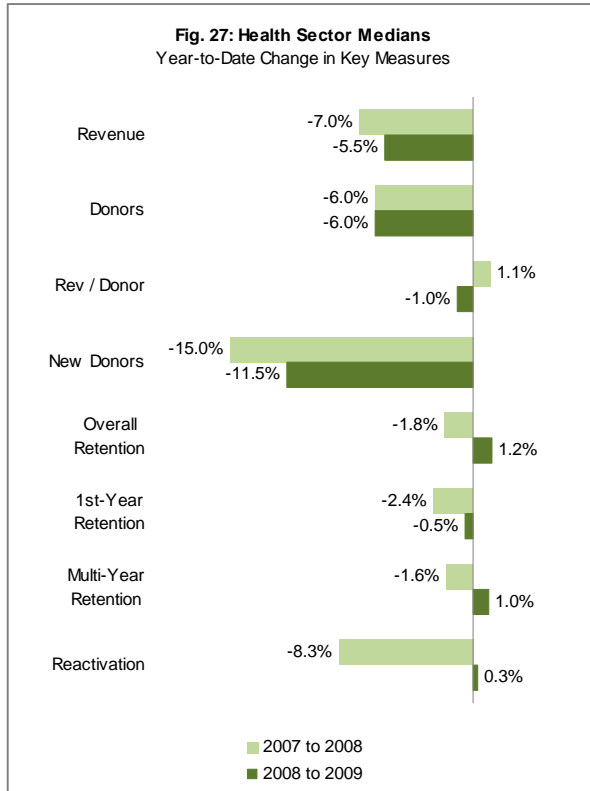
This analysis shows that environmental revenue growth essentially paralleled index medians from 2004 through the current quarter, slightly outperforming the index in 2007 and 2008. Over the past six years, from the twelve months ending Q4 2003 to the twelve months ending Q4 2009, the sector had median cumulative revenue growth of 12.0%, exactly the same as overall index revenue growth over the same period (see Fig. 25).

Environmental donor growth has been more volatile but has also tracked index medians relatively closely, outperforming the overall index slightly during the recent recession. From the twelve months ending Q4 2003 to the twelve months ending Q4 2009, the sector had cumulative median donor growth of 1.1%, compared to an overall index decline of 2.8% over the same period (see Fig. 26).

## Health

19 organizations

Health organizations have had some of the greatest fundraising challenges in the index for the past several years. In 2009 the health sector continued to have declines in many key measures, including revenue, donors, and new donor acquisition. Sector revenue declines are generally in line with overall index medians but sector donor and new donor declines are among the largest the index.



Health sector revenue declined a median 5.5% from 2008 to 2009, similar to the overall index median decline of 4.8% (see Fig. 27). 26% of the organizations in the health sector had positive revenue growth in 2009. Health sector donors declined a median 6.0% from 2008 to 2009, greater than the overall index median donor decline of 2.3% and continuing a donor decline that pre-dates the current economic downturn. 21% of the organizations in this sector had positive donor growth in 2009.

As in previous quarters, declines in overall donors were largely due to declines in new donor acquisition. New donor numbers for the sector fell 11.5% from 2008 to 2009, on top of a 15.0% decline the year before. Only 16% of the organizations in the health sector had positive new donor growth in 2009.

Health organizations experienced smaller declines in first-year retention and larger increases in multi-year retention than most other sectors. However, this may be partly due to declining acquisition in previous years.

Health sector revenue and donor growth have both lagged overall index median trends severely since the start of the recession, resulting in lower performance over the long term. Over the past six years, from the twelve months ending Q4 2003 to the twelve months ending Q4 2009, health organizations had cumulative revenue declines of 3.0%, compared to 12.0% revenue growth for the index as a whole (see Fig. 28). Over the same six years, health organizations had a large cumulative donor decline of 25.7%, compared to a decline of 2.8% for the index as a whole (see Fig. 29).

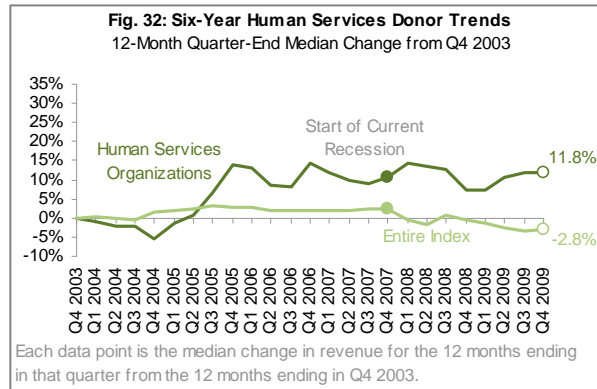
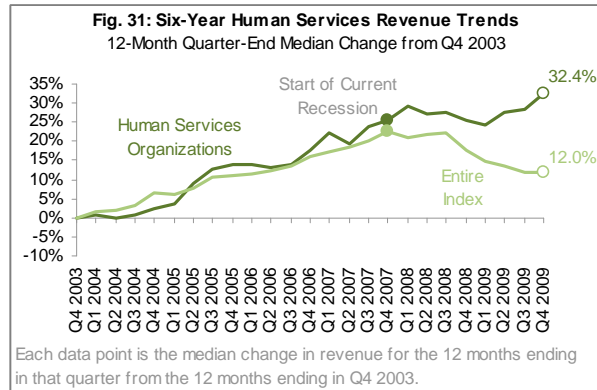
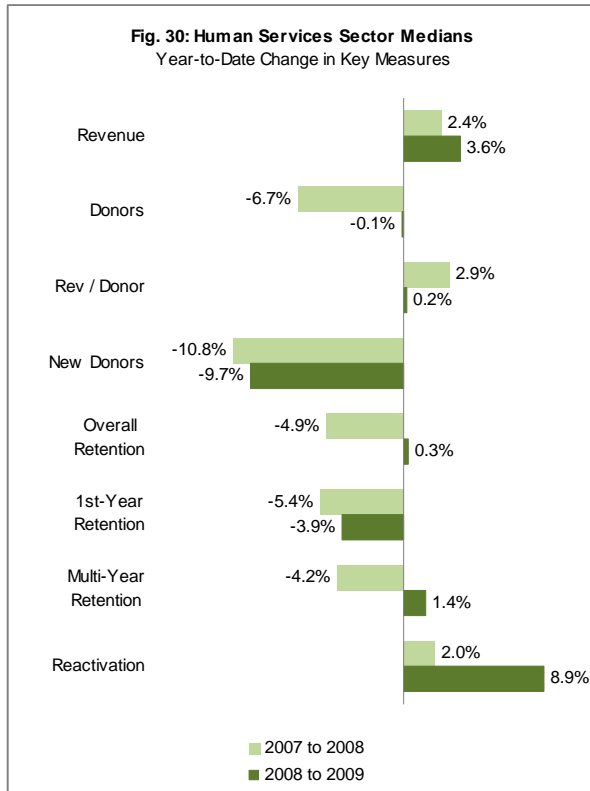
Over the past two years since Q4 2007, when the current recession began, health sector revenue is down 11.8% and donors are down 12.1%.

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 has been one of the strongest in the index during this period of economic hardship. Revenue and donor growth for the sector both outperformed the rest of the index during the recent recession and this was one of only two sectors to see positive revenue growth in 2009. Although new donor acquisition and first-year retention both declined this year, the sector had high growth in multi-year retention and lapsed donor reactivation. These combined trends suggest that organizations in this sector, which provide direct aid to the most disadvantaged, may have a set of multi-year, periodic donors who return in times of particular need.



Human services revenue increased a median 3.6% from 2008 to 2009, while the index as a whole had revenue declines of 4.8% (see Fig. 30). 57% of the organizations in this sector had positive revenue growth in 2009.

Overall donor numbers remained essentially flat, declining a median 0.1% from 2008 to 2009, while the index as a whole had donor declines of 2.3%. 43% of the organizations in this sector had positive donor growth in 2009.

Human services organizations did struggle with new donor acquisition and with retention of the new donors they acquired in 2008; the sector had new donor declines of 9.7% and first-year donor retention declines of 3.9% in 2009. This means that the increases in donor numbers the sector experienced this year were due not to new donor acquisition but to increased retention of multi-year donors and increased lapsed donor reactivation. Multi-year retention rates rose 1.4% from 2008 to 2009; this was one of the highest multi-year retention rate increases in the index. Lapsed donor reactivation increased a median 8.9% from 2008 to 2009; this was the highest reactivation rate increase in the index.

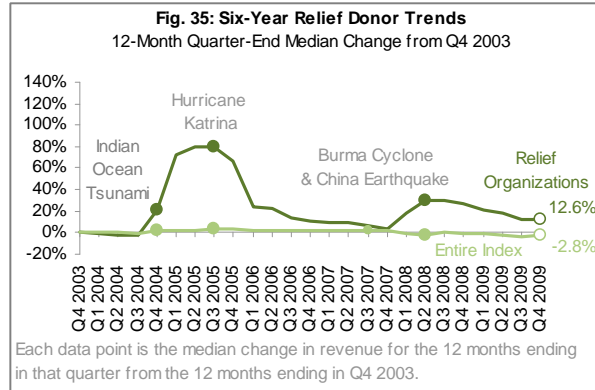
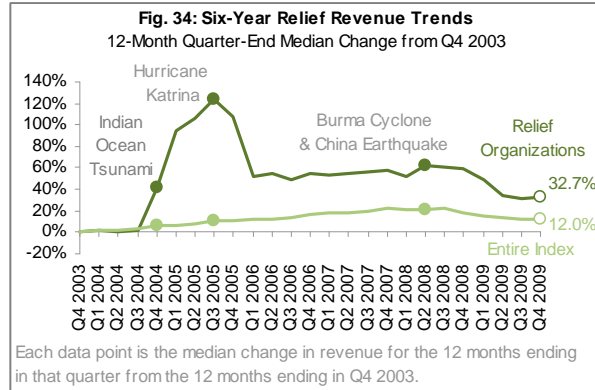
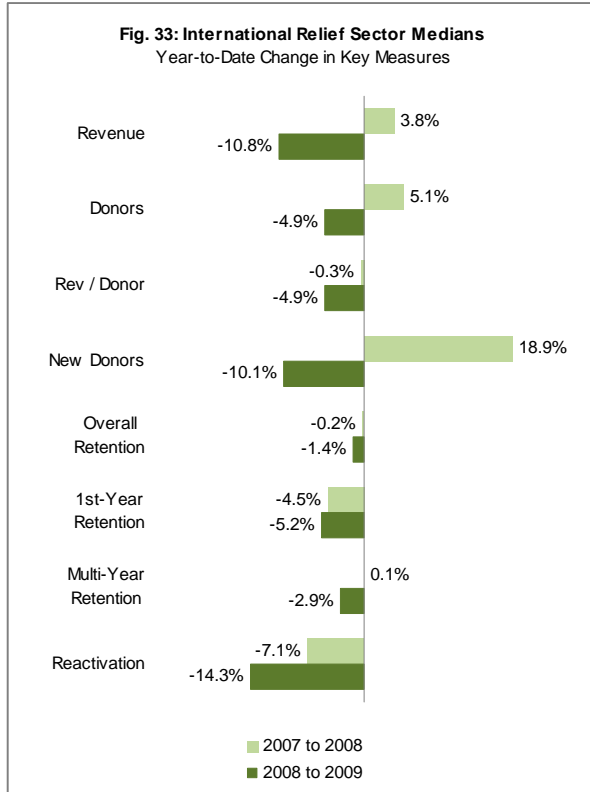
Rolling twelve-month trends show that from 2004 to 2007 sector revenue and donor growth tracked the overall index relatively closely, but that the sector outperformed the overall index since the start of the recent recession.

Over the past six years, from the twelve months ending Q4 2003 to the twelve months ending Q4 2009, human services revenue grew a cumulative median 32.4%, almost three times the overall index growth of 12.0% (see Fig. 31). Donor growth has been more volatile but the sector has generally maintained its donor numbers well through the recession, allowing it to outperform the index significantly over the long term. From the twelve months ending Q4 2003 to the twelve months ending Q4 2009, human services sector donors have increased a cumulative median 11.8%, compared to an overall index decline of 2.8% over the same period (see Fig. 32).

## International Relief

13 organizations

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



Revenue for the international relief sector declined a median 10.8% from 2008 to 2009, compared to an overall index median revenue decline of 4.8% over the same period (see Fig. 33). Only 8% of the organizations in the relief sector had revenue increases in 2009.

Donors to international relief organizations declined 4.9% from 2008 to 2009, compared to an overall index median donor decline of 2.3% over the same period. 31% of the organizations in this sector had donor increases in 2009.

This sector had significant new donor growth following a cyclone in Myanmar and an earthquake in China in May 2008. The sector then experienced acquisition declines throughout 2009 in what likely signifies a reversion from this disaster-related giving to more typical levels. New donor numbers fell for the sector by a median 10.1% from 2008 to 2009.

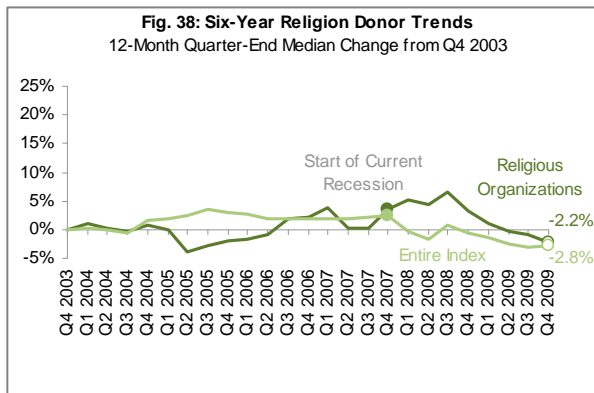
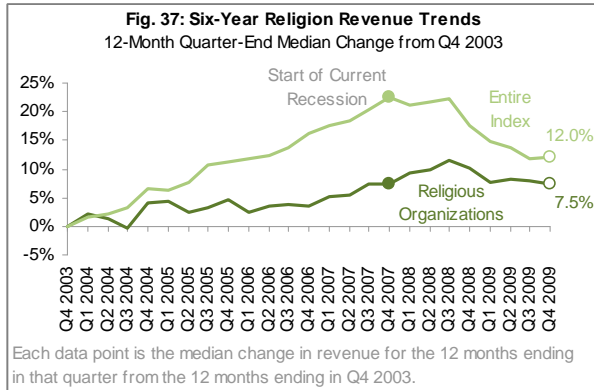
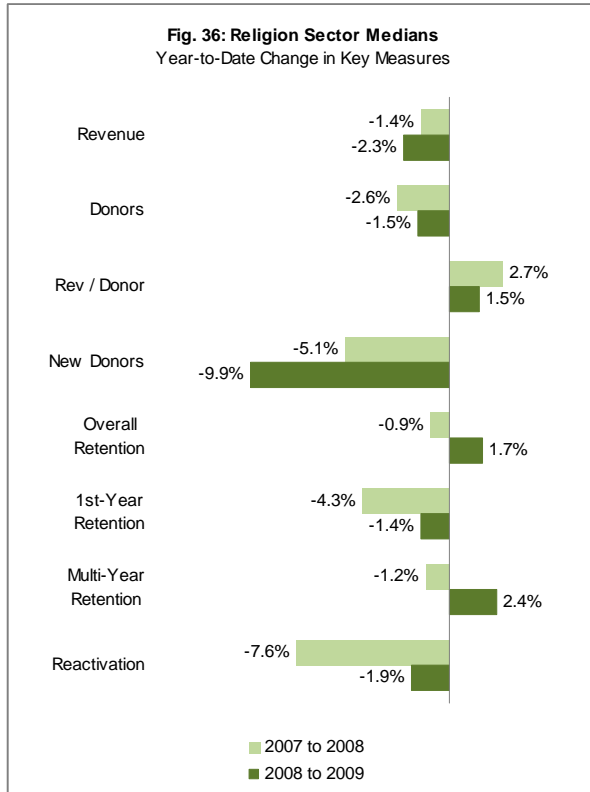
Rolling revenue and donor trends can give a longer-term context for recent relief sector performance. The Indian Ocean tsunami of December 2004 generated record disaster-related revenue and donor acquisition in late 2004 and early 2005. Cyclone and earthquake-related giving is likely responsible for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

Relief sector revenue grew a cumulative 32.7% from the twelve months ending Q4 2003 to the twelve months ending Q4 2009 (see Fig. 34). The index as a whole had only 12.0% growth over the same six-year period. Donor numbers grew a cumulative median 12.6% for the relief sector, compared to an overall index median donor decline of 2.3% over the same period (see Fig. 35).

## Religion

6 organizations

The religion sector performed relatively strongly in 2009. Although many key measures declined, religious organizations had some of the smallest declines in revenue, donors, and first-year donor retention during the year. This sector had the highest growth in multi-year retention rates in the index and was also the only sector to see significant growth in revenue per donor amounts in 2009.



Religious organizations had a median revenue decrease of 2.3% from 2008 to 2009 (see Fig. 36), which was much smaller than the overall index decline of 4.8%. Three of the six organizations in this sector had positive revenue growth in 2009.

Sector donor numbers fell a median 1.5% from 2008 to 2009, less than the overall index median decline of 2.3%. However, donor declines were widespread; only one of the six organizations in this sector had positive donor growth in 2009.

The sector experienced declines in new donor acquisition, with a median 9.9% decrease in new donors from 2008 to 2009. This was relatively close to the overall index median new donor decline of 7.9%.

This was the only sector in the index to see significant growth in revenue per donor in 2009, with a median increase of 1.5% from 2008; all other sectors had flat or declining revenue per donor amounts for the year. Four of the six organizations in this sector had increases in revenue per donor in 2009.

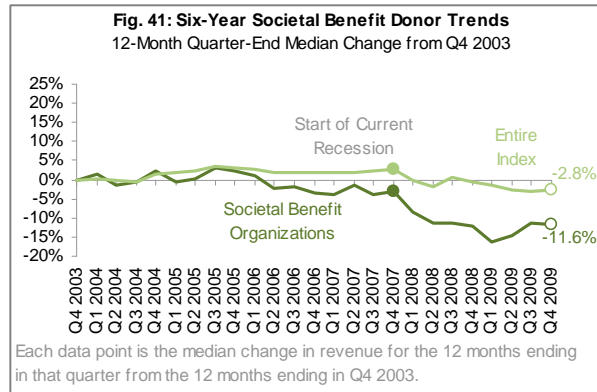
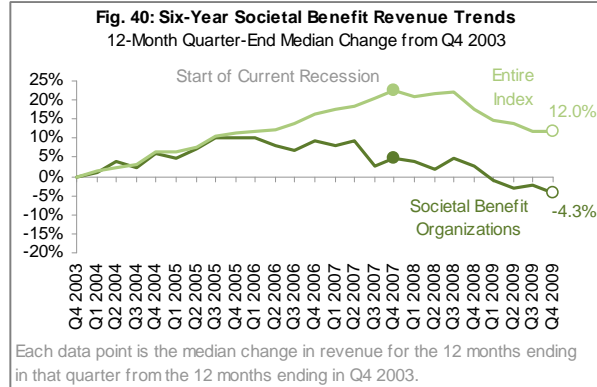
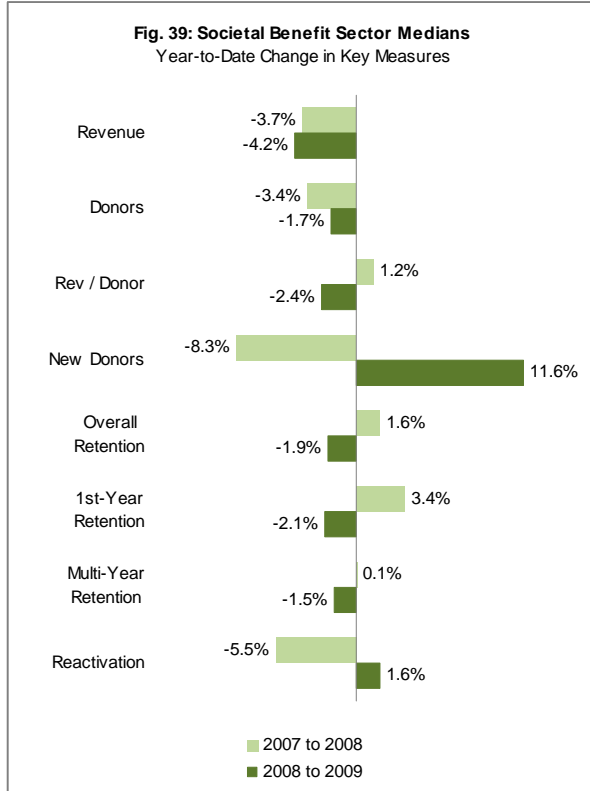
Over the past six years, revenue growth for the religion sector has generally underperformed the overall index. Donor growth for the sector has roughly paralleled the overall index over the same period. From the twelve months ending Q4 2003 to the twelve months ending Q4 2009, sector revenue grew a cumulative median 7.5% compared to overall index median growth of 12.0% (see Fig. 37). Over the same period, sector donor numbers declined a cumulative median 2.2%, close to the overall index median decline of 2.8% (see Fig. 38).

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

## Societal Benefit

10 organizations

Since 2006, societal benefit organizations have experienced some of the greatest fundraising challenges of any sector in the index, with significant declines in revenue, donors, new donor acquisition, retention, and reactivation in most quarters. There were signs in 2009 that some of these negative trends have begun leveling off. New donor acquisition, in particular, has seen a boost during the second half of the year.



Revenue declined a median 4.2% from 2008 to 2009 (see Fig. 39). This was similar to the overall index median decline of 4.8%. 40% of the organizations in the sector had positive revenue growth in 2009.

Societal benefit donor populations fell a median 1.7% from 2008 to 2009. This decline was smaller than the overall index decline of 2.3%. 30% of the organizations in the societal benefit sector had positive donor growth in 2009.

This sector had the strongest new donor growth in the index in 2009 and was, in fact, one of only two sectors to have any growth in new donor acquisition at all during the year. New societal benefit donors grew by a median 11.6% from 2008 to 2009, in contrast to an overall index median new donor decline of 7.9%. 60% of the organizations in this sector had positive donor growth in 2009.

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

Cumulatively, over the past six years, revenue and donor growth for the societal benefit sector both lag overall index medians to a significant degree. From the twelve months ending Q4 2003 to the twelve months ending Q4 2009, societal benefit revenue declined a cumulative median 4.3%, compared to overall index revenue growth of 12.0% (see Fig. 40). Over the same period, societal benefit donors declined a cumulative median 11.6%, compared to an overall index decline of 2.8% (see Fig. 41).

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2. Giving USA Foundation, *Giving USA 2006*, pp. 22 and 29.
3. National Bureau of Economic Research, *Determination of the December 2007 Peak in Economic Activity*, December 2008, <http://www.nber.org/cycles/dec2008.html>. Retrieved March 14, 2010.
4. U.S. Department of Commerce Bureau of Economic Analysis, Seasonally adjusted quarter-end Gross Domestic Product (indexed to 2005 dollars), <http://www.bea.gov/newsreleases/national/gdp/gdpnewsrelease.htm>. Retrieved March 22, 2010.



## Industry Sectors Used in the Index

### **Animal Welfare Organizations**

Organizations that focus on the care, protection, or understanding of pets or specialty animals, other than livestock. Includes humane societies, veterinary services, aquariums, and zoos.

### **Arts & Culture Organizations**

Organizations that promote enjoyment or understanding of the visual, performing, folk, or media arts or the humanities; communications organizations; and organizations that promote the appreciation or understanding of historical events, including historical societies and genealogical or heredity-based organizations.

### **Environmental Organizations**

Programs that focus on the preservation and protection of the environment, including pollution control and abatement programs; conservation and development of natural resources (land, plant, water, energy); control or elimination of hazardous and toxic substances (including pesticides); solid waste management programs; botanical gardens and societies; urban beautification and open spaces programs; and environmental education. Also includes programs that focus primarily on the protection and preservation of wildlife or fisheries.

### **Health Organizations**

Programs which help people achieve and maintain physical well-being through prevention, screening, evaluation and treatment; programs that promote mental health and treatment of mental illness; voluntary health organizations that are organized on a national, state or local basis and supported primarily by voluntary contributions from the public at large, which are engaged in a program of service, education and some research that is related to a particular disease, condition or disability, or group of diseases, conditions or disabilities; research institutes and other organizations whose primary purpose is to promote the advancement of knowledge about specific diseases, disorders, or medical disciplines.

### **Human Services Organizations**

Organizations that promote or provide a broad range of social or human services to individuals or families; organizations that focus on protecting the public from antisocial elements; organizations that help individuals to find and sustain gainful employment; organizations that focus on the development and improvement of food resources; organizations that focus on promoting adequate housing for individuals, families and communities; organizations which aim to prevent, predict or control the effects of domestic disasters (e.g., floods, earthquakes, fires, tornadoes); organizations that work to build character and develop leadership and social skills among children and youth.

### **International Relief Organizations**

Organizations that provide development and relief services to foreign countries and/or organizations that raise and distribute funds for the benefit of overseas institutions.

### **Religious Organizations**

Programs operated for the purpose of worship, religious training or study, governance or administration of organized religions, or the promotion of religious activities.

### **Societal Benefit Organizations**

Programs that focus on protecting and promoting the broad civil rights and civil liberties of individuals, improving relations between racial, ethnic, and cultural groups, and promoting voter education and registration; advocacy and citizen action groups that work to change public policy and opinion in a variety of areas; organizations that work to strengthen, unify, and build community spirit and increase the capacity of various community organizations to improve the quality of life for all.

Most sector definitions based on a modification of the Foundation Center's National Taxonomy of Exempt Entities.  
<http://fdncenter.org/nTEE/index.html>



## Looking Ahead

The next installment of the index, to be released in July 2010, will examine activity for the first quarter of 2010. 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](mailto:srocktully@targetanalysis.com). Please direct questions or requests to reproduce these findings to [targetindex@blackbaud.com](mailto: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.