Blackbaud survey finds that the majority of nonprofits reported growth and optimism, but finding funding and new donors continue to be top challenges.

2007 State of the Nonprofit Industry — Nonprofit Professionals Share How Their Organizations Are Dealing With Key Issues

about the survey: an overview

Blackbaud has conducted its State of the Nonprofit Industry Survey annually for the past four years in order to compile and provide an overview of information that can help nonprofits better benchmark their operations. Three separate surveys were launched in three geographic areas: North America, the United Kingdom, and Asia-Pacific. The 2007 North American survey focused on a series of timely issues critical to today's nonprofits; it was structured to capture data in four main areas:

1. General Operations (including staffing, budgets, and organizational challenges)
2. Fundraising
3. Technology and Internet Usage
4. Accountability and Stewardship

The survey, conducted July 17 – August 11, 2007, was widely distributed throughout the nonprofit community and directly to Blackbaud clients via industry newsletters and targeted emails. A total of 1,140 respondents participated compared to 785 last year. The survey was distributed and administered online, so it is important to note this sampling bias.

From a demographics perspective, 69% of the respondents were either in executive/management or fundraising positions. 38% of the respondents were from organizations with $1 million – 4.9 million in revenue. The largest industry segments represented were healthcare, social services, and arts and cultural organizations, which comprised 43% of the responses.

survey results

General Operations

Survey respondents were optimistic in their view of their organizations for 2007 and 2008. Demand for services, revenue, expenses, charitable donations, and staffing were all projected to increase in 2007-2008.

- Increased demand for services was projected by 80% (compared to 72% in 2006), with an even greater number (82%) seeing this trend continuing next year.
- Increased revenue was seen as a result, with 77% of the nonprofits noting this outcome. Correspondingly, 83% saw the trend continuing in 2008.
- An expectation for increased staffing in 2007 was reported by 47%, compared to 44% a year ago. Increased staffing in 2008 was foreseen by 48%.

The organizational composition of the nonprofits was identified from both general business (i.e., accounting, marketing, and technology) and focused functions (i.e., grant writing, major gifts, and planned giving). Most positions reported similar coverage from 2006, though the accounting and technology areas showed shifts away from full-time employees. Nonprofits are demonstrating more focus on planned giving and the Internet.

- Full time accounting positions were reported by 62% of the nonprofits, compared to 70% in 2006. The shift was to position-sharing and outsourcing.
- Data/computer systems roles were outsourced by 18% of the organizations vs. 15% in 2006.
- 77% of organizations now have employees or volunteers working on planned giving vs. 73% in 2006.
- 78% say they have paid employees dedicated responsible for the Internet/website, compared with 74% in 2006.

Nonprofits, like all enterprises, have multiple priorities, and how they address them has a direct impact on their organization's performance. Survey respondents provided information on donor acquisition and retention, information organization, operational efficiency, staff retention, and competition. Donor retention and managing supporter relationships are viewed as high priorities. Competing with other nonprofits was clearly the least important priority.

- Retaining current donors was rated as "extremely important" by 80%
- Managing supporter relationships was rated as "extremely important" by 78%
- Competing with other nonprofits was rated as "extremely important" by 15%

Overall, the survey respondents believe they have performed well in the areas that are most important to their organizations. They viewed their performance as strongest in the areas of retaining current donors and managing supporter relationships. Recruiting new donors remains a challenge and is being addressed, in part, by increasing online marketing and fundraising activities. Almost all of the respondents (92%) reported that they utilize volunteer assistance. In these key areas, nonprofits rated their performance as "very good" or "good":

- Retaining current donors 74%
- Managing supporter relationships 72%
- Maintaining organizational data 72%
- Recruiting new donors 46%

Fundraising

Nonprofit organizations use numerous ways to bring revenue to the organization. The survey respondents expect individual donations (especially via major supporters) to continue to be a major source of growing income. Corporate donations, foundation grants, and special events were also believed to be the areas of greatest revenue improvement. United Way funding was expected to either remain the same or wasn't a funding source for nearly half of the respondents. Significant funding source growth areas were:

- Individual donations (74% expected an increase from this source vs. 51% in 2006)
- Corporate donations (56% vs. 33% in 2006)
- Foundation grants (55% vs. 35% in 2006)
- Special events (54% vs. 38% in 2006)

One-on-one solicitations of major donors remains the top driver of contributions. Direct mail and special events were the next most effective drivers of raising donations. Online and email solicitations were expected to increase as well from 2006 to 2007.

- 74% plan to see an increase in contributions from one-on-one solicitations of major donors
- 60% anticipate an increase in donations from direct mail solicitations
- 59% believe their special events income will increase (and 6% planned a decrease)
- 55% anticipate an increase from online donations

About a third of nonprofits believe they will need to increase their investments in direct mail, fundraising staff, and donor management (both online and offline).

- 35% plan to spend more on direct mail
- 35% plan to increase financial resources to support online donor strategies
- 34% plan to increase their financial investment in fundraising staff
- 30% plan to invest more in offline donor management

Nonprofits most often communicate with their donors via direct mail, with 59% saying it is their most common communications channel. This continues a downward trend over the past three years, from 68% in 2006 and 74% in 2005. Direct mail is most commonly used for fundraising appeals, event invitations, and newsletters. Online/email communications are growing, with fundraising and newsletters being the primary strategies.

- 86% use direct mail to conduct fundraising
- 78% use direct mail for event invitations
- 75% use direct mail for newsletters
- 90% view online communications as important

Technology/Internet Usage

The functionality of the Internet continues to evolve for nonprofits. Almost all of the respondents (98.5%) have a website, the direction for which is most often driven by the marketing department. Its primary purposes are for marketing the organization and educating the public. Only 29% see their websites as effective (or better) in achieving their Internet goals.

A consolidated database that contains all information on donors and other constituents is critical to nonprofits' operations, and 60% of the respondents believe they are making good progress in achieving it. Of the respondents, 67% believe that it is important (or more) to use email and other online means to communicate with donors and constituents. Email is considered the most important online tool, with fundraising and newsletters the next most important.

With the heightened usage of technology, it was noted that utilization of technology budgets, plans, and strategies generally showed declines compared to 2006, with only data services budgets being more prevalent than last year. It is possible that some of the "in place" planning was possibly "in process."

- 88% use their website to market their organization/educate the public
- 50% have data services budgets vs. 31% in 2006
- 92% believe a unified database is very important
- 68% use online fundraising tools
- 48% *actively* use online fundraising strategies (compared to 43% in 2006 and 35% in 2005)
- 59% use electronic newsletters
- 38% plan to implement online surveys or polls

As noted above, Internet usage for fundraising continued to increase. The percentage of contributions raised online remains relatively small but is likely to grow. The leading ways that nonprofits drove online contributions were using a "donate now" button on their websites and emails to current donors. While the top two drivers are the same as this year, nonprofits are becoming less dependent on the "donate now" alternative and are moving more toward direct emails. The proactive approach appears to be gaining more traction.

Accountability and Stewardship

Respondents have confidence that the public trusts nonprofits and especially their organization, but 34% (vs. 31% in 2006) claim an increased demand from donors to report how contributions were spent. Donors asking that their contributions to be restricted for a certain purpose declined to 36% (vs. 42% in 2006). These “donor demands” are causing organizations to make changes to bring in unrestricted funds. Of those who have experienced an increase in restricted funds, almost half claim that they are having trouble getting funds for general operating purposes and that they are specifically seeking unrestricted gifts. These results are similar to those reported in 2006.

- 31% (vs. 35% in 2006) said they are seeking additional foundation grants to fund operating expenses
- 31% (vs. 35% in 2006) said they are looking to non-grant revenue sources to fund operating expenses

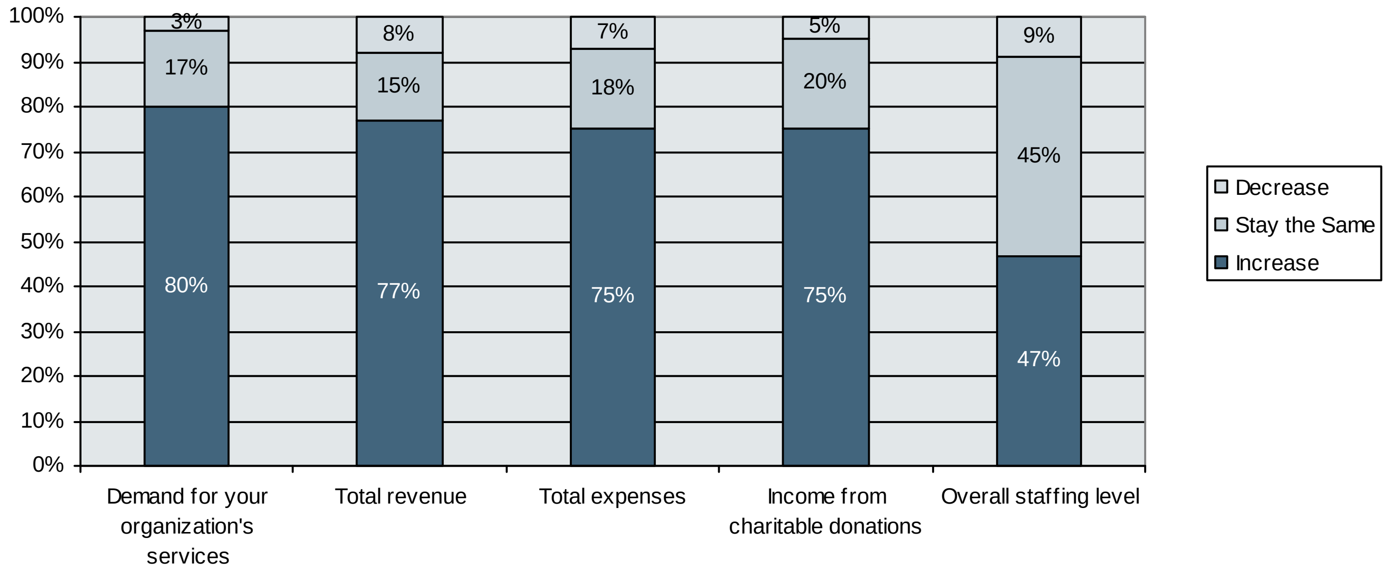
From an oversight perspective, audited financial statements have been implemented by nearly all nonprofits. Proactive communications about programs and directed to donors are increasingly common. Audit committees and privacy policies are prevalent as well.

- 92% have implemented audited financial statements
- 80% communicate proactively about program impacts and another 15% plan to soon
- 72% proactively communicate on how donations were spent, and another 20% plan to implement a process for doing so
- 67% have formed audit committees and 11% are working on it

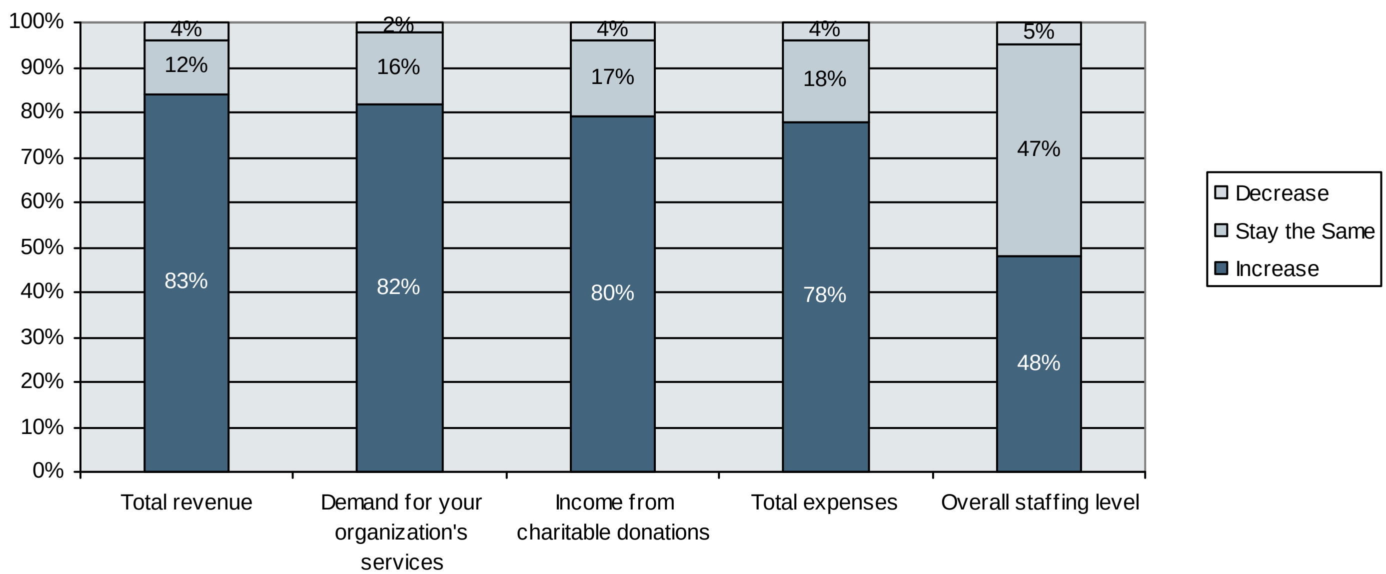
survey results

General Operations

How do you expect the following to change this year compared to last year?



How do you expect the following to change next year compared to this year?



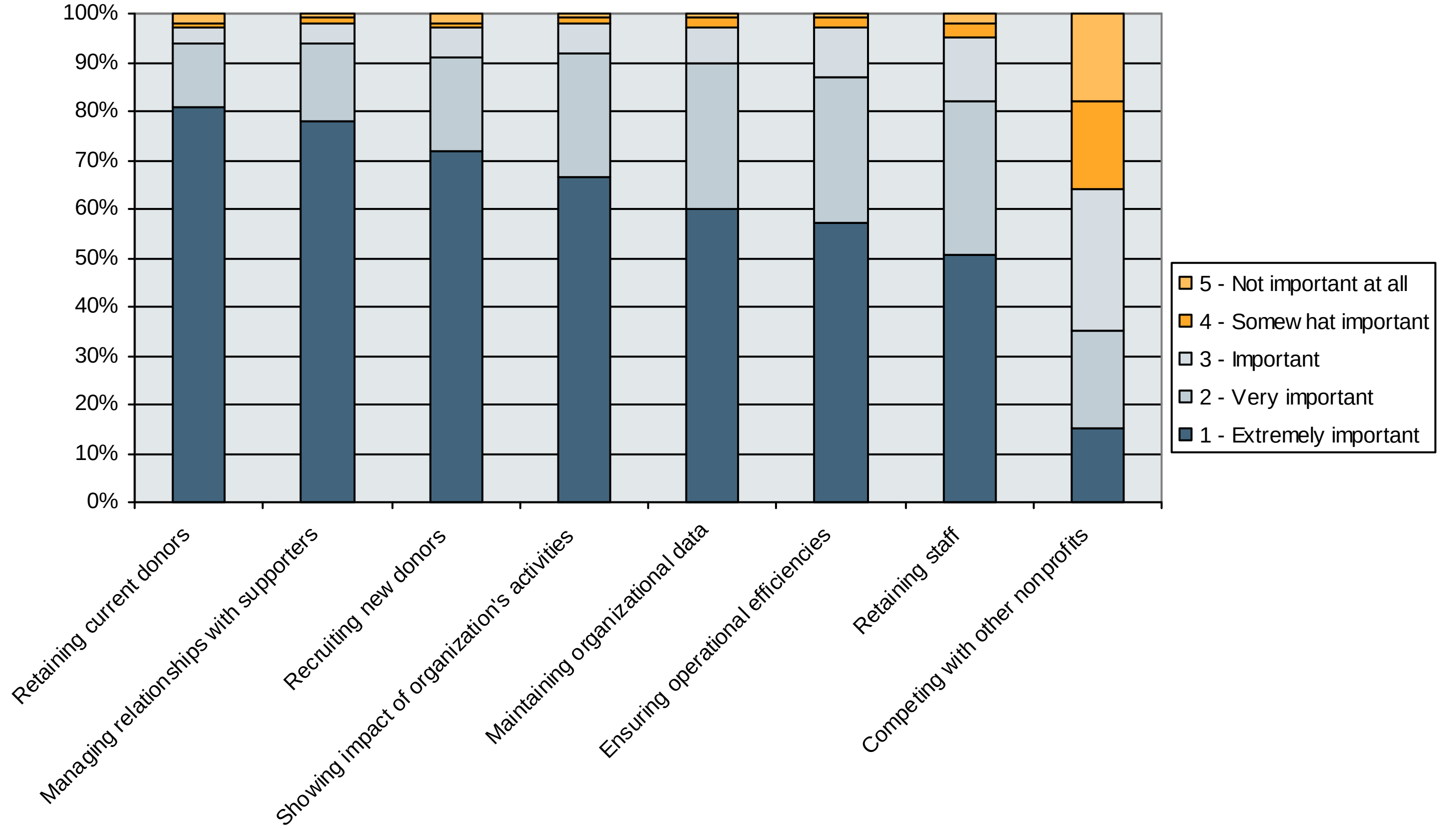
How are the following functional areas represented in your organization?
(If more than one person performs a function, please answer for the person who has the primary responsibility.)

	full-time position	part of someone's job	part-time position	volunteer position	outsourced	n/a	response count
Accounting	62%	19%	6%	3%	8%	1%	1126
Data/computer science	37%	36%	4%	3%	18%	2%	1126
Marketing	32%	52%	3%	4%	5%	5%	1129
Major gifts	25%	59%	3%	4%	1%	9%	1127
Grant writing	20%	56%	7%	4%	5%	9%	1122
Internet/web	17%	57%	4%	5%	15%	2%	1126
Direct mail	13%	66%	2%	3%	7%	9%	1124
Prospect research	12%	66%	3%	4%	3%	11%	1123
Planned giving	12%	58%	3%	3%	3%	20%	1124
Endowments	8%	62%	2%	3%	2%	23%	1117

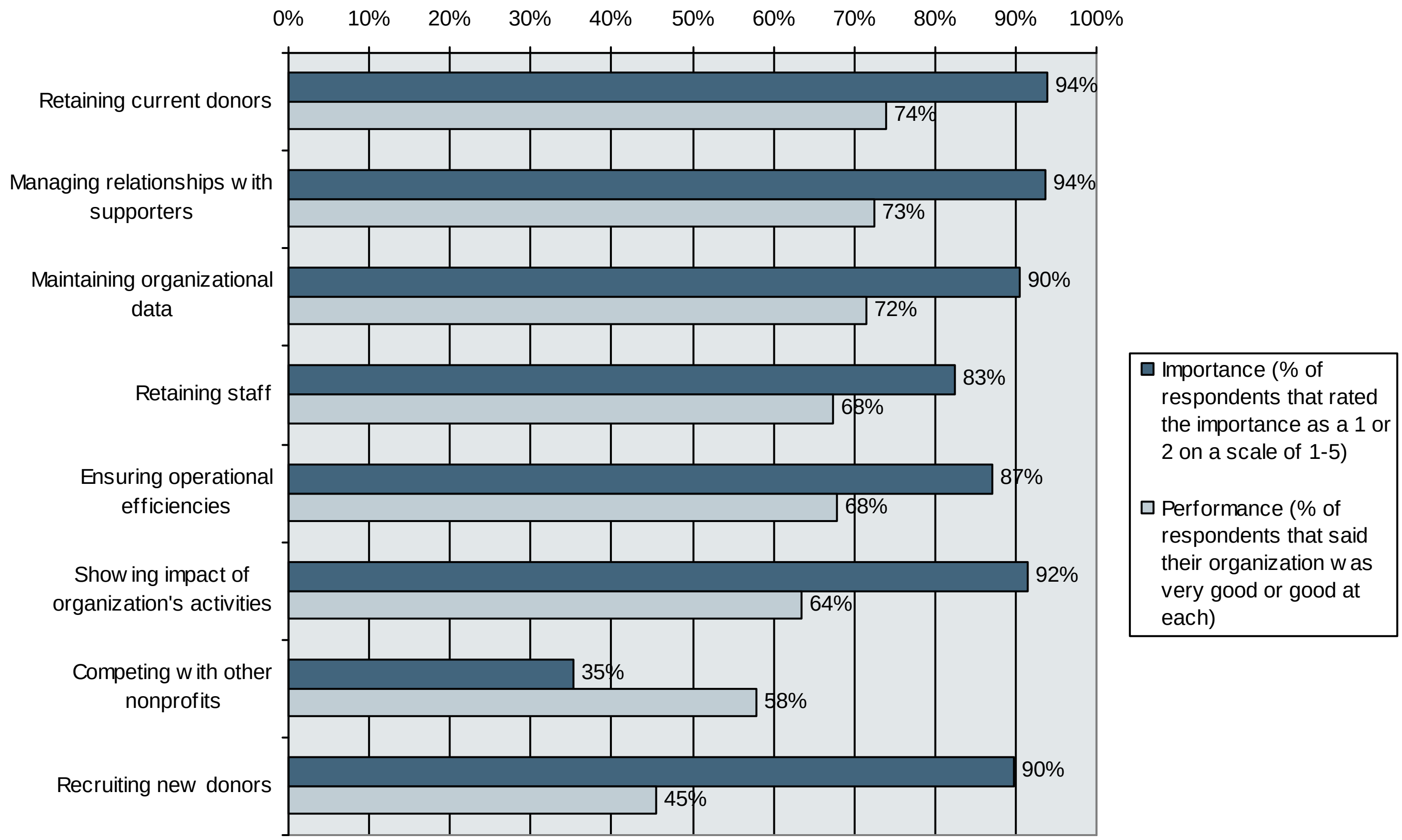
How do you expect your organization's funding from each source to change this year compared to last year?

	increase	stay the same	decrease	no funding from this source	response count
Individual donations (not including bequests)	74%	18%	5%	3%	856
Corporate donations	56%	30%	4%	10%	827
Foundation grants	55%	30%	4%	10%	810
Special events	54%	28%	6%	12%	825
Investments	46%	38%	2%	14%	776
Bequests or other planned gifts	41%	38%	2%	19%	750
Fees for program services	38%	34%	2%	26%	791
Government grants	29%	35%	8%	29%	805
Memberships	26%	26%	2%	46%	787
Retail sales	16%	26%	2%	57%	766
United Way	11%	36%	7%	46%	793
For-profit business ventures	8%	18%	1%	73%	737

How important are the following to your organization? (Please rate on a scale of 1-5, with 1 being extremely important and 5 not important at all.)

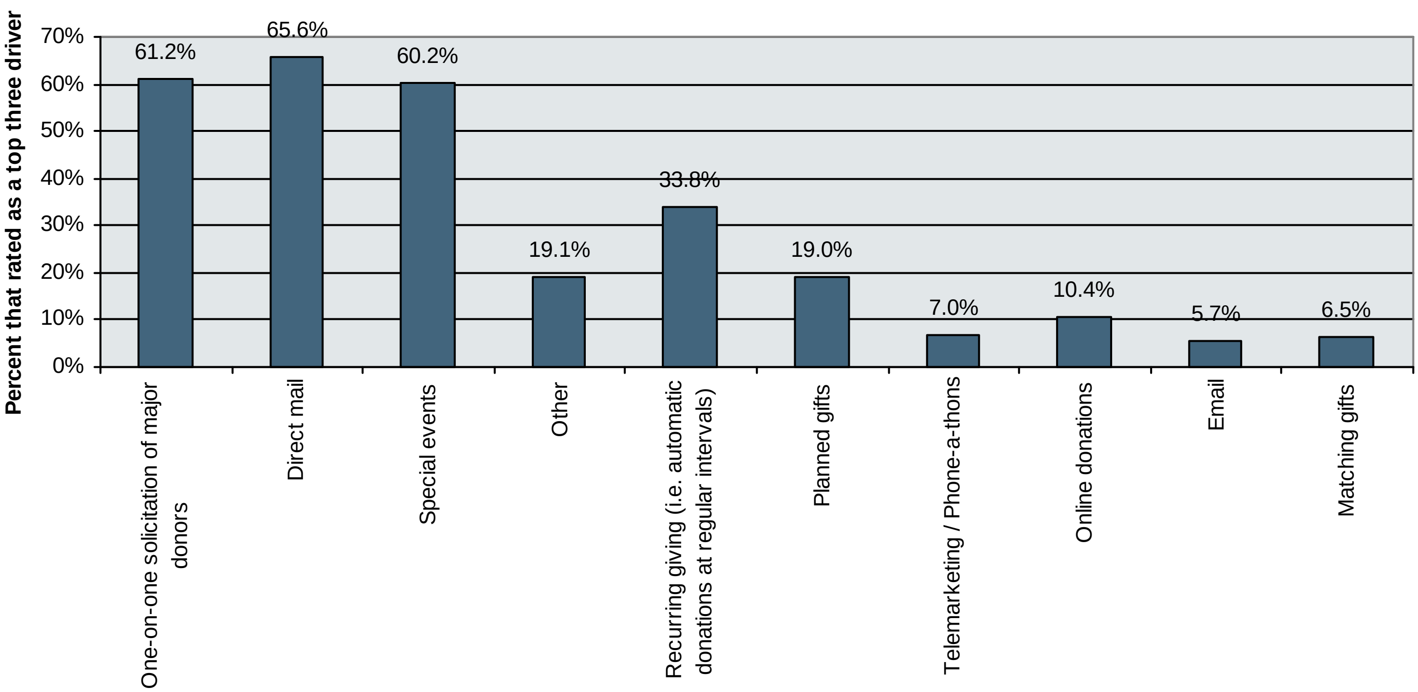


How important are each of the following?
How would you rate your organization's performance with each of the following?



Which fundraising efforts are the top drivers of contributions to your organization? (Please select the top three (3).). N=843

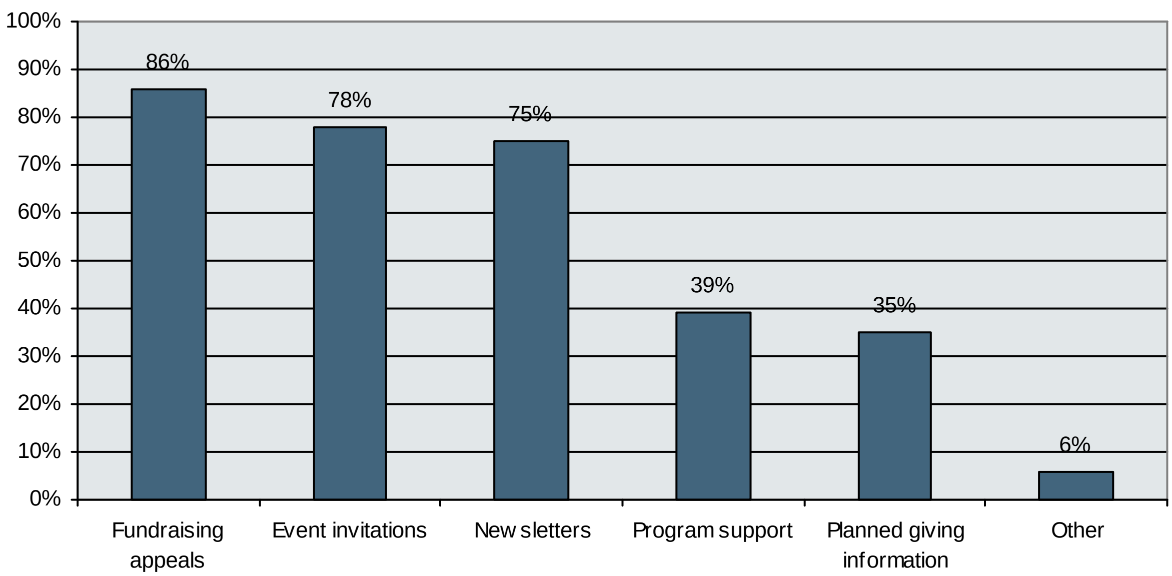
	top driver	second	third	rating average	response count
One-on-one solicitation of major donors	251	150	115	2.61	516
Direct mail	194	172	187	2.68	553
Special events	165	223	120	2.74	508
Other	89	37	35	3.55	161
Recurring giving (i.e. automatic donations at regular intervals)	85	111	89	3.33	285
Planned gifts	31	53	76	3.67	160
Telemarketing/Phone-a-thons	11	20	28	3.88	59
Online donations	8	18	62	3.86	88
Email	3	12	33	3.92	48
Matching gifts	0	15	40	3.92	55



How do you expect your organization's fundraising contributions from each of the following to change this year compared to last year?

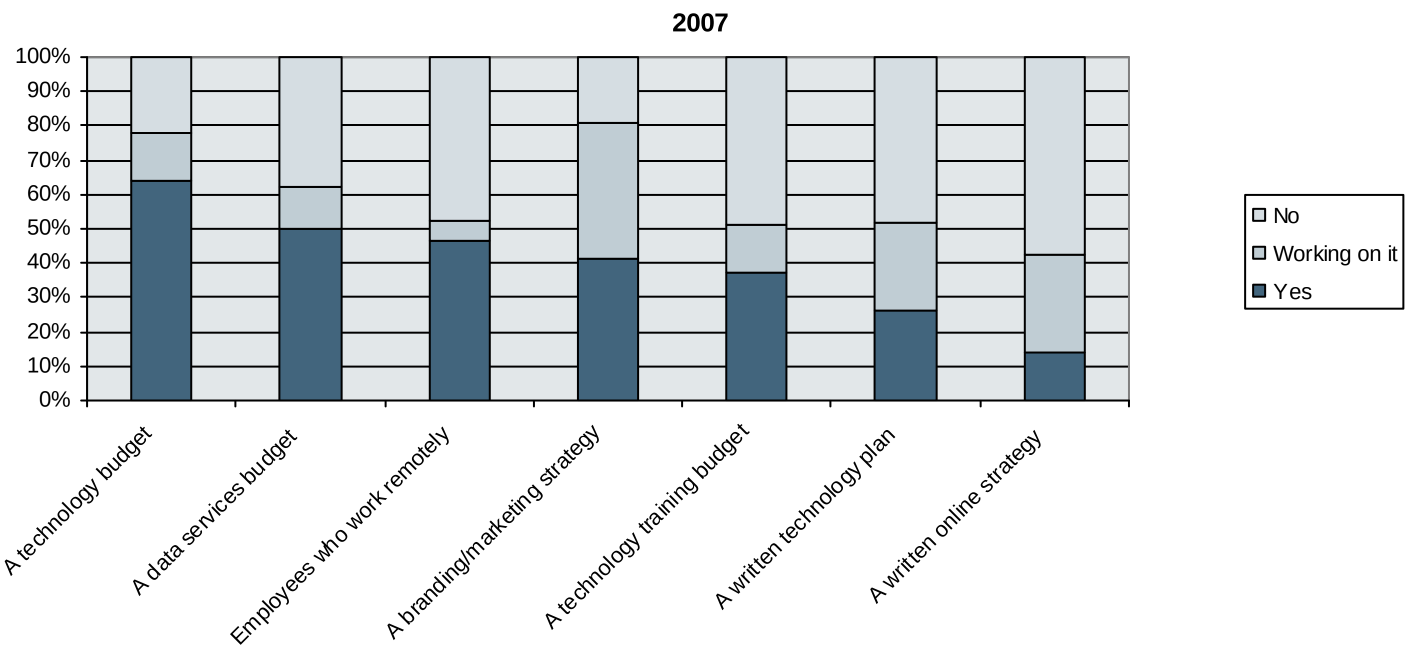
	increase	stay the same	decrease	no funding from this source	response count
One-on-one solicitation of major donors	74%	16%	3%	7%	792
Direct mail	60%	27%	4%	9%	794
Special events	59%	26%	6%	10%	799
Online donations	55%	24%	1%	19%	780
Recurring giving (i.e. automatic donations at regular intervals)	44%	38%	2%	17%	784
Planned gifts	42%	33%	2%	23%	726
Email	35%	26%	2%	38%	743
Matching gifts	30%	51%	2%	17%	769
Telemarketing/phone-a-thons	14%	19%	3%	65%	761

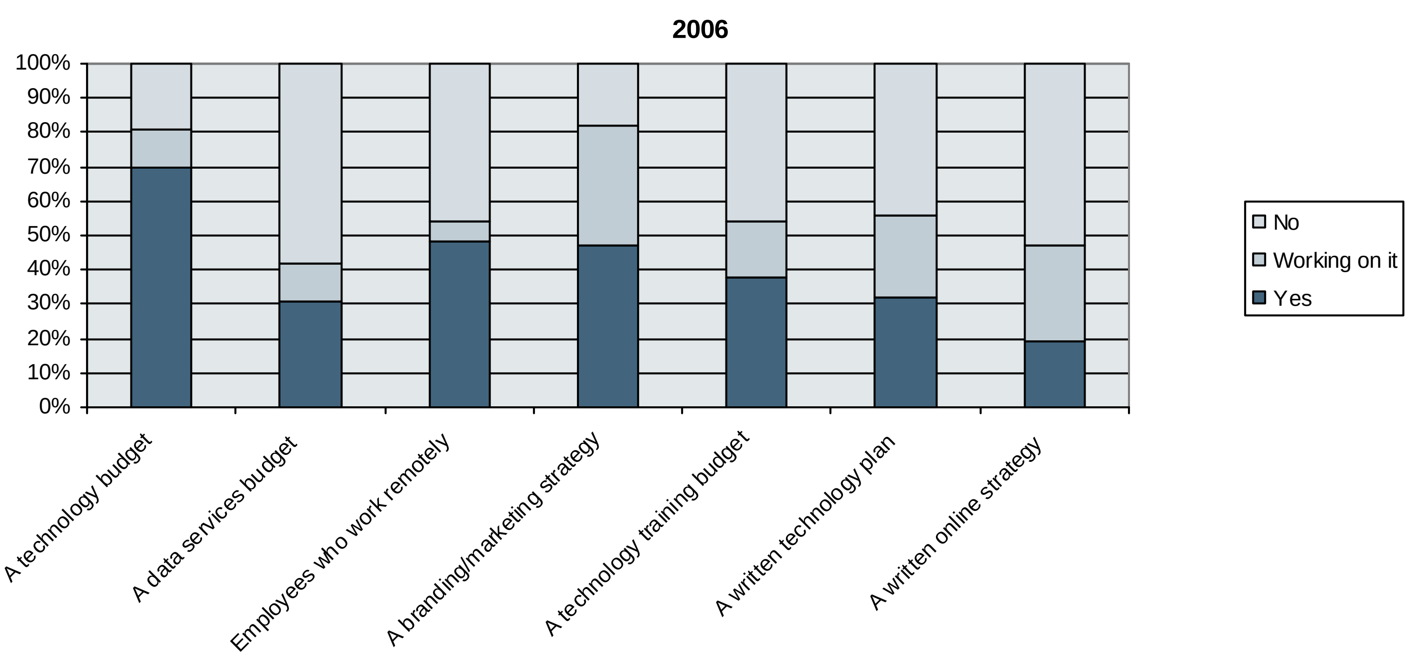
For what types of communication does your organization use direct mail? (Please choose all that apply.) N=837



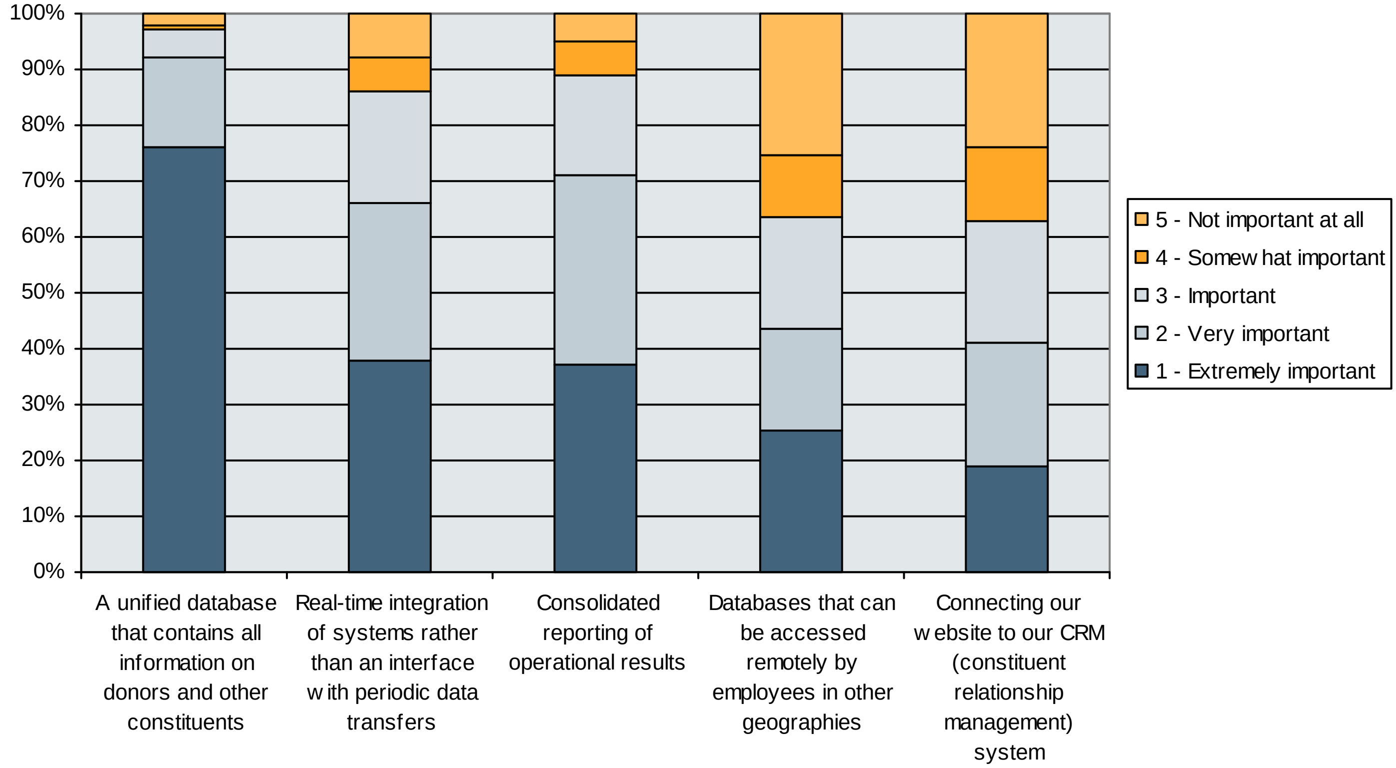
Technology/Internet Usage

Does your organization have the following?

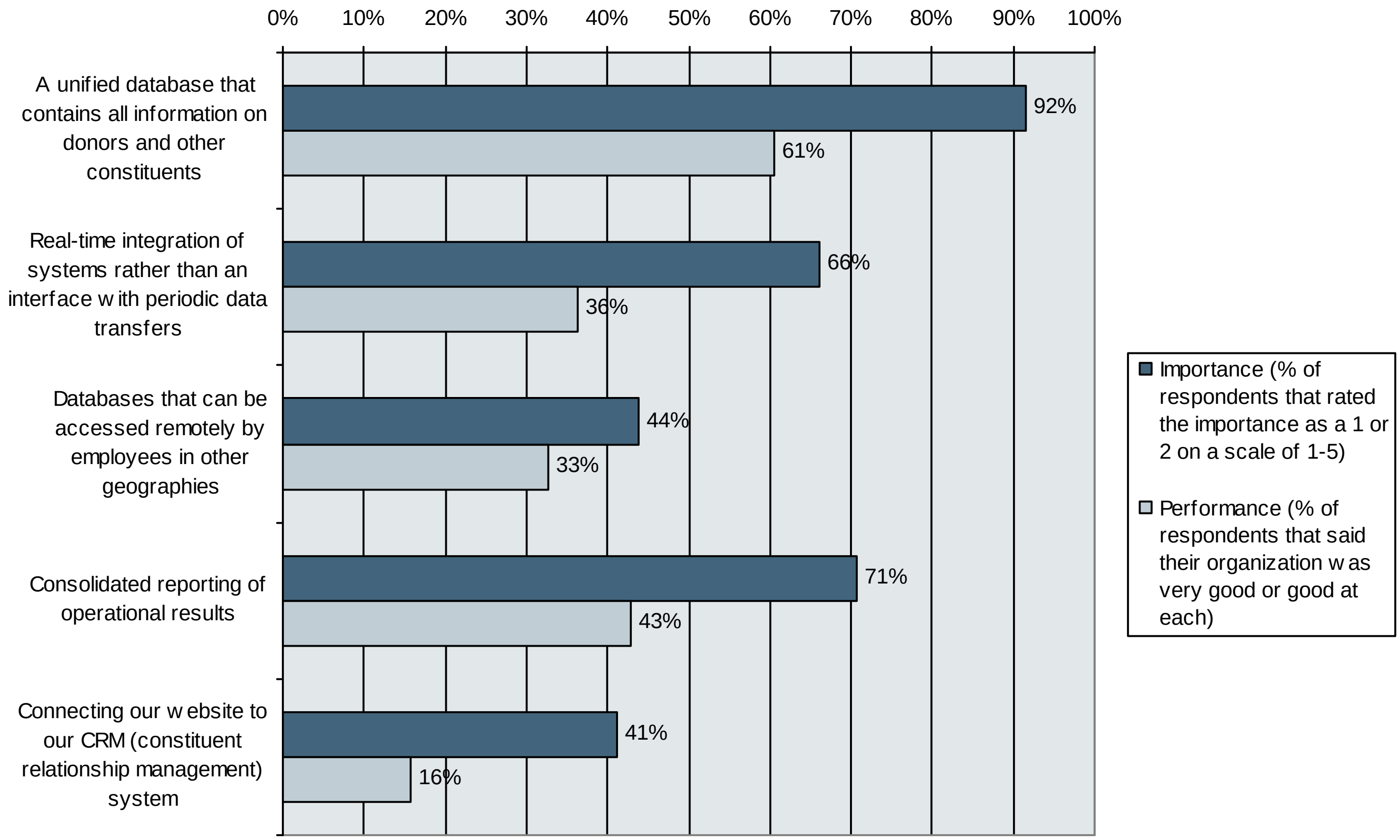




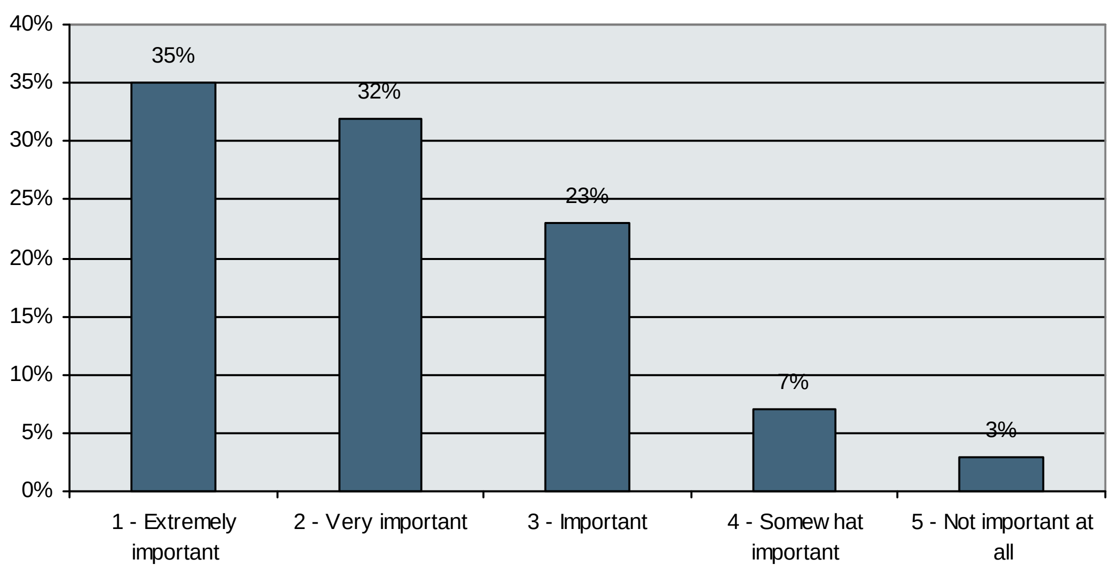
How important to your organization's operations are the following? (Please rate from 1-5, with 1 being extremely important and 5 not important at all.)



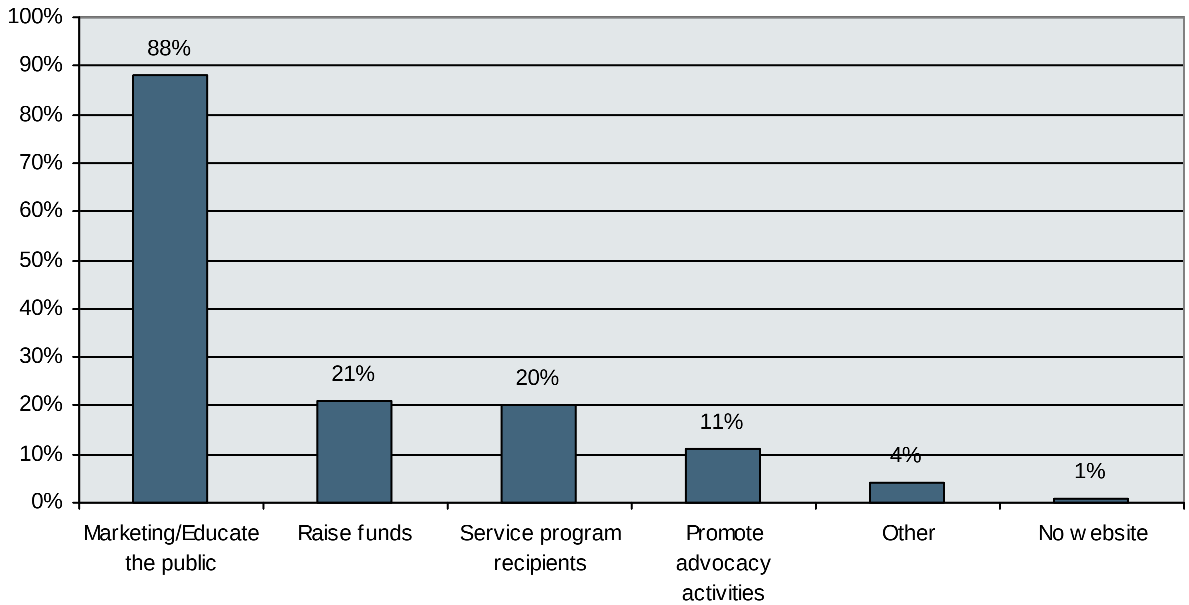
How important to your organization's operations are each of the following?
How would you rate your organization's performance in achieving each of the following?
N=814



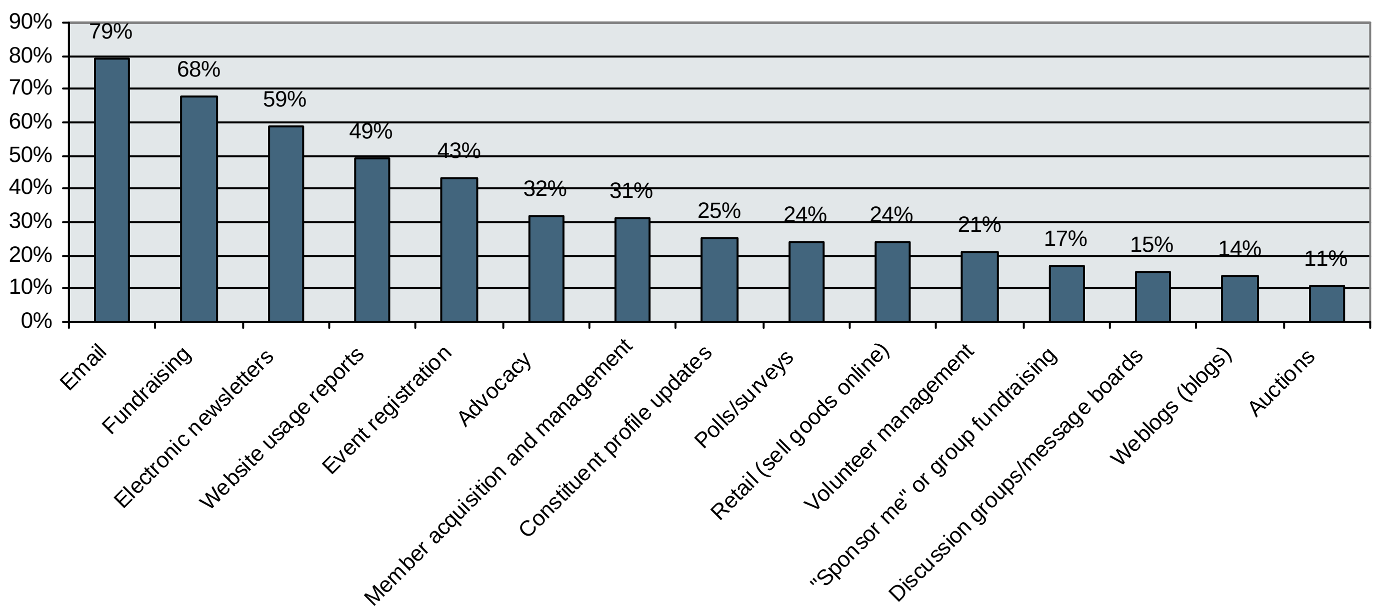
How important is communication with your donors and other constituents over the web and through email? (Please rate from 1-5, with 1 being extremely important and 5 not important at all.).
N=807



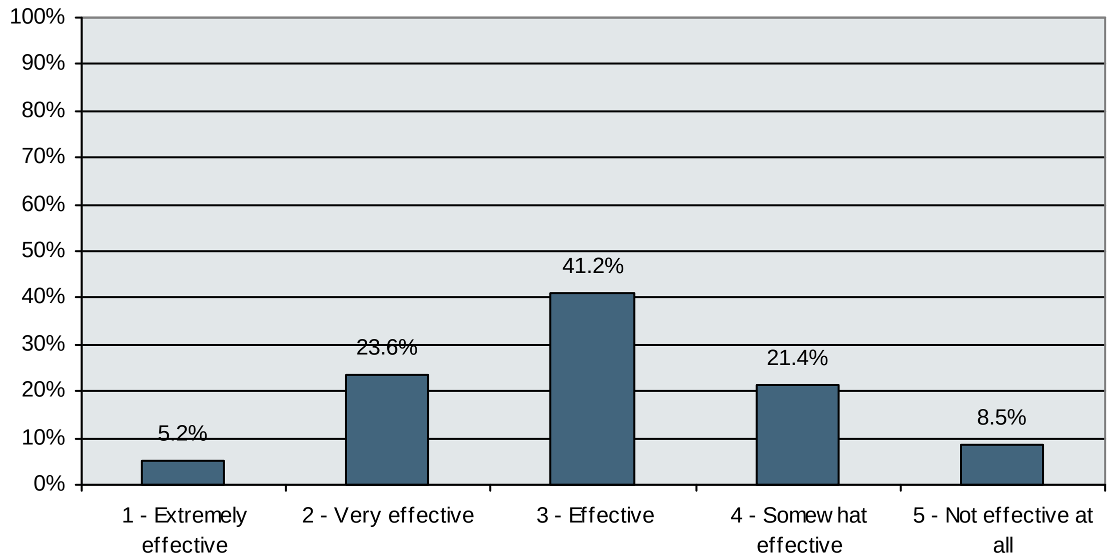
What is the primary purpose of your organization's website?
N=820



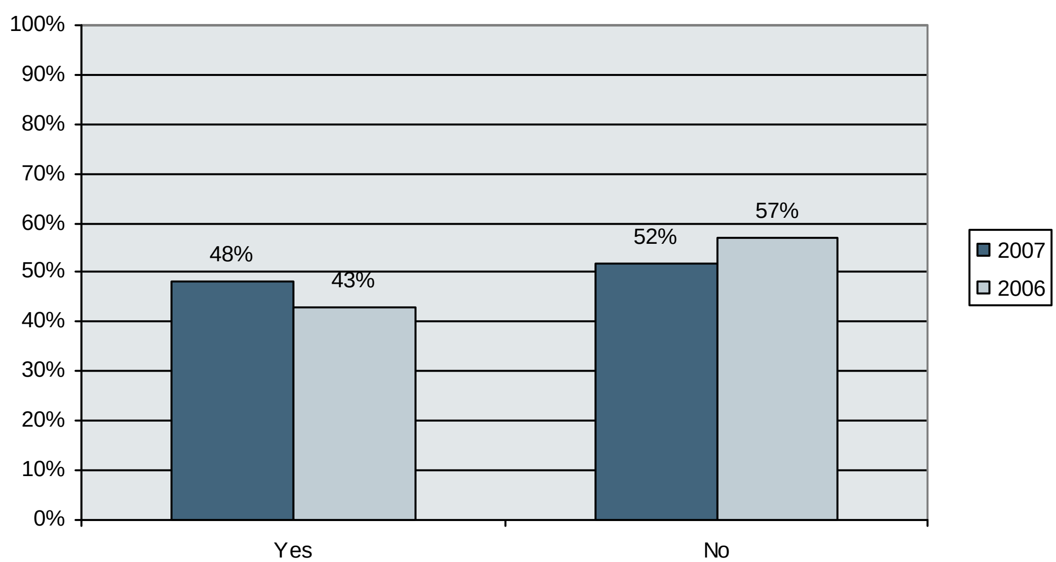
Do you use the following online tools in your organization's Internet strategy?
N=795



How effective is your organization's website at meeting your organization's strategic Internet goals? (Please rate from 1-5, with 1 being extremely effective and 5 not effective at all.).
N=789

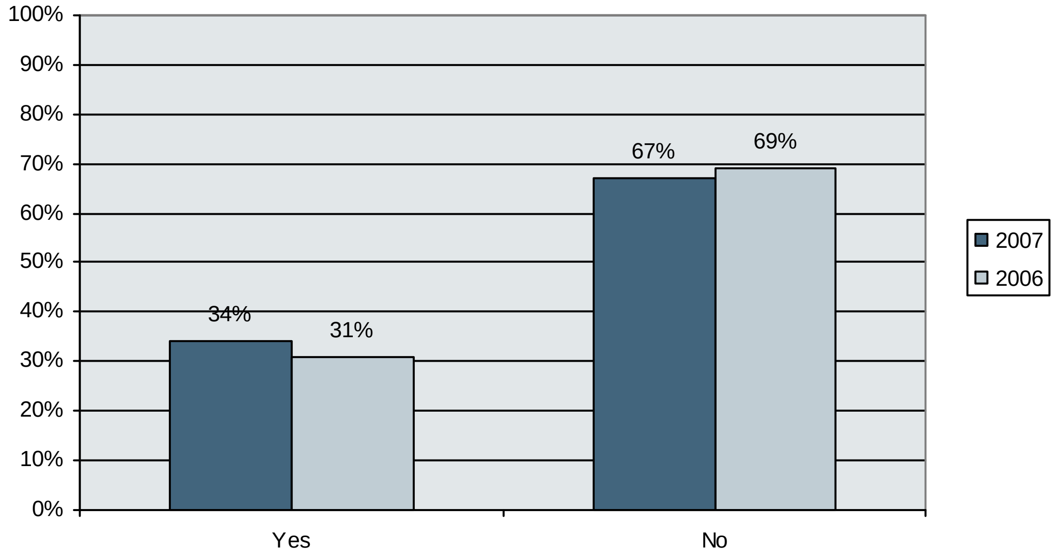


Does your organization actively raise funds online?
Note=829 in 2007

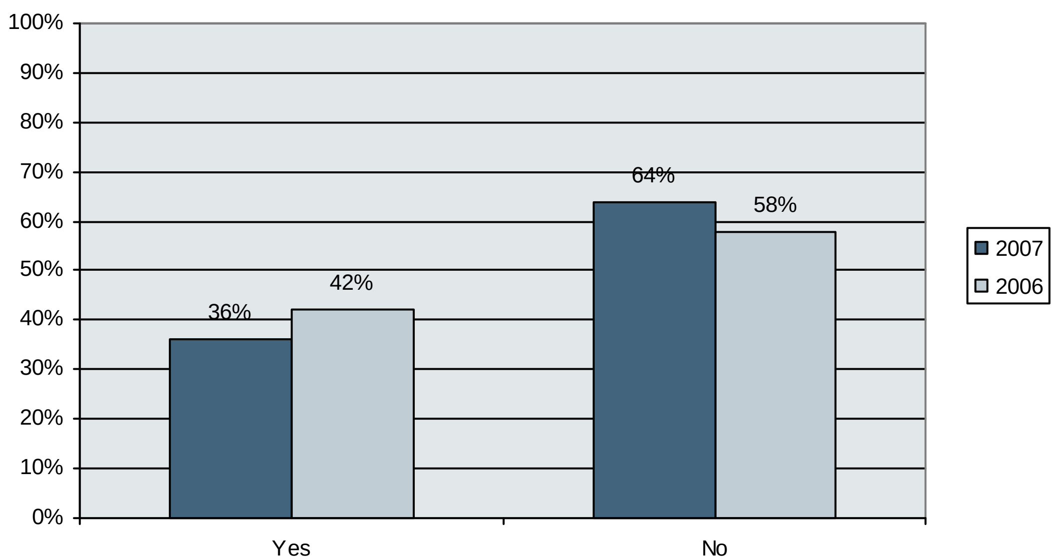


Technology/Internet Usage

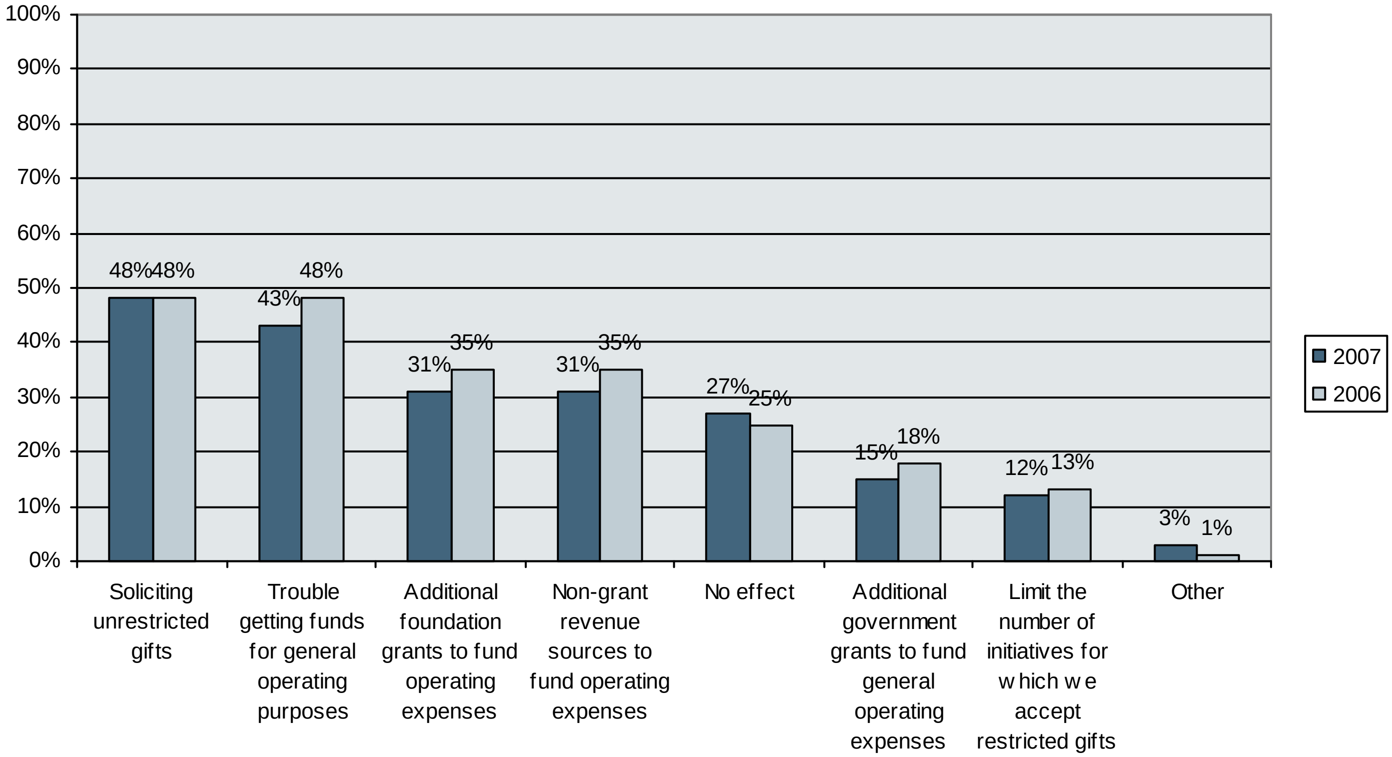
Has your organization seen an increased demand from donors asking to be updated on how their contributions were spent?
N=744 in 2007



Has your organization seen an increased demand from donors asking that their contributions be restricted for a certain purpose?
N=782 in 2007



How is this move toward increased restricted gifts affecting your organization? (Choose all that apply.) N=267 in 2007



For each of the following practices, please indicate the action your organization has taken.