Blackbaud ®

2008 State of the Nonprofit Industry Survey
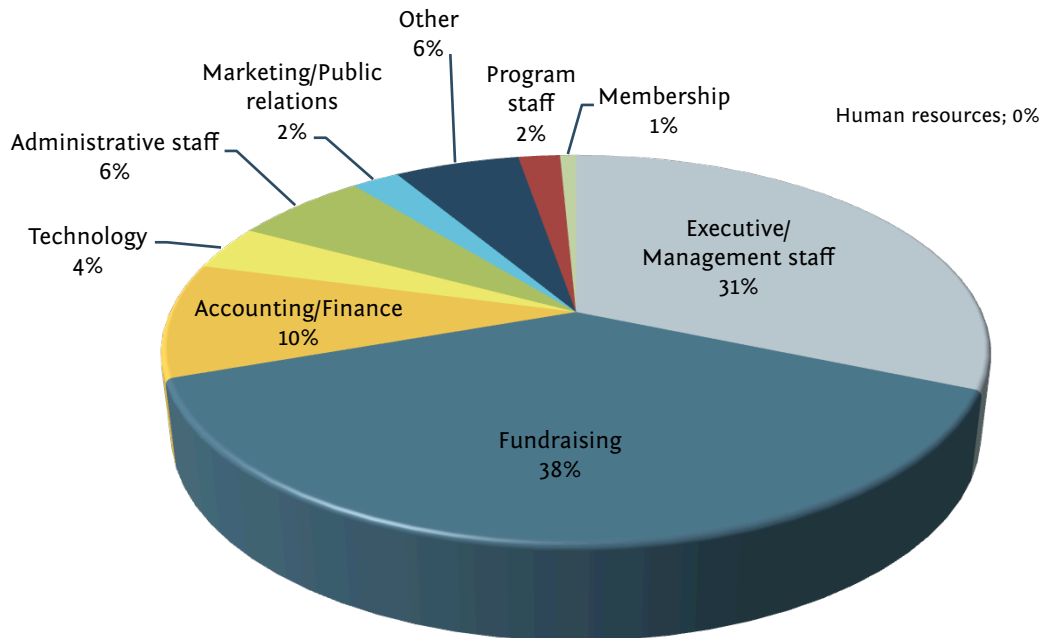*North American Survey Results*

ABOUT THE SURVEY

Blackbaud has conducted its State of the Nonprofit Industry Survey annually for the past five years to provide an overview of information that can help nonprofits better benchmark their operations, based on historical trends and current developments. As in prior years, the 2008 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

Invitations to participate in this online survey were widely distributed throughout the nonprofit community in the United States and Canada and directly to Blackbaud customers in these areas via industry newsletters and targeted emails. Responses were accepted for approximately one month, from August 11 to September 14, 2008. One-thousand, two-hundred, ninety-eight respondents participated in the North America survey, an increase of 14% from one-thousand, one-hundred, forty last year, and an increase of 65% from seven-hundred, eighty-five in 2006. The Survey was conducted online; it is important to note this sampling bias. Changes in political, economic, and environmental climates should also be taken into consideration.
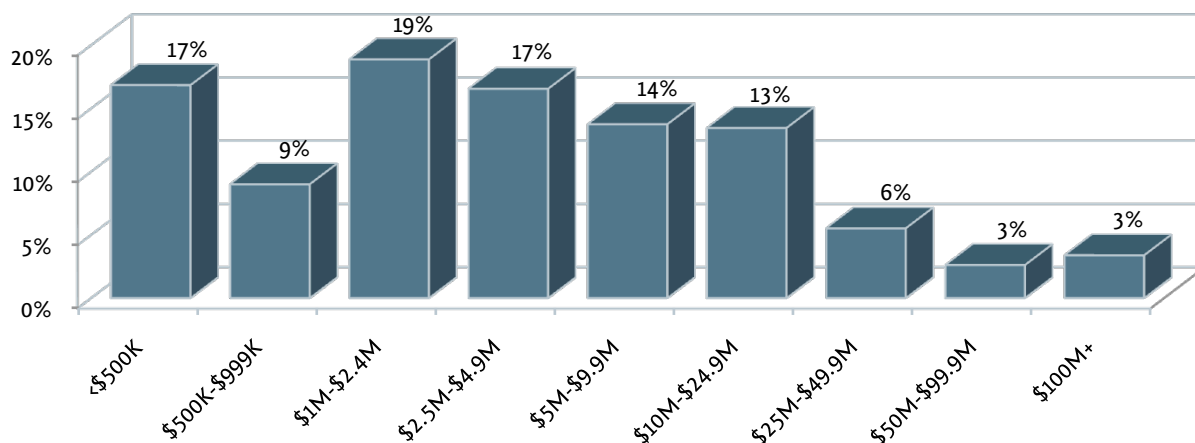
RESPONDENT DEMOGRAPHICS

69% of the respondents in 2008 were either in executive/management or fundraising positions, the same percentage as in 2007.
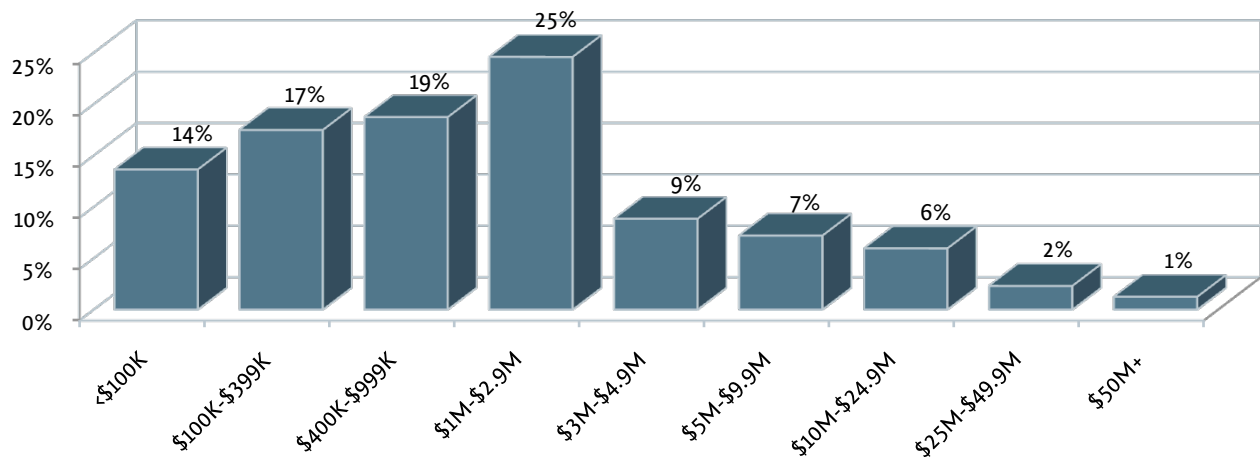

Organizations in the 2008 survey were similar in total revenue size to 2007, except that this year's respondents were slightly larger than last year, especially in the $10m-$49.9m ranges:
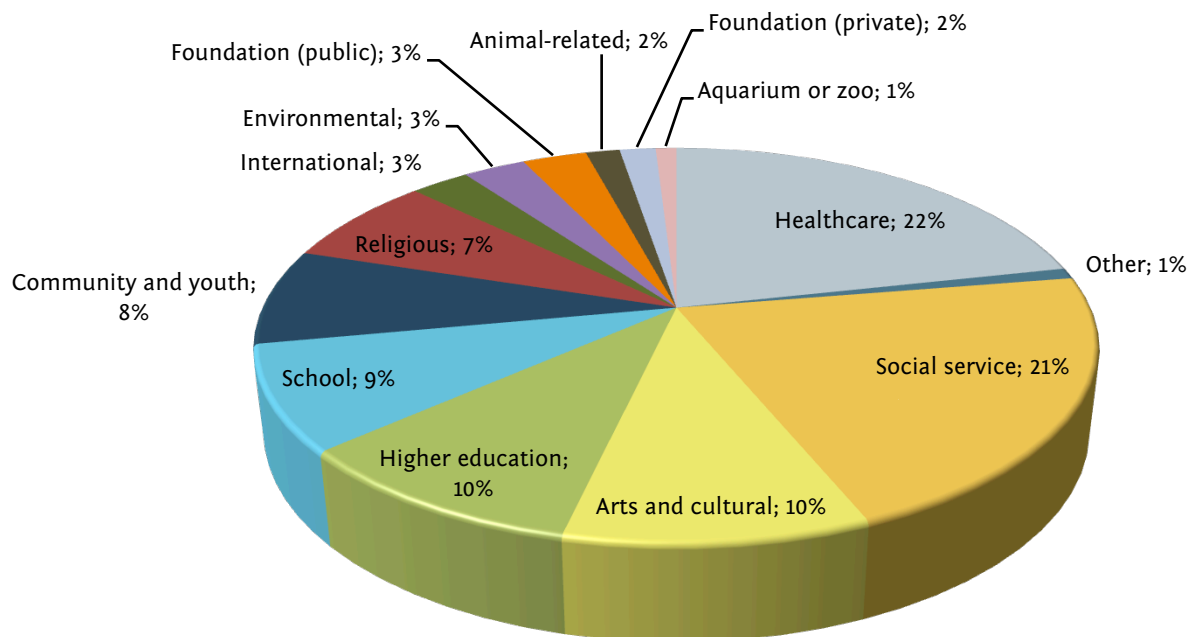
- 26% had <$1m in revenue (vs. 26% in 2007)
- 50% had $1m-$9.9m in revenue (vs. 54% in 2007)
- 25% had $10m+ in revenue (vs. 21% in 2007)

Half of the nonprofits received contributions of $1m+, similar to 52% in 2007.

Bar chart showing percentage of nonprofits by contribution level:
- <$100K: 14%
- $100K-$399K: 17%
- $400K-$999K: 19%
- $1M-$2.9M: 25%
- $3M-$4.9M: 9%
- $5M-$9.9M: 7%
- $10M-$24.9M: 6%
- $25M-$49.9M: 2%
- $50M+: 1%

The largest industry segments represented in the 2008 responses were healthcare and social services.

Pie chart of industry segments:
- Healthcare; 22%
- Social service; 21%
- Other; 1%
- Arts and cultural; 10%
- Higher education; 10%
- School; 9%
- Community and youth; 8%
- Religious; 7%
- International; 3%
- Environmental; 3%
- Foundation (public); 3%
- Animal-related; 2%
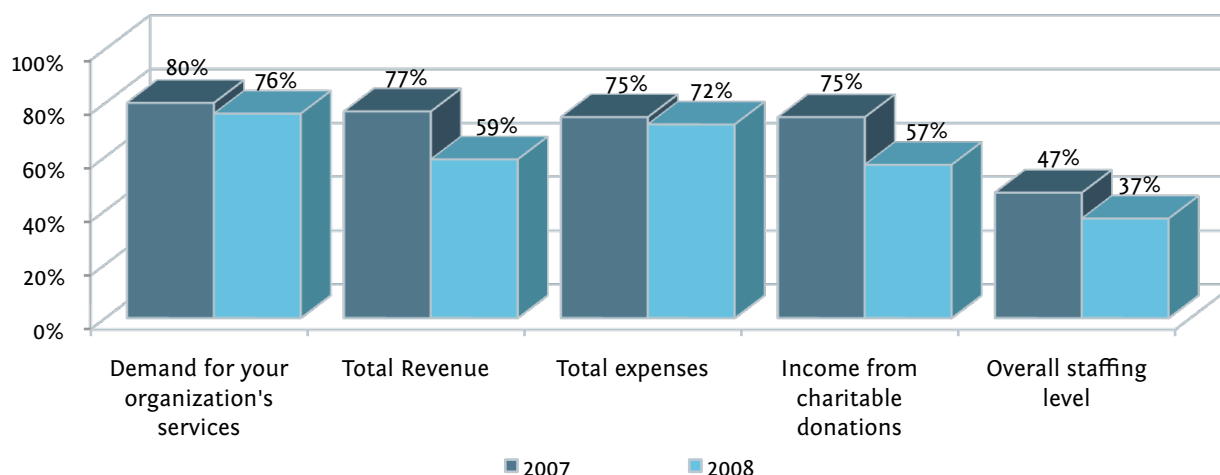- Foundation (private); 2%
- Aquarium or zoo; 1%

2008 State of the Nonprofit Industry – Nonprofit Professionals Share How Their Organizations Are Dealing With Key Issues

Blackbaud survey finds that the uncertain economy will have a significant impact on nonprofits' key financial indicators and operations.
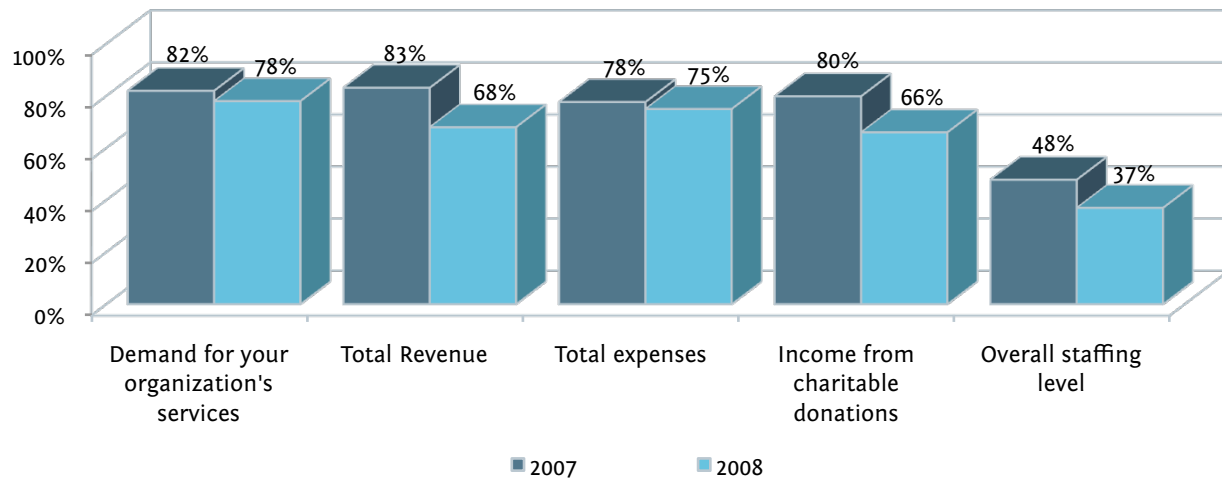
SURVEY RESULTS

General Operations

Although nonprofits expect to grow, they reported significantly lower optimism about their organizations' growth in 2008 than they did in 2007. This was especially true in the areas of total revenue and income from contributions. In 2007, 77% of respondents expected total revenue increases. This dropped to 59% in 2008. 75% expected increases in charitable donations in 2007, versus 57% in 2008. Increases in demand for their organizations' services were expected by 76% in 2008, but only 37% expect to increase hiring to accommodate this growth. The greatest percentage expect their staffing levels to remain the same.
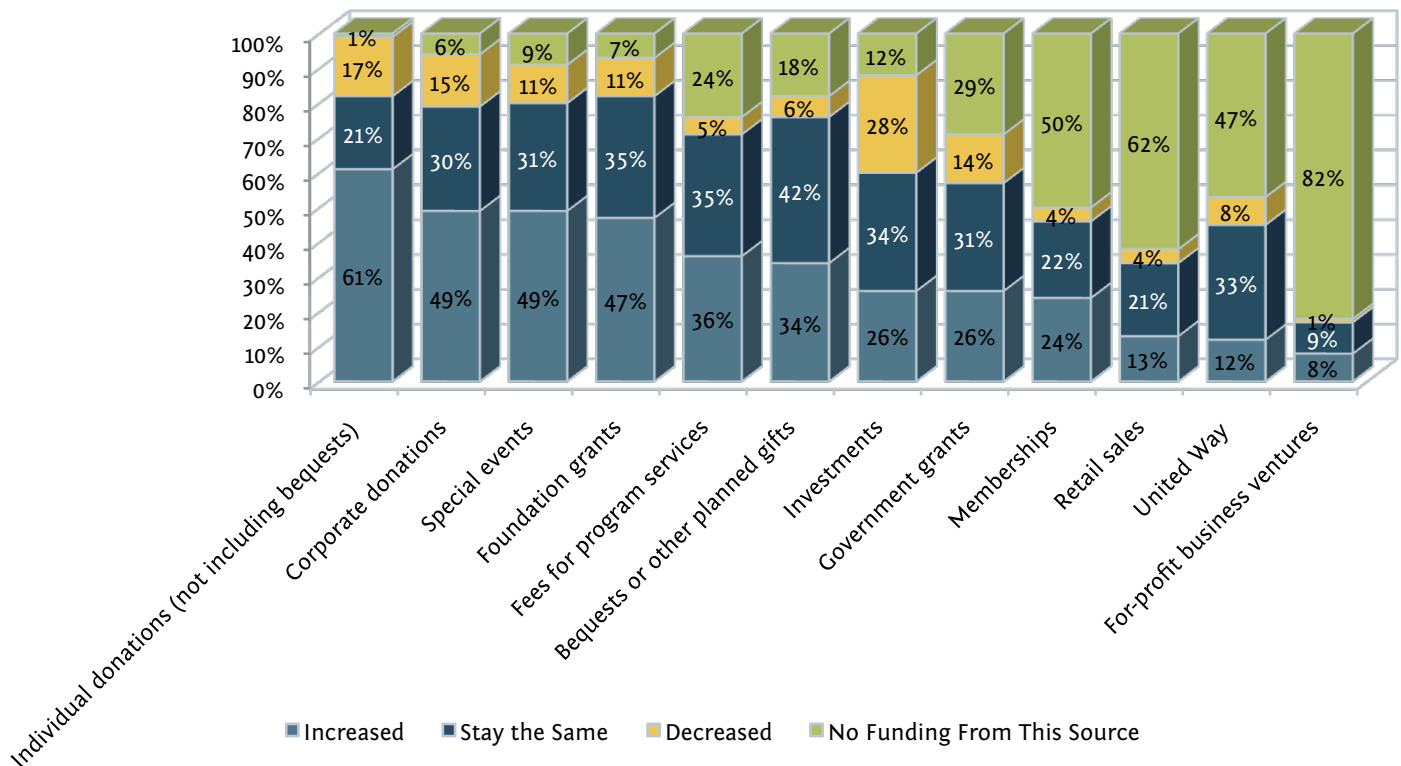
Financial forecasts for 2009 are more optimistic than 2008. 68% expect increases in total revenue, but 75% anticipate increased expenses, and 78% think they will see higher demand for their organization's services.

Nonprofit organizations use numerous ways to bring revenue to the organization, and the survey asked about expected changes in twelve sources. The funding sources that were most expected to provide increases in 2008 over 2007 included:

- Individual donations (minus bequests)
- Corporate donations
- Special events
- Foundation grants

Income from investments is the only area in which more nonprofits expect a decrease than an increase.
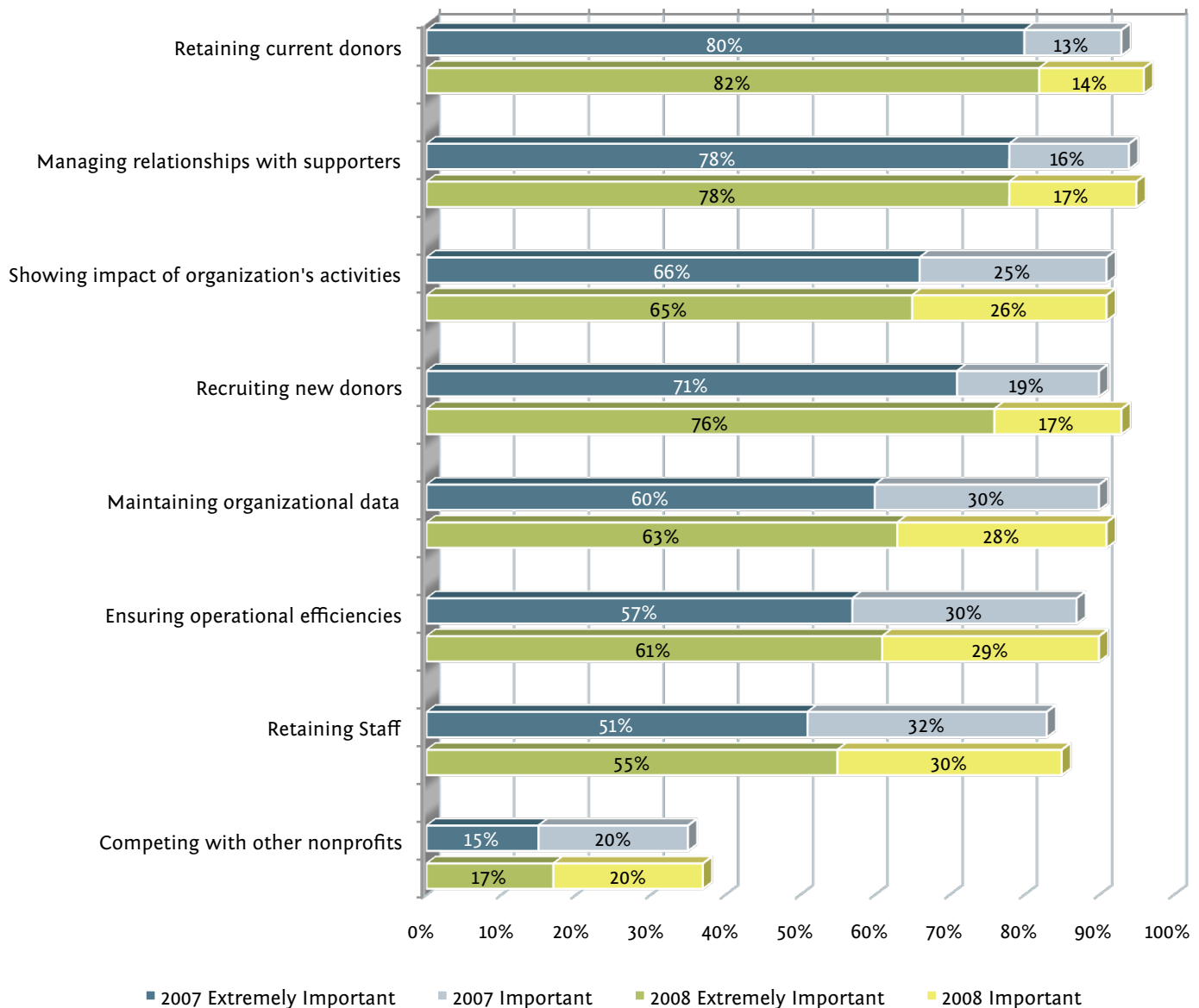
Nonprofits, like all enterprises, have multiple priorities, and how they address them has a direct impact on their organizations' performance. Survey respondents were asked about the importance of donor acquisition and retention, information organization, operational efficiency, staff retention, and competition with other nonprofits.
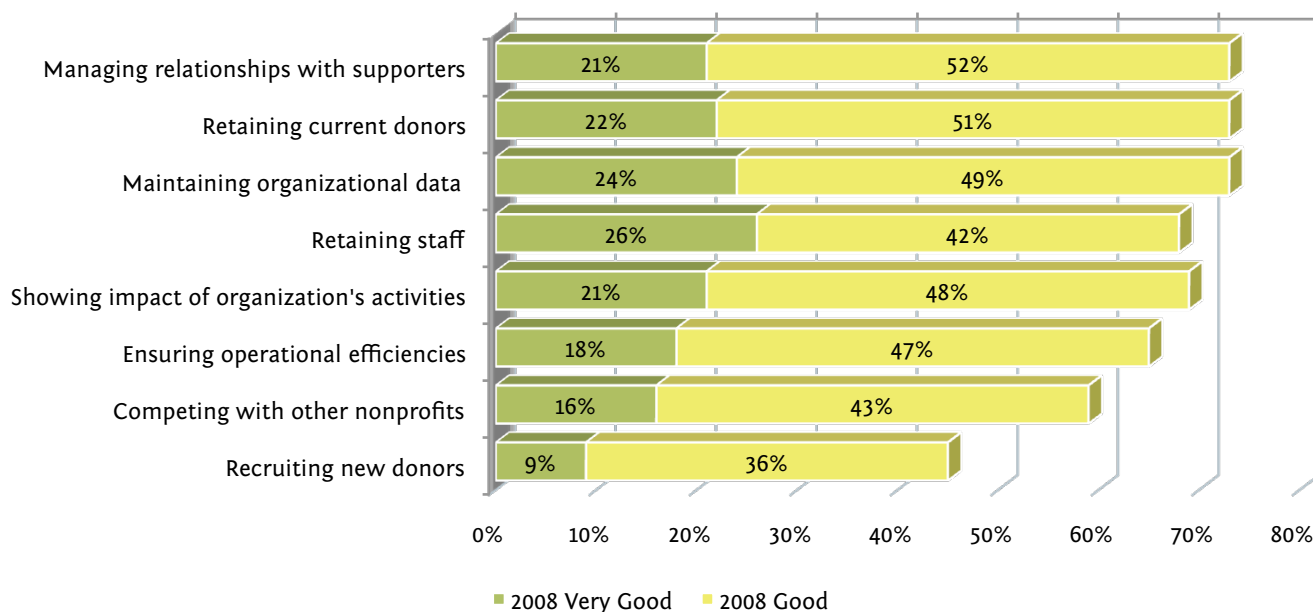
The areas rated of highest importance were:
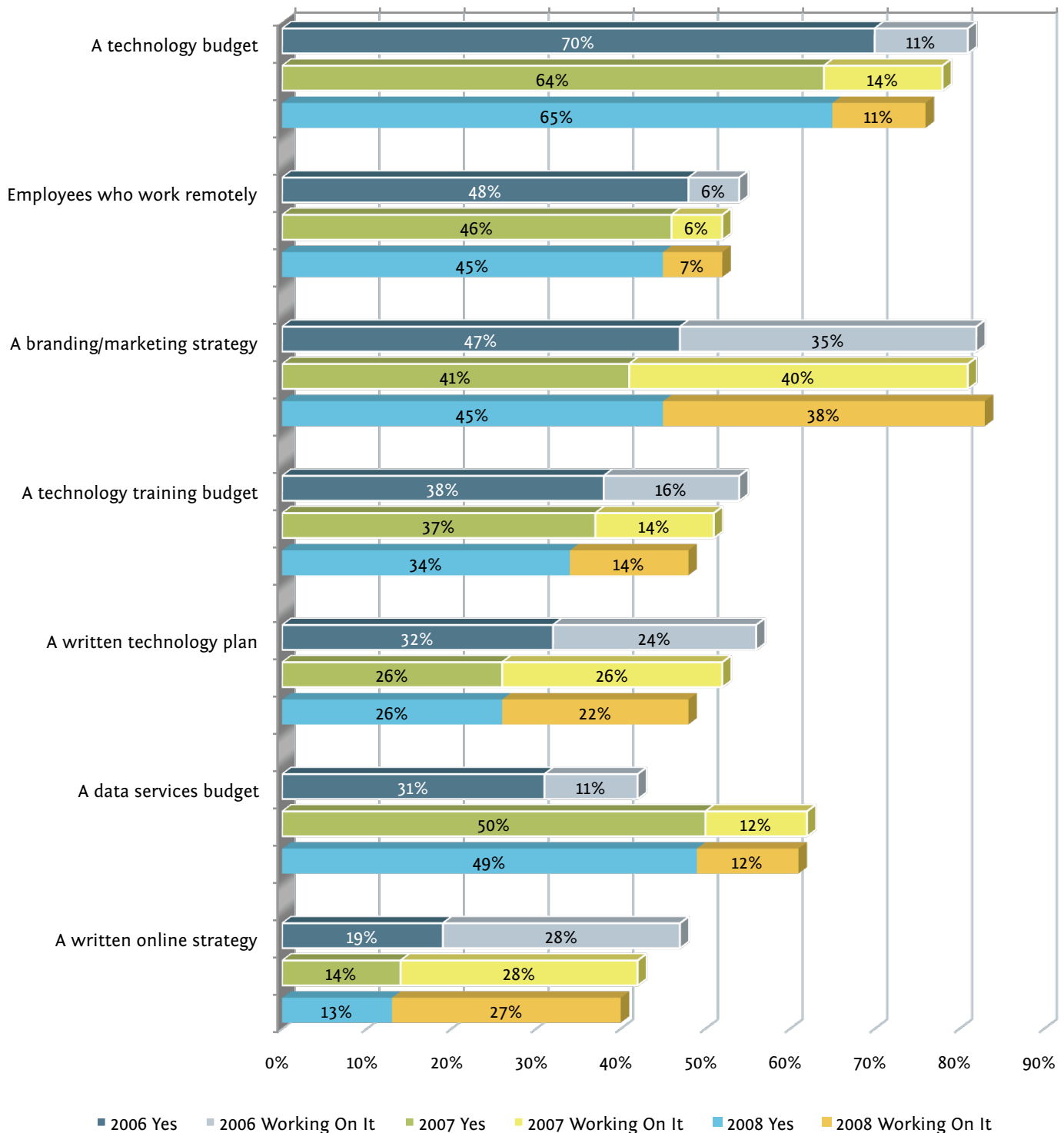o   Donor retention
o   Managing supporter relationships

Importance ratings for 2008 were very similar to 2007. The largest change was in ensuring operational efficiencies. The portion of nonprofits that rated this area as important increased from 87% to 90%.

Category	2007 Extremely Important	2007 Important	2008 Extremely Important	2008 Important
Retaining current donors	80%	13%	82%	14%
Managing relationships with supporters	78%	16%	78%	17%
Showing impact of organization's activities	66%	25%	65%	26%
Recruiting new donors	71%	19%	76%	17%
Maintaining organizational data	60%	30%	63%	28%
Ensuring operational efficiencies	57%	30%	61%	29%
Retaining Staff	51%	32%	55%	30%
Competing with other nonprofits	15%	20%	17%	20%

■ 2007 Extremely Important   ■ 2007 Important   ■ 2008 Extremely Important   ■ 2008 Important

The nonprofits surveyed believe they have performed well in the areas that are most important to their organizations — retaining current donors and managing supporter relationships. Performance ratings were almost the same as in 2007, showing little improvement or deterioration except in the areas of showing the impact of the organization's activities (up from 64% to 69%) and ensuring operational efficiencies (drop from 68% to 65%). Recruitment of new donors remains the most challenging activity — fewer than half think they are performing well in this area.

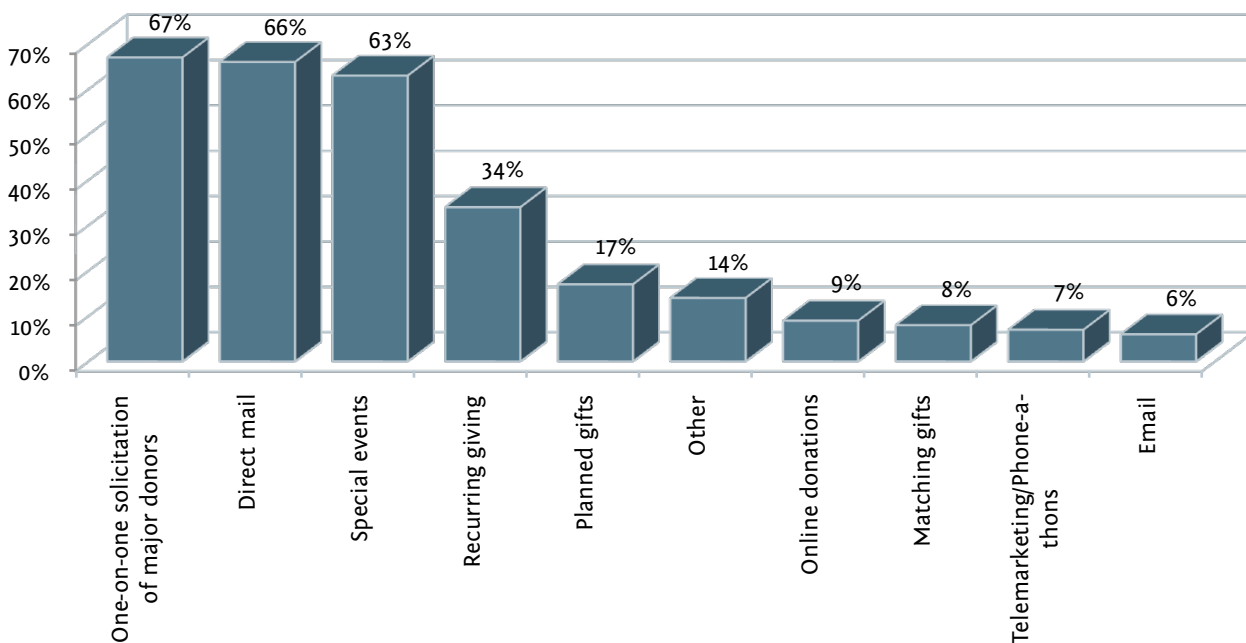| Category	2008 Very Good	2008 Good
Managing relationships with supporters	21%	52%
Retaining current donors	22%	51%
Maintaining organizational data	24%	49%
Retaining staff	26%	42%
Showing impact of organization's activities	21%	48%
Ensuring operational efficiencies	18%	47%
Competing with other nonprofits	16%	43%
Recruiting new donors	9%	36%

From a planning perspective, nonprofits continue to develop or maintain technology budgets, plans, and strategies, though there have been no significant increases or decreases over the past two years. There was marginally less use of remote employees, as 45% of the nonprofits cited their use, compared to 46% of the nonprofits in 2007 and 48% in 2006.

A technology budget
- 2006 Yes: 70% | 2006 Working On It: 11%
- 2007 Yes: 64% | 2007 Working On It: 14%
- 2008 Yes: 65% | 2008 Working On It: 11%

Employees who work remotely
- 2006 Yes: 48% | 2006 Working On It: 6%
- 2007 Yes: 46% | 2007 Working On It: 6%
- 2008 Yes: 45% | 2008 Working On It: 7%

A branding/marketing strategy
- 2006 Yes: 47% | 2006 Working On It: 35%
- 2007 Yes: 41% | 2007 Working On It: 40%
- 2008 Yes: 45% | 2008 Working On It: 38%

A technology training budget
- 2006 Yes: 38% | 2006 Working On It: 16%
- 2007 Yes: 37% | 2007 Working On It: 14%
- 2008 Yes: 34% | 2008 Working On It: 14%

A written technology plan
- 2006 Yes: 32% | 2006 Working On It: 24%
- 2007 Yes: 26% | 2007 Working On It: 26%
- 2008 Yes: 26% | 2008 Working On It: 22%

A data services budget
- 2006 Yes: 31% | 2006 Working On It: 11%
- 2007 Yes: 50% | 2007 Working On It: 12%
- 2008 Yes: 49% | 2008 Working On It: 12%

A written online strategy
- 2006 Yes: 19% | 2006 Working On It: 28%
- 2007 Yes: 14% | 2007 Working On It: 28%
- 2008 Yes: 13% | 2008 Working On It: 27%

Legend: ■ 2006 Yes ■ 2006 Working On It ■ 2007 Yes ■ 2007 Working On It ■ 2008 Yes ■ 2008 Working On It
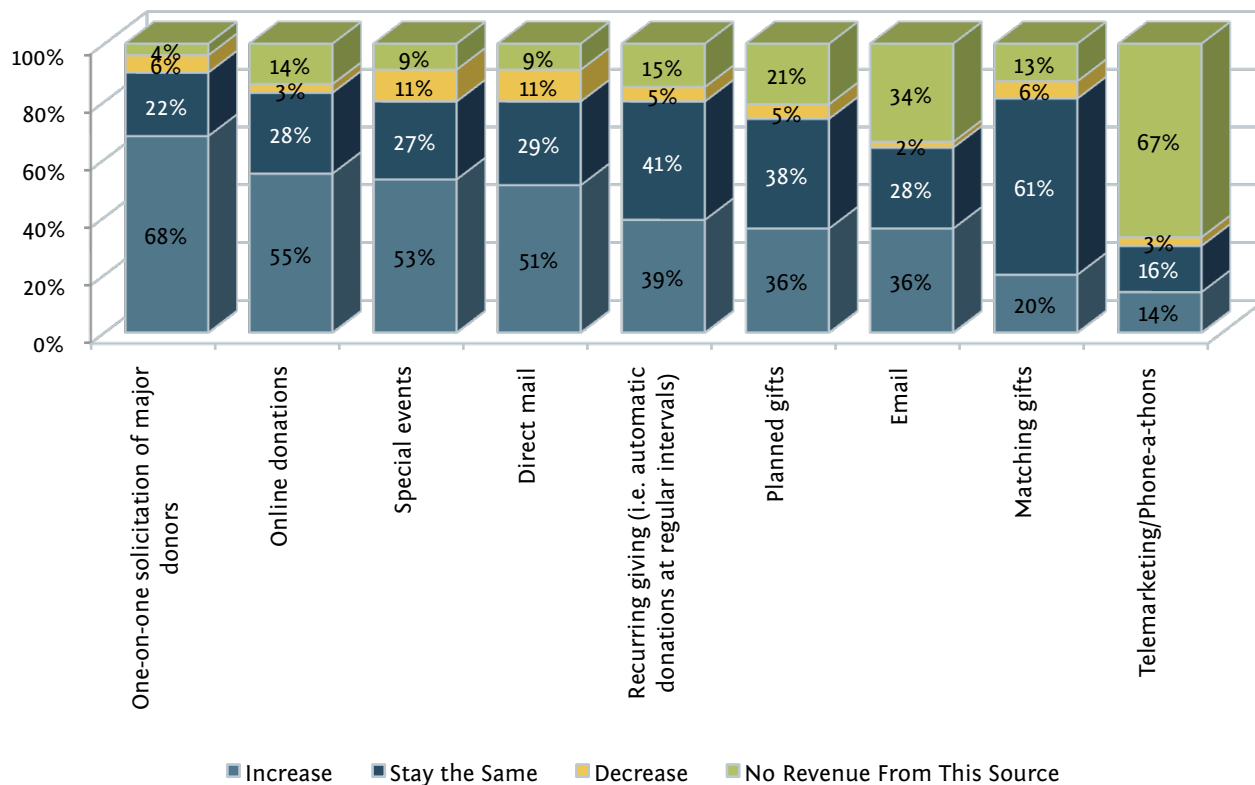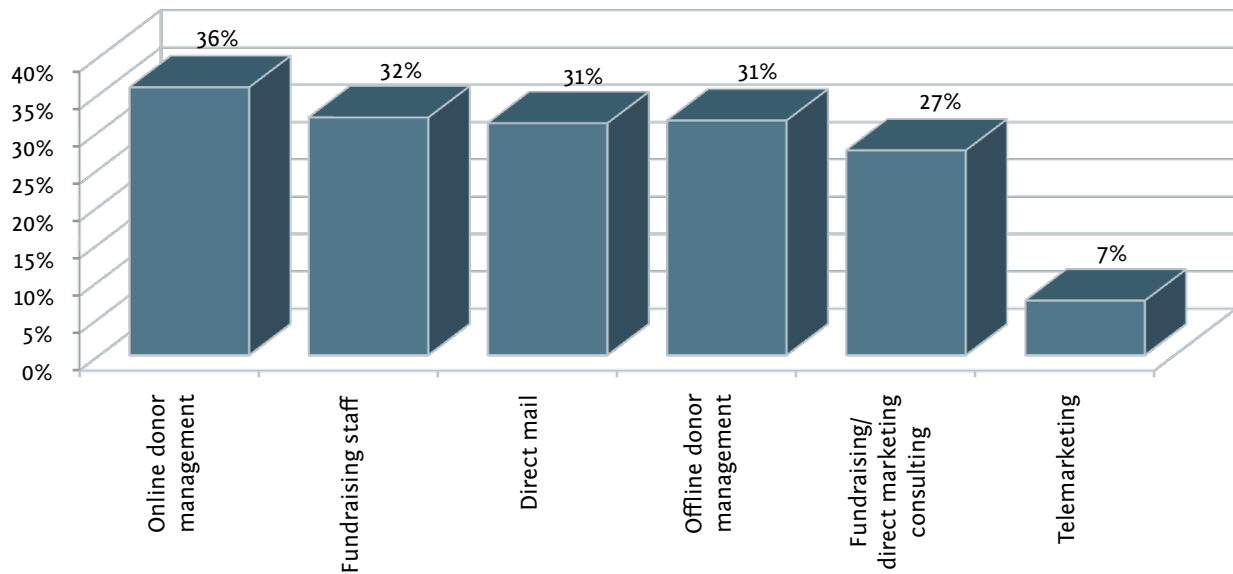
Fundraising

The use of one-on-one solicitations from major donors remains the top driver of donations. It was clearly the donation source of choice from a "top driver" and an increased expectation perspective this year, as well as in 2006 and 2007. Direct mail and special events were the next most used methods for raising donations, as they have been in recent years.

While online donations are not a top driver of total contributions, it is one of the areas where many nonprofits expect to see increases.

Increase   Stay the Same   Decrease   No Revenue From This Source

The greatest area of increased financial investment in 2008 fundraising is online donor management.

Nonprofits often communicate with their donors using direct mail, with 57% saying it is their most common communications channel. The use of direct mail as an organization's most common communication channel, however, is slowly dropping – 74% said it was the preferred channel in 2005, to 68% in 2006, 59% in 2007, and 57% in 2008.
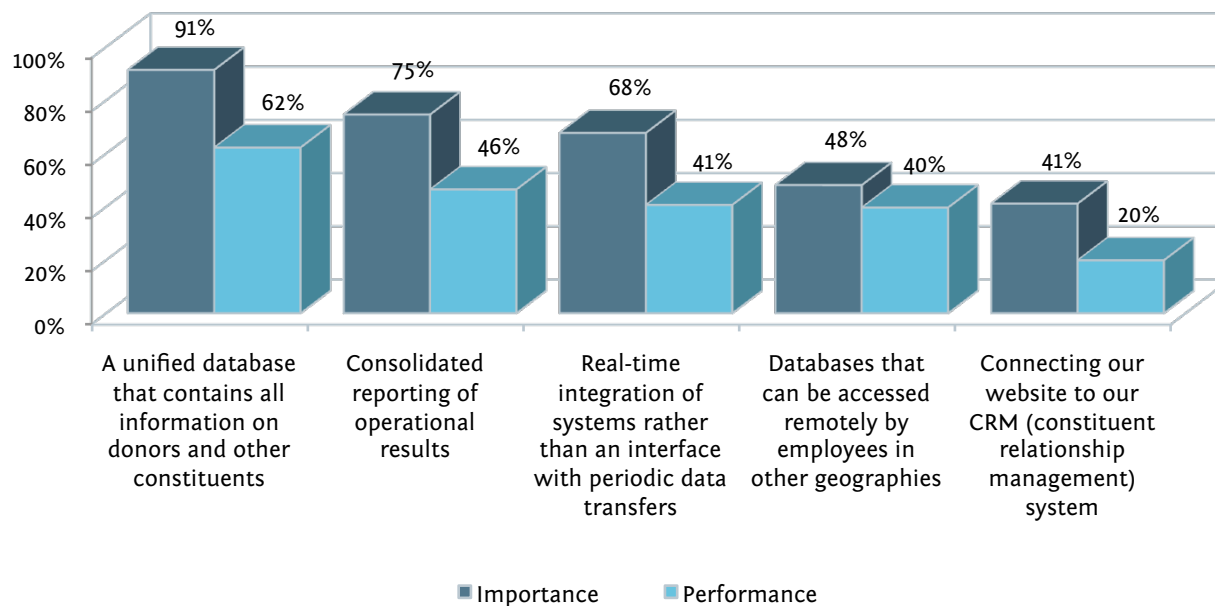
Direct mail is most commonly used for fundraising appeals, event invitations, and newsletters.

Technology / Internet Usage

A unified database that contains information on donors and other constituents is critical to nonprofits' operations, with 92% claiming this is important. The importance of remote access showed a significant increase in importance over 2007 (from 43% to 48%), which is similar to the percentage that report that they have remote employees.
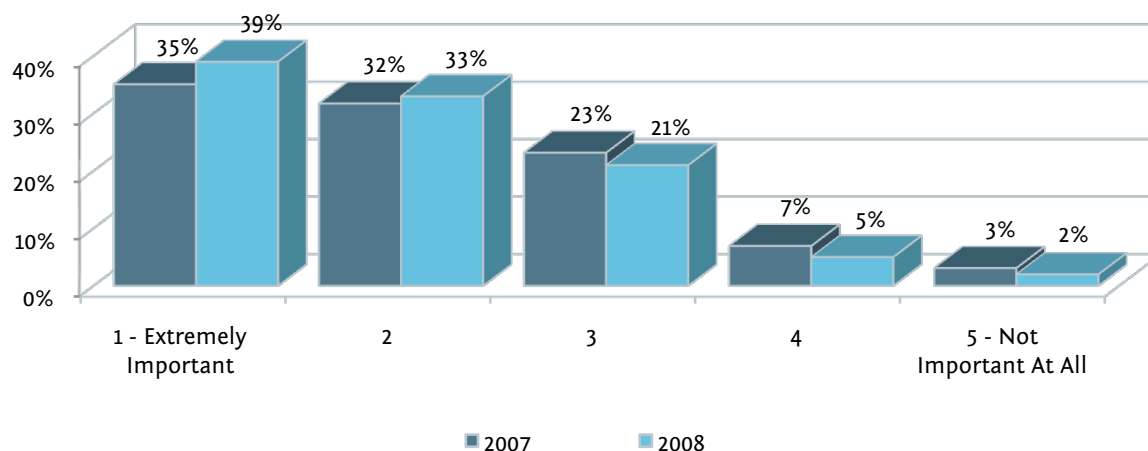
62% of the respondents believe they are making good progress in achieving a unified database, a slight increase over 2007.

Nonprofits continue to find that the use of the Internet can bring more efficiency and versatility to their operations. 98% of the organizations have a website. Its primary purposes are marketing the organization and educating the public, with fundraising as a secondary purpose.
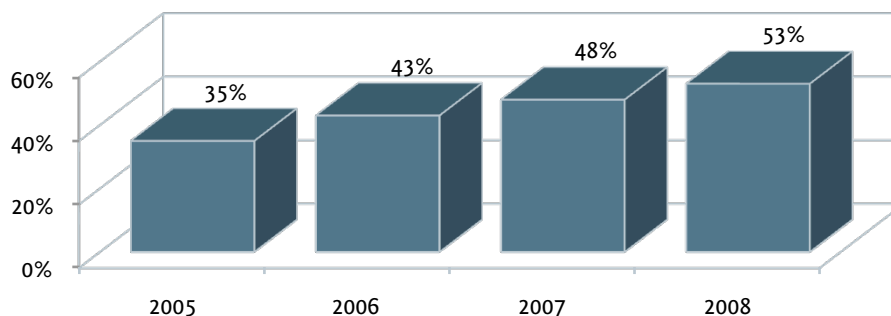
28% see their websites as effective in achieving their Internet goals. More organizations have moderate views of their websites — 44% view them as neither effective nor ineffective.

Most nonprofits (72%) feel that the ability to communicate with their donors and other constituents over the web and through email is important — 39% rated it as extremely important, up from 33% last year.
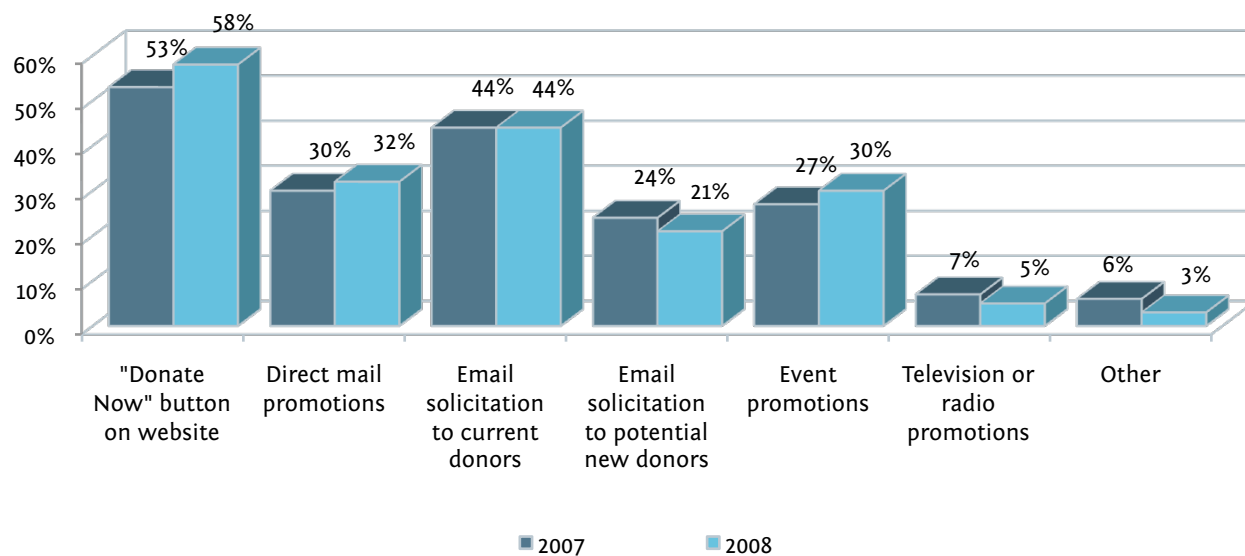
Bar chart (2007 vs 2008):
- 1 - Extremely Important: 35% (2007), 39% (2008)
- 2: 32% (2007), 33% (2008)
- 3: 23% (2007), 21% (2008)
- 4: 7% (2007), 5% (2008)
- 5 - Not Important At All: 3% (2007), 2% (2008)

Internet usage for fundraising has been growing. Email and online fundraising (which includes *passive* activities such as including a "donate now" button on the organization's website) are considered the most used "online tools." Online fundraising grew from 68% of respondents in 2007 to 72% in 2008.

There has been a steady rise in the *active* use of the Internet for the purpose of fundraising.
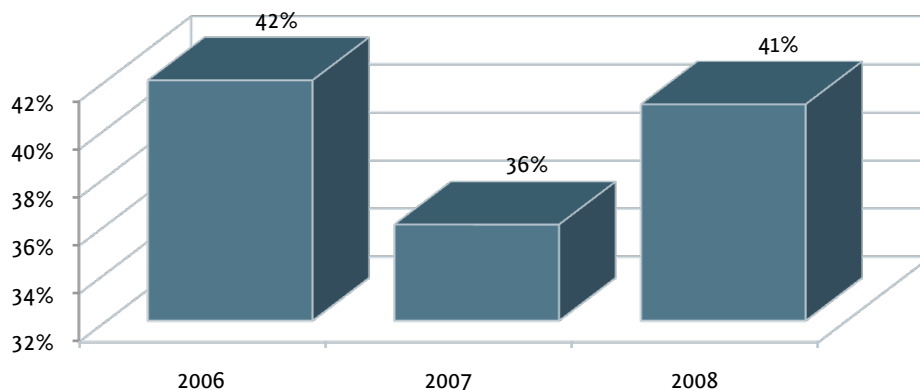

Bar chart:
- 2005: 35%
- 2006: 43%
- 2007: 48%
- 2008: 53%

Nonprofits drive online donations primarily through the use of a passive "donate now" button on their website and actively through emails to current donors.

The following chart shows the percentage of respondents who plan to use each method as one of their top two ways to drive online donations this year versus last year. While the top 2 drivers are the same as this year, nonprofits are increasingly using direct mail promotions to drive online donations.
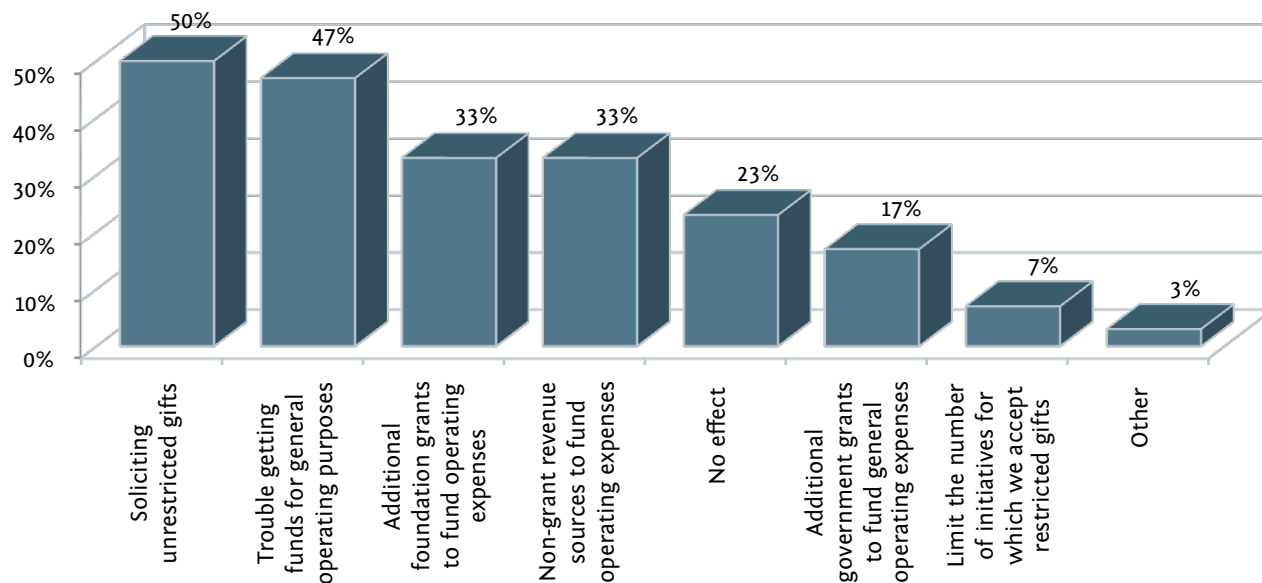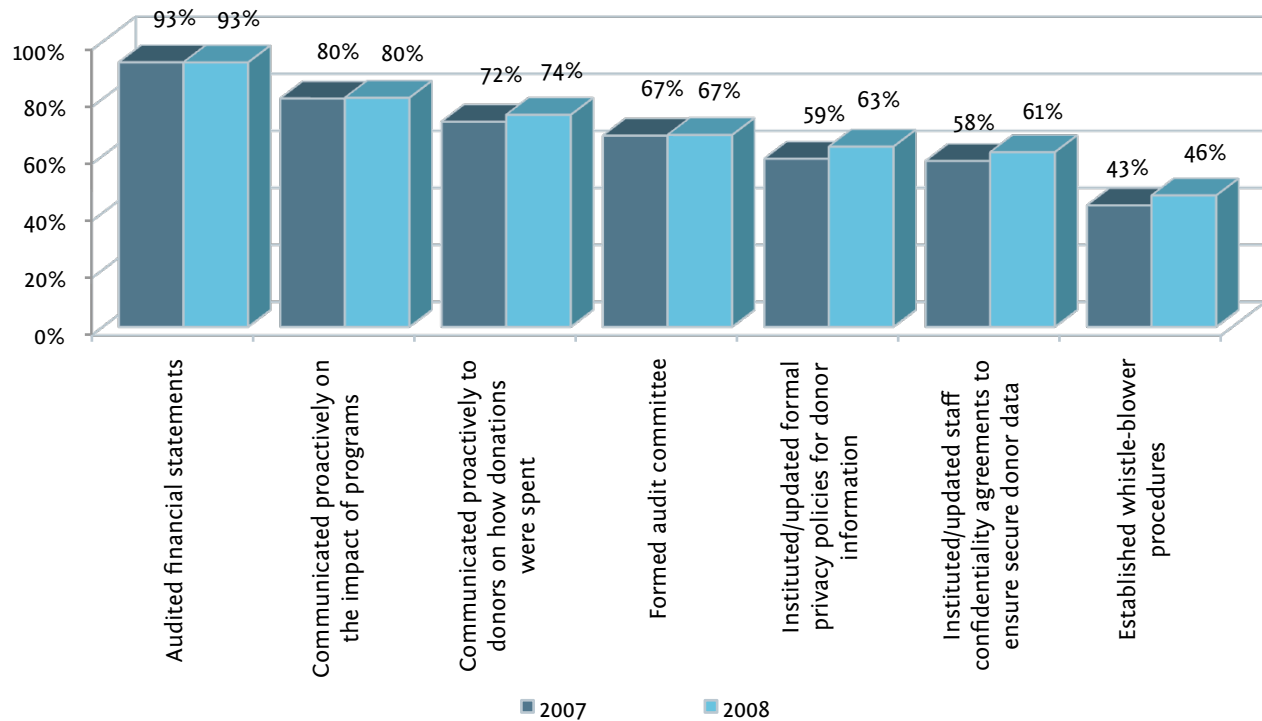
■ 2007　　■ 2008

Accountability and Stewardship

Nearly a third of organizations report increasing demand from donors to be notified how contributions were spent. In addition, 41% say they've seen an increase in donors asking that their contributions be restricted for a certain purpose.

These "donor demands" are causing most organizations to make changes to bring in unrestricted funds. Of those who have experienced an increase in restricted funds, nearly 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 and 2007.

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

Chart data:

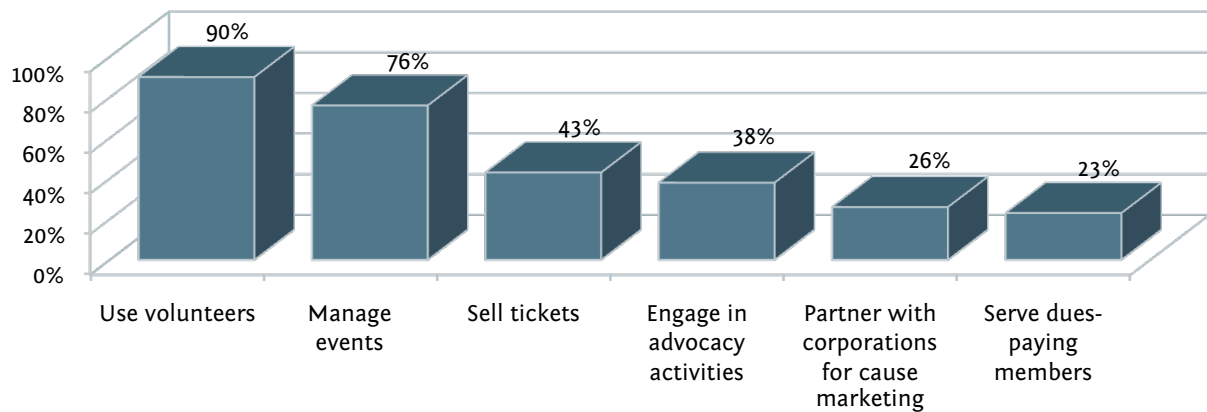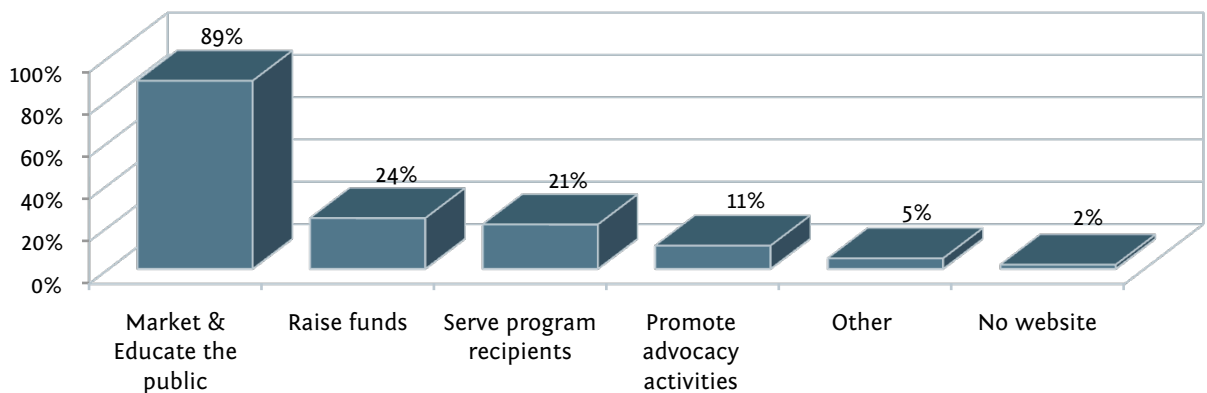| Category	2007	2008
Audited financial statements	93%	93%
Communicated proactively on the impact of programs	80%	80%
Communicated proactively to donors on how donations were spent	72%	74%
Formed audit committee	67%	67%
Instituted/updated formal privacy policies for donor information	59%	63%
Instituted/updated staff confidentiality agreements to ensure secure donor data	58%	61%
Established whistle-blower procedures	43%	46%

ADDITIONAL SURVEY RESULTS

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

2008	Full-time Position	Part of Someone's Job	Part-time Position	Volunteer Position	Outsourced
Accounting	60%	19%	7%	4%	9%
Data/Computer Systems	37%	37%	5%	5%	15%
Marketing	31%	52%	3%	5%	5%
Major Gifts	25%	59%	3%	4%	1%
Grant Writing	20%	58%	5%	4%	6%
Internet/Web	16%	59%	4%	6%	12%
Direct Mail	12%	67%	2%	3%	6%
Prospect Research	10%	67%	3%	4%	4%
Planned Giving / Legacies	14%	58%	2%	4%	2%
Endowments	7%	61%	2%	4%	2%

Which of the following does your organization do? (Please select any that apply.)

- Use volunteers: 90%
- Manage events: 76%
- Sell tickets: 43%
- Engage in advocacy activities: 38%
- Partner with corporations for cause marketing: 26%
- Serve dues-paying members: 23%

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

- Market & Educate the public: 89%
- Raise funds: 24%
- Serve program recipients: 21%
- Promote advocacy activities: 11%
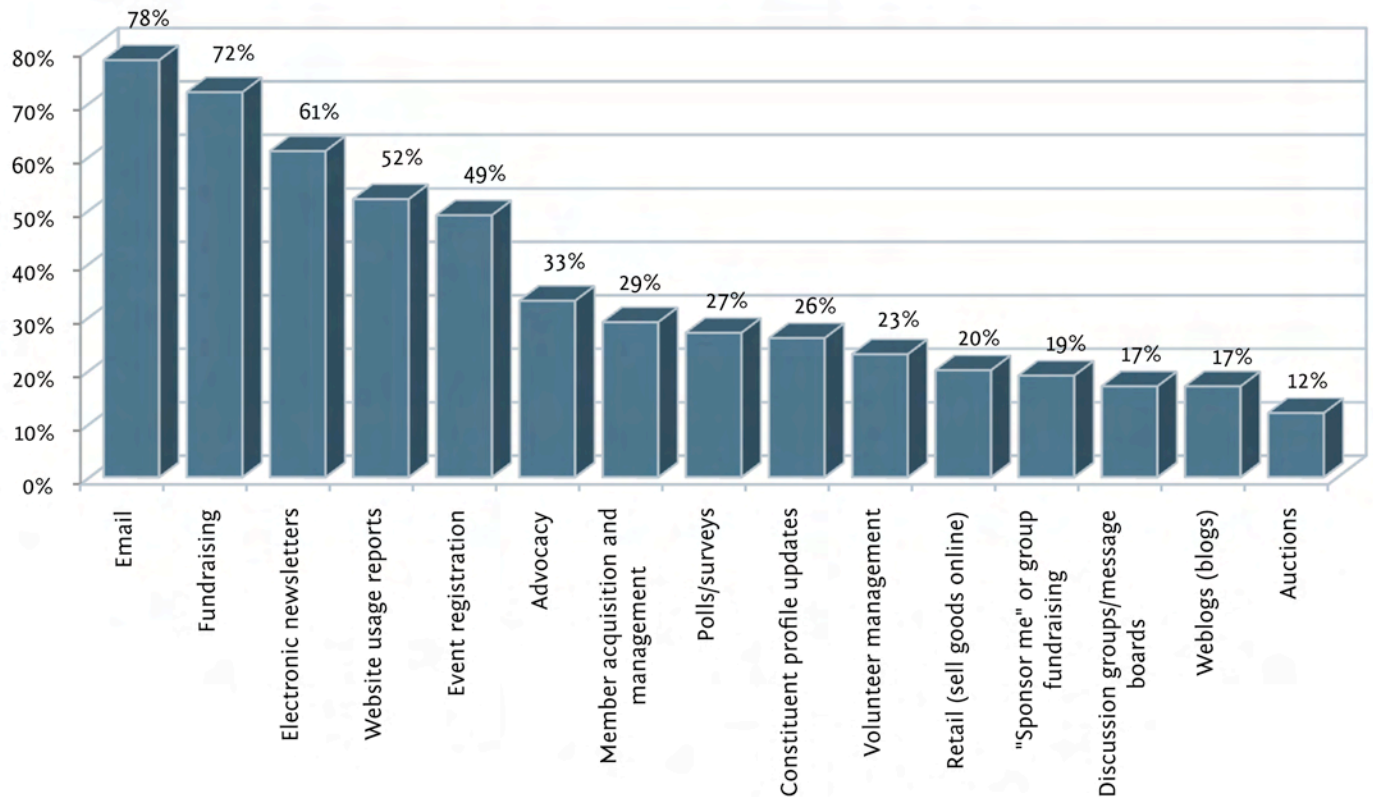- Other: 5%
- No website: 2%

Which functional area has primary responsibility for managing the content and driving the direction of your organization's website?
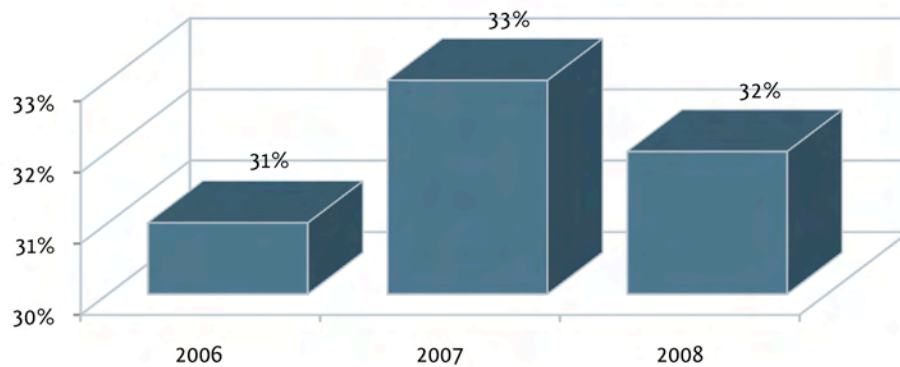

How effective is your organization's website at meeting your organization's strategic Internet goals? (Please rate from 1-5, with 1 being very effective and 5 not effective at all.)

Do you use the following online tools in your organization's Internet strategy? (Please select all that apply.)

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