

blackbaud™

# Charitable Giving Report

## How Nonprofit Fundraising Performed in 2013

Presented by  
Steve MacLaughlin, Director, Blackbaud Idea Lab

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**FEATURING A CLOSER LOOK**  
**BY TODD COHEN, FOUNDER, PHILANTHROPY NORTH CAROLINA**



The Charitable Giving Report leverages findings from The Blackbaud Index to provide the largest analysis of actual overall charitable giving and online giving data in the nonprofit sector. The aim of the Report is to provide a benchmark for giving and help inform nonprofits' fundraising strategies in 2014. It also provides valuable insight from experts in the field, exploring trends and successful fundraising tactics in the *A Closer Look* section.

The Charitable Giving Report, derived from The Blackbaud Index, includes overall giving data from 4,129 nonprofit organizations representing \$12.5 billion in total fundraising from 2013. The Report also includes online giving data from 3,359 nonprofits representing \$1.7 billion in online fundraising from 2013. This year's report features the addition of overall charitable giving data from 985 organizations and online giving data from 778 organizations.

Significant work has gone into building the analysis model and making sure the data meets strict requirements. This includes collecting giving data on a monthly basis over a period of 24

months, checking and rechecking for anomalies, classifying each organization by sector using the National Taxonomy of Exempt Entities (NTEE) code, matching and retrieving reported total revenue information, and applying statistical expertise to the data.

In addition to this year-in-review report, The Blackbaud Index is updated on a monthly basis to showcase the latest charitable giving trends. Visit [www.blackbaud.com/blackbaudindex](http://www.blackbaud.com/blackbaudindex) for additional insight, to chart your organization's performance against the Index, and to sign up for free monthly fundraising alerts.

## SUMMARY OF RESEARCH FINDINGS

In 2013, overall charitable giving in the United States was up 4.9% on a year-over-year basis. Large organizations grew by 5.7%, medium organizations grew 3.8%, and small nonprofits grew 3.6% compared to the same time period in 2012. 2013 marked the largest year-over-year increase in overall charitable giving since the recession.

Giving to International Affairs organizations grew 13.2%, accounting for the largest year-over-year increase by any sector in the analysis. This was a complete turnaround for this sector from 2012, which saw the largest decrease in fundraising results. In 2012, International Affairs organizations returned to pre-disaster levels and in 2013 experienced fundraising growth once again.

Every sector had year-over-year fundraising growth in 2013. This includes strong growth by environment and animal welfare organizations, as well as education institutions. Healthcare, human services, international affairs, and

public and society organizations all returned to positive growth compared to 2012. This indicates strong momentum heading into 2014, especially for some sectors that have struggled in recent years.

**Overall giving  
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to 2012.**

2013 really showed that the fundraising environment is continuing to improve for the vast majority of organizations. The combination of growth across organizations of all sizes and a reversal of negative trends by all sectors contributed to a positive year.

Online giving grew 13.5% in 2013 compared to 2012. Large organizations grew by 12.7%, medium organizations grew 11.3%, and small nonprofits grew 18.4% on a year-over-year basis. That's a further increase over 2012's 10.7% growth rate and shows that online giving is still thriving.

This is the second consecutive year that online giving has experienced double-digit growth rates. Six of the nine sectors in the analysis had

year-over-year growth over 10%, with faith-based organizations having the largest increase.

There was a decrease in the percentage of giving that comes from online donations. In 2013, approximately 6.4% of overall fundraising revenue, excluding grants, was raised online.

The continued increases in both overall and online giving are positive signs for the nonprofit sector. Investments made in people, process, and technology during the recession helped many organizations. Improving economic conditions, a robust stock market, and other factors all contributed to fundraising growth in 2013.

## KEY FINDINGS

The Charitable Giving Report analyzes trends from more than \$12.5 billion in fundraising revenue from 2013. Here are some key findings:

1. Overall charitable giving grew 4.9% in 2013, while online giving grew 13.5%.
2. Online giving accounted for 6.4% of all charitable giving in 2013.
3. Large organizations had the greatest increase in overall charitable giving in 2013, while small organizations had the greatest increase in online giving during 2013.
4. International affairs organizations had the greatest increase in overall charitable giving in 2013 (13.2%), while faith-based organizations had the greatest increase in online giving in 2013 (18.1%).
5. More than one-third (33.6%) of overall charitable giving happens in the last three months of the year, with the highest percentage (17.5%) coming in December.

## 2013 GIVING TRENDS

Overall giving in 2013 grew 4.9% on a year-over-year basis for the 4,129 nonprofit organizations in the analysis. This was an increase over the 2012 growth rate and points to positive signs that giving in the United States is returning to pre-recession levels.

Fundraising by large organizations, with annual total fundraising more than \$10 million, was up by 5.7%. This was a significant rebound from 2012 and was the highest growth rate among organizations in the analysis. Medium organizations, with annual total fundraising between \$1 million and \$10 million, had an increase of 3.8% in 2013. Small nonprofits, with annual total fundraising less than \$1 million, grew their fundraising 3.6% compared to 2012.

Online giving in 2013 grew 13.5% year-over-year for the 3,359 nonprofit organizations in the analysis. Online fundraising continues to be a growth engine for nonprofit organizations, and there is no reason to expect this growth to slow for the foreseeable future.

### Overall Giving Trends by Organization Size

| Size                   | YOY % Change |
|------------------------|--------------|
| Small (Less than \$1M) | 3.6%         |
| Medium (\$1M - \$10M)  | 3.8%         |
| Large (\$10M+)         | 5.7%         |
| Total                  | 4.9%         |

### Online Giving Trends by Organization Size

| Size                   | YOY % Change |
|------------------------|--------------|
| Small (Less than \$1M) | 18.4%        |
| Medium (\$1M - \$10M)  | 11.3%        |
| Large (\$10M+)         | 12.7%        |
| Total                  | 13.5%        |

Nonprofit organizations of all sizes grew their online giving in 2013, and their growth rates exceeded 2012 growth levels across the board. Small nonprofits, with annual total fundraising less than \$1 million, grew their online fundraising 18.4% compared to 2012. Medium nonprofits, with annual total fundraising between \$1 million

and \$10 million, had a year-over-year increase of 11.3% in their online fundraising. Large organizations, with annual total fundraising more than \$10 million, grew their online fundraising by 12.7% in 2013 compared to 2012.

## GIVING TRENDS BY NONPROFIT SECTOR

Each organization in The Blackbaud Index is categorized by one of nine sectors using its National Taxonomy of Exempt Entities — or NTEE code — as reported on its 990 tax return. These sectors are arts and culture, education (predominantly higher education and K-12 independent schools), environment and animal welfare, faith-based, healthcare, human services, international affairs, and public and society benefit. Each sector is weighted based on Giving USA data to ensure that no individual organization or sector is overrepresented in the analysis.

International affairs groups had the largest increase in fundraising, with 13.2% year-over-year growth. Environment and animal welfare organizations were runners-up, with an 8.6% growth rate, followed by education institutions, which grew by 6.5% in 2013.

In an effort to provide the most useful data for organizations in the healthcare field, Blackbaud has split the healthcare sector into two groups. The healthcare sector now tracks fundraising revenue for hospitals, nursing facilities, psychiatric facilities, and other healthcare centers, while the medical research sector tracks fundraising revenue for organizations that raise money to fund medical research, as well as medical education and advocacy.

In 2013, this split revealed that healthcare organizations grew by 3.6%, while medical research organizations grew by 1.4% in overall giving. This sector had the smallest year-over-year growth in the analysis.

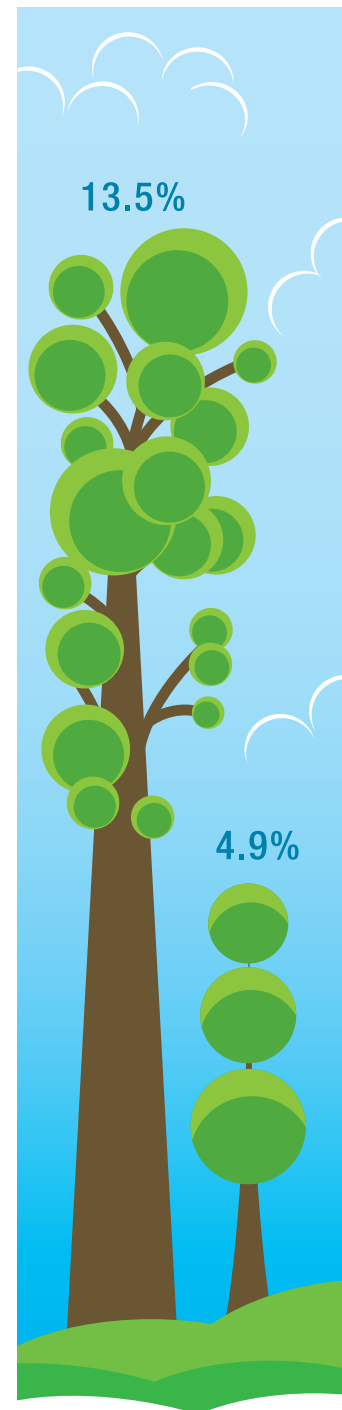
Online giving to faith-based organizations grew the most in 2013 with an 18.1% year-over-year increase. This is the first year that we have included faith-based organizations in the published report. Healthcare (14.5%), education (14.4%), and environment and animal welfare (13.3%) organizations all had very positive online giving growth in 2013.

Arts and culture, public and society benefit, and medical research

**International affairs groups had the largest increase in fundraising, with 13.2% year-over-year growth.**

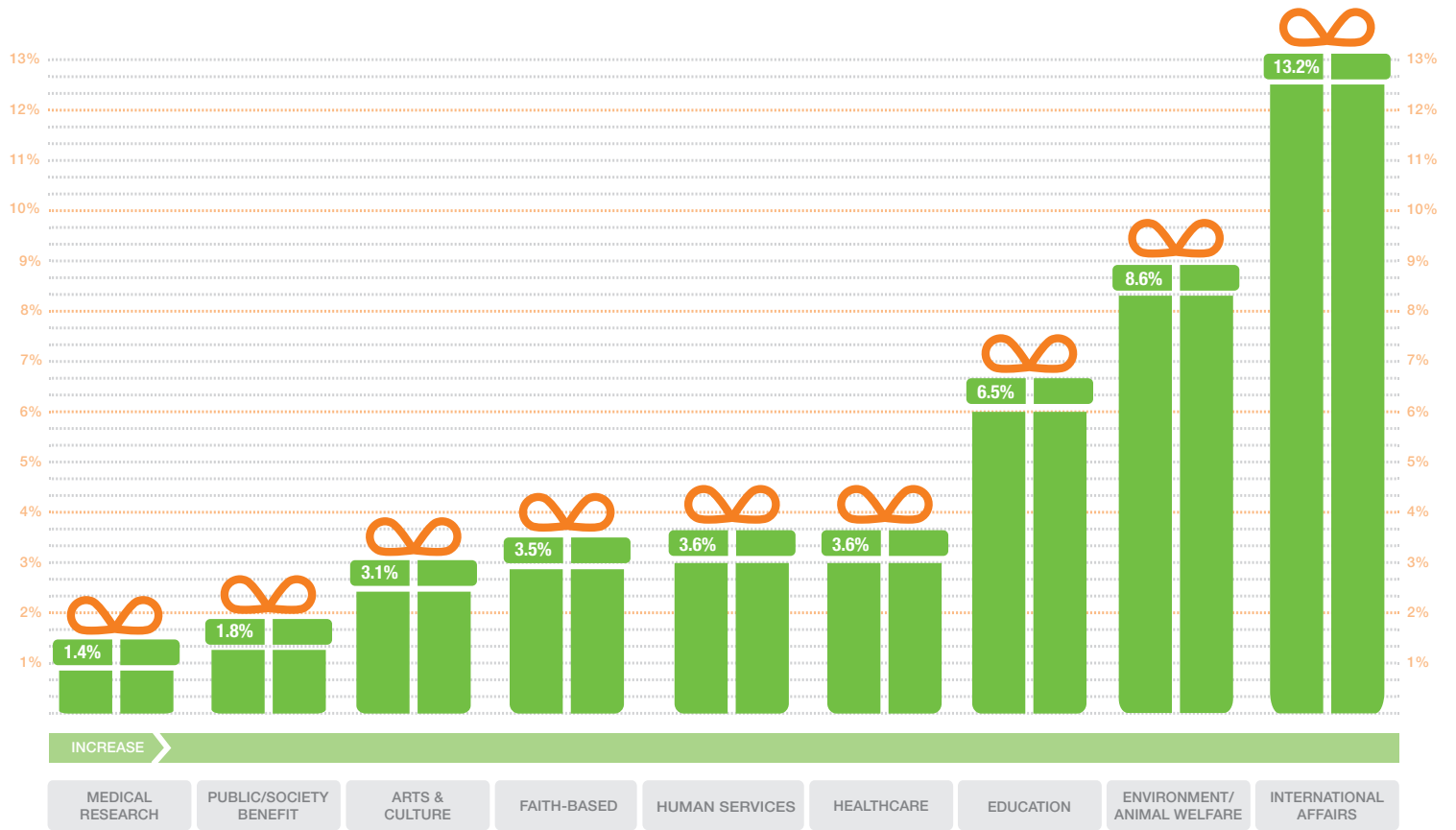
nonprofits had single-digit growth rates in 2013. The medical research sector had the smallest growth rate, with a 4.9% increase in online giving. This reflects the trend in overall giving to these types of organizations.

Online giving in 2013 represented a growth opportunity for the nonprofit organizations in the analysis. Specific events – like the Boston Marathon bombings, Midwest storms, and Philippines typhoon disaster – clearly drove online giving during the year. End-of-year giving was boosted by an increase in #GivingTuesday donations. This is a trend to watch over time as the movement grows.

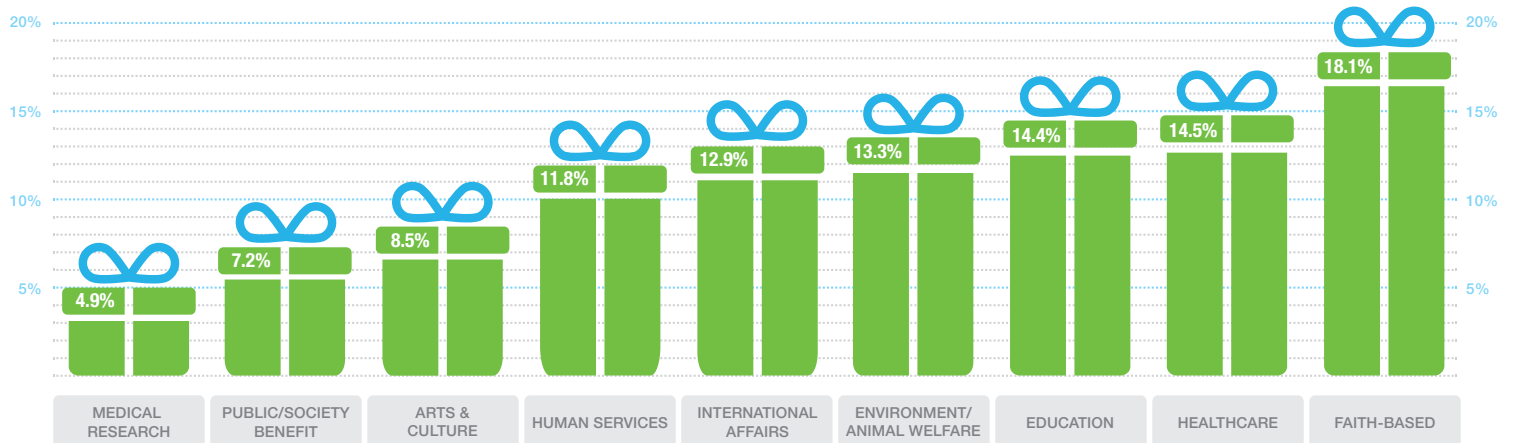


Online giving was up 13.5% in 2013, compared to the overall giving increase of 4.9%.

2013 OVERALL GIVING TRENDS BY SECTOR



2013 ONLINE GIVING TRENDS BY SECTOR



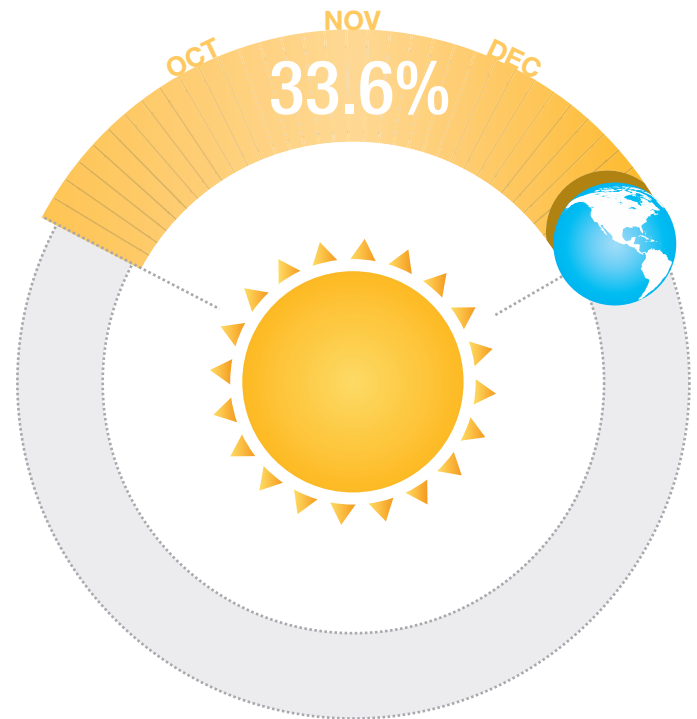
## GIVING TRENDS BY MONTH

The analysis looked at the distribution of giving across all of 2013. More than one-third of all charitable giving happens in the last three months of the year, and this trend has remained consistent for several years now. We did see a decrease in December giving, from 18% in 2012 to 17.5% in 2013.

There continues to be a spike in giving during June that happens because of a focus by some nonprofit organizations on end-of-fiscal-year giving. This trend continues to support the belief that nonprofit organizations can diversify their giving across the calendar year with the right amount of focus.

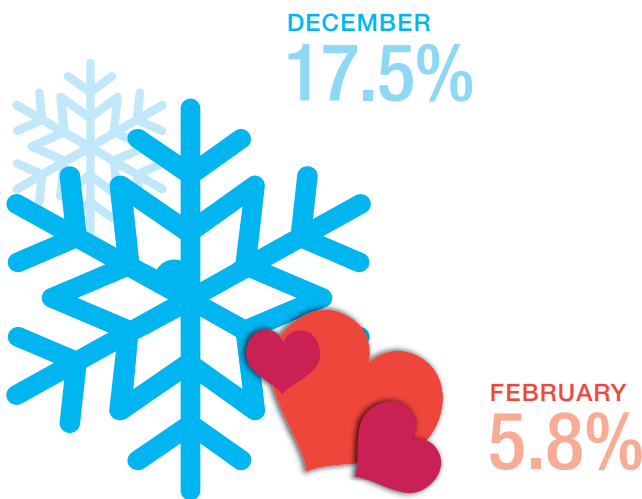
Online giving also has a significant amount of fundraising taking place during the final months of the year. Just over 35% of online giving happened during October, November, and December of 2013. Both human services and public and society benefit organizations had very high concentration of online giving at year's end.

Almost every sector raised more than 20% of its annual online giving during December. The exception was medical research, which raised just 5.6% of its total online giving in December. This might seem puzzling considering that medical research organizations raised 22.5% of their entire fundraising in the last month of the year. This contrast is likely because the vast majority of online giving to medical research

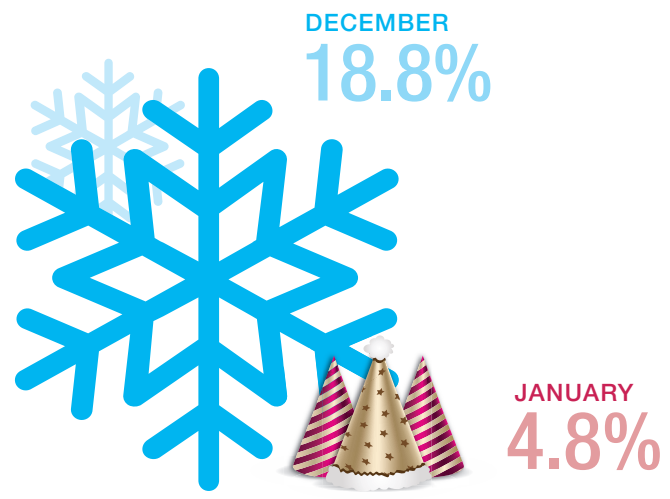


The last three months of the year account for more than a third of the year's overall giving (33.6% to be exact).

organizations is through peer-to-peer fundraising events. These run, walk, and ride events are often held throughout the year and very few happen during the month of December.



Overall giving reached the year's high in December – accounting for 17.5% of 2013's total gifts. February was the slowest month of the year for overall giving, bringing in only 5.8% of the year's total charitable contributions.



Online giving also reached the year's high in December – accounting for 18.8% of 2013's online gifts. January was the slowest month of the year for online giving, bringing in only 4.8% of the year's online donations.

### 2013 Overall Giving Distribution by Month by Sector

| Sector                 | Jan  | Feb  | Mar  | Apr   | May  | Jun   | Jul  | Aug  | Sept | Oct  | Nov   | Dec   |
|------------------------|------|------|------|-------|------|-------|------|------|------|------|-------|-------|
| Arts and Culture       | 7.2% | 7.0% | 8.3% | 7.3%  | 8.1% | 9.8%  | 6.4% | 6.4% | 7.4% | 8.4% | 7.1%  | 16.5% |
| Education              | 8.3% | 5.6% | 7.2% | 7.2%  | 7.5% | 10.3% | 6.3% | 6.2% | 7.2% | 8.1% | 7.0%  | 18.9% |
| Environment, Animals   | 6.8% | 5.8% | 7.7% | 8.1%  | 7.8% | 9.4%  | 9.0% | 6.3% | 7.2% | 7.5% | 7.4%  | 17.0% |
| Healthcare             | 7.9% | 5.6% | 6.9% | 7.7%  | 7.7% | 8.4%  | 7.7% | 6.5% | 7.9% | 8.9% | 8.2%  | 16.7% |
| Human Services         | 7.5% | 5.8% | 6.6% | 7.2%  | 7.5% | 8.7%  | 8.9% | 7.0% | 6.6% | 7.4% | 9.9%  | 16.7% |
| International Affairs  | 6.7% | 5.1% | 6.2% | 18.5% | 5.3% | 6.2%  | 5.4% | 6.9% | 6.7% | 7.4% | 10.4% | 15.4% |
| Medical Research       | 8.4% | 5.2% | 8.0% | 6.6%  | 5.7% | 10.5% | 4.9% | 6.3% | 6.2% | 9.4% | 6.2%  | 22.5% |
| Public/Society Benefit | 9.1% | 5.6% | 8.8% | 8.0%  | 7.9% | 6.9%  | 7.8% | 6.7% | 6.4% | 8.0% | 7.2%  | 17.7% |
| Faith-based            | 6.0% | 6.6% | 8.0% | 7.8%  | 8.8% | 9.8%  | 7.4% | 6.5% | 7.1% | 7.5% | 6.3%  | 18.3% |
| All Sectors            | 7.6% | 5.8% | 7.2% | 8.5%  | 7.5% | 9.0%  | 7.3% | 6.6% | 7.0% | 8.0% | 8.1%  | 17.5% |

**#GIVINGTUESDAY™** Based on Blackbaud's online giving data from more than 3,800 customers who received an online donation Tuesday, December 3:

- Online giving on #GivingTuesday 2013 was up 90% compared to 2012. Blackbaud processed more than \$19.2 million in online donations.
- The average online gift Tuesday, December 3, was \$142.05, which was significantly up from \$101.60 in 2012.

### 2013 Online Giving Distribution by Month by Sector

| Sector                 | Jan  | Feb  | Mar   | Apr   | May   | Jun  | Jul  | Aug  | Sept  | Oct   | Nov   | Dec   |
|------------------------|------|------|-------|-------|-------|------|------|------|-------|-------|-------|-------|
| Arts and Culture       | 6.0% | 6.4% | 10.6% | 8.2%  | 6.7%  | 7.6% | 4.7% | 6.1% | 6.0%  | 9.1%  | 6.8%  | 21.8% |
| Education              | 5.4% | 7.4% | 7.8%  | 8.4%  | 9.3%  | 9.5% | 5.0% | 4.7% | 5.9%  | 7.4%  | 6.8%  | 22.5% |
| Environment, Animals   | 5.7% | 6.2% | 8.1%  | 8.9%  | 7.4%  | 6.3% | 5.6% | 6.1% | 6.4%  | 6.1%  | 6.8%  | 26.4% |
| Healthcare             | 7.1% | 7.9% | 6.7%  | 6.8%  | 6.8%  | 5.0% | 5.3% | 5.7% | 9.3%  | 9.4%  | 7.5%  | 22.6% |
| Human Services         | 5.5% | 5.8% | 6.0%  | 6.7%  | 7.5%  | 5.8% | 4.9% | 4.9% | 6.3%  | 6.3%  | 11.5% | 28.9% |
| International Affairs  | 4.1% | 3.9% | 6.3%  | 7.9%  | 12.5% | 4.3% | 4.9% | 6.8% | 5.3%  | 6.2%  | 14.1% | 23.7% |
| Medical Research       | 3.5% | 6.0% | 10.0% | 15.6% | 12.5% | 7.3% | 5.7% | 7.4% | 11.8% | 10.8% | 3.8%  | 5.6%  |
| Public/Society Benefit | 4.9% | 4.8% | 6.6%  | 6.4%  | 6.3%  | 6.4% | 5.3% | 5.2% | 6.5%  | 6.8%  | 11.5% | 29.3% |
| Faith-based            | 6.0% | 6.3% | 6.8%  | 7.6%  | 7.5%  | 6.0% | 5.9% | 5.8% | 6.1%  | 6.5%  | 15.0% | 20.6% |
| All Sectors            | 4.8% | 5.9% | 7.9%  | 10.1% | 10.0% | 6.5% | 5.3% | 6.2% | 7.9%  | 8.1%  | 8.5%  | 18.8% |

## TRENDS BY PERCENTAGE OF TOTAL FUNDRAISING FROM ONLINE GIVING

Blackbaud has been measuring the percentage of total fundraising that comes from online giving for many years now. This metric can be used by nonprofit organizations to benchmark their online giving performance against peer organizations within each sector or of a similar size.

Blackbaud used data from The Blackbaud Index over the past year to examine percentage of total fundraising that came from online giving. We looked at total giving for 3,135 organizations with \$10.5 billion in total fundraising and found that, on average, online donations accounted for 6.4% of overall fundraising.

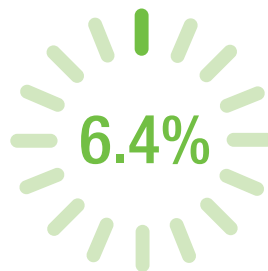
This was a decrease from 2012, when giving towards Hurricane Sandy relief efforts caused a surge in online fundraising. This metric has moved up and down since 2010, and we expect these types of fluctuations to continue in the future. Because online giving is the first-response channel of choice for donors during episodic giving, there will be times when online giving spikes.

Small organizations continue to lead the way with 7.8%, followed by large nonprofits with 6.8%, and medium organizations with 5.4% of total fundraising coming from online giving.

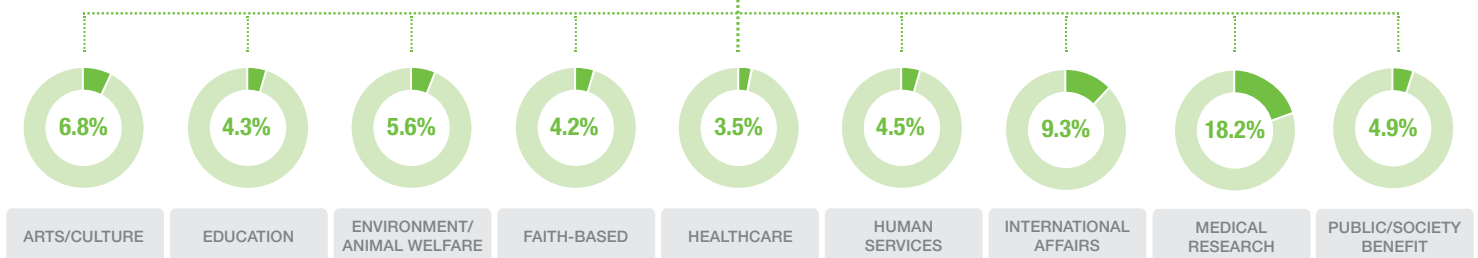
By splitting out healthcare organizations from medical research institutions, a dramatic trend appears. Medical research groups raise 18.2% of their total fundraising from online giving, but healthcare nonprofits raise only 3.5%. This highlights a key contrast between organizations raising a significant amount of funds from peer-to-peer events and the more traditional major gift focus of a healthcare organization.

Over time, the increase in online giving by donors to the faith-based, education, and human services sectors will drive the percentage of overall fundraising that comes from online donations.

| Percentage of Total Fundraising from Online Giving |              |
|--|--------------|
| Size   | YOY % Change |
| Small (Less than \$1M)                             | 7.8%         |
| Medium (\$1M - \$10M)                              | 5.4%         |
| Large (\$10M+)                                     | 6.8%         |
| Total  | 6.4%         |



In 2013, online giving accounted for 6.4% of all charitable giving.





## A CLOSER LOOK: FUNDRAISING BASICS ARE KEY AS ECONOMY STARTS TO RECOVER

BY TODD COHEN, FOUNDER, PHILANTHROPY NORTH CAROLINA

2013 was a strong year for fundraising, with charities posting their biggest increases since before the economy plunged in 2008, according to The Blackbaud Index.

“It was a very healthy year,” as fundraising revenue grew steadily after a slightly slow April, says Chuck Longfield, Blackbaud’s chief scientist and founder of The Blackbaud Index.

Helping to drive that growth, experts say, was a recovering economy

and a focus on fundraising fundamentals, including: investment in fundraising capacity and attention to cultivating major donors, using data to better understand and segment donors, refining communications, focusing on impact, and making more effective use of technology.

Here are fundraising strategies that proved effective in the sectors tracked by The Blackbaud Index:



### HEALTHCARE – INVESTING IN CAPACITY

Investment in fundraising capacity continued to pay off in 2013 for hospitals, medical centers and long-term care facilities, according to Bill McGinly, president and CEO of the Association for Healthcare Philanthropy (AHP).

Organizations that raised the most money invested more in staff, securing major gifts, and overall fundraising capacity. “It costs money to bring in money,” McGinly said.

Total giving to AHP’s roughly 5,000 members totaled \$8.9 billion in 2013 – roughly the same as the previous year.

And more than half of fundraising revenue typically comes from an institution’s “family,” including employees, physicians, top executives, major donors, board members, and patients.

An AHP survey that generated responses from 28 percent of its members found that median net fundraising grew in sync with spending on fundraising.

Organizations that spent \$4.8 million on fundraising, for example, generated more than \$18 million in median net fundraising revenue.

In comparison, organizations that spent \$2 million to \$4.8 million on

fundraising generated \$9 million in median net fundraising revenue; those that that spent \$425,000 to \$910,000 generated \$2.2 million; and those that spent \$60,000 to \$425,000 generated \$565,000.

Spending on staff was a key investment, McGinly said, with the most successful fundraising taking place at organizations that invested in staff compensation, hiring experienced fundraising professionals, and making sure at least one fundraising professional was dedicated to each fundraising program, such as the annual fund, major gifts, planned giving, and events.

“They’re hiring and compensating staff, and bringing staff in that have more experience,” McGinly said.

Among organizations that performed best in fundraising, even those that posted the most modest results typically spent \$800,000 or more on direct expenses for staff.

Organizations with the most effective fundraising operations also focused on their return on investment and recognized that spending on overhead is “essential,” McGinly said.

“You’re not going to raise dollars unless you are hiring people and paying the overhead necessary to support those activities,” he said.

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— Bill McGinly, President and CEO, Association for Healthcare Philanthropy

AHP has encouraged its members to develop “dashboards” that track net fundraising revenue, return on investment, and the cost to raise a dollar.

Organizations can use that data to measure gains and successes, providing their executives and boards with information they need to make decisions about fundraising strategies and investments.

While the cost of raising a dollar measures efficiency, McGinly said, investment in overhead is equally important.

“A lot of organizations that are efficient aren’t raising the dollars they need,” he said. “They lose an opportunity because they’re afraid to take a risk or take advantage of something that’s really going to give them a return.”



## HIGHER EDUCATION – CULTIVATING MAJOR GIFTS

A rebounding economy and long-term investment in major gift donors paid off for colleges and universities in 2013, said John Lippincott, president of the Council for Advancement and Support of Education (CASE).

Schools that have shown fundraising success are also doing a good job in their stewardship of donors, including younger donors, by engaging them in their institutions in ongoing ways, he said.

In a CASE survey a year ago, members said they expected 5.8 percent growth in giving in 2013 compared to 2012, a projected pace roughly equivalent to the 20-year average growth for CASE members. “We are now back to normal rates of growth in the aftermath of the recession,” Lippincott said.

Driving that growth has been the recovering economy and the cultivation of major gift donors, or those making gifts of seven figures or more, he said.

In a fundraising campaign with a goal of \$1 billion or more, 87 percent of funds typically are given by one percent of donors, and those major gifts generally are a function of “the number of times you ask,” he said.

“What is accounting for the kind of success people are anticipating comes down to the development of the relationships with the major donor community,” Lippincott said. “Those donors are giving as a result of the long-term relationships they have with the institutions.”

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— John Lippincott  
President,  
CASE

Institutions that are doing well “are the ones that spent a lot of time listening to their donors during the worst of the recession,” he said. “And they’re reaping the benefits now.”

Key to cultivating those donors is finding ways to meet the growing expectation of major donors to have “a level of engagement with the institution beyond simply the transaction of the gift,” he said.

That kind of stewardship, which often can lead to future gifts, typically involves inviting major donors to serve, either formally or informally, in an advisory or governance role at the school so they truly become key advisers and “stakeholders” in the institution, Lippincott said.

Colleges and universities are also looking for ways to maintain relationships with major donors.

Scholarships represent a good opportunity to develop those relationships by providing donors with ongoing interaction with scholarship students, with the donors often serving as mentors for the students.

Schools also have been working to better engage younger donors.

Research shows Millennial donors – or those born between the early 1980s and the early 2000s – are as generous as other generations were at the same age, but that they are “much more focused on wanting to support the things that matter to them,” Lippincott said.

“The appeal that institutions often will make is a very specific appeal to people several years

out of the institution,” he said, so those young alumni “can see how this is going to have a meaningful and immediate impact,” he said.

A school might ask recent graduates and even current students to support a bike-sharing program on campus, for example, because it’s “something real that they can relate to, rather than a general appeal,” he said.

In comparison, said Lippincott, a 1971 graduate of Wesleyan University, his annual gifts to his alma mater are made “out of a sense of general obligation, rather than what my money is actually going to.”

Schools are also increasing use of digital media to more effectively reach donors, and not only younger alumni, he said.

For younger donors, who handle many if not all of their transactions online, digital media represents a natural platform for giving.

For those donors, social media also represent a platform that is “more important for donor acquisition than it is for dollar acquisition,” Lippincott said.

“Even if gifts from recent graduates are \$10 or \$25 gifts using social media, it’s as important that you’ve gotten those recent graduates into the habit of giving, and acquired information about what they’re interested in, and can use that to sharpen the appeal,” he said.

Planned giving also has become a key fundraising program at many colleges and universities.

Major donors, who account for most of the recent growth in fundraising revenue, often want to make their gifts through planned giving vehicles, Lippincott said.

And at a time of low interest rates, he said, donors often prefer planned giving strategies, such as annuities that make regular payments to donors, with the remainder of the gift going to the college or university.

“Those annuity payments now are quite appealing,” he said, “because they frequently pay significantly higher interest rates, rather than people parking their money in any fixed income asset.”



## K-12 – DRIVEN BY DATA

Attention to data is driving fundraising at independent schools, which have seen steady growth in fundraising revenue since 2000, said Donna Orem, chief operating officer at the National Association of Independent Schools (NAIS).

“The best schools have always been doing a lot of prospect research and then looking at data and having it guide much of their fundraising,” she said.

Median fundraising revenue grew to nearly \$600,000 in the 2012-13 school year, up from about \$500,000 in 2000, according to a survey of NAIS member schools that generated responses from 970 institutions.

That growth was consistent for the period, except for a slight blip during the recession, but even then many schools found they could turn to a small number of donors who had the capacity to dig deeper and who “understood the challenges schools were facing,” Orem said.

Schools are using data to better understand donors based on factors such as gender and race, segmenting their base of donors and prospects.

“The fundraiser today in an independent school does his or her homework to really understand those nuances,” Orem said. And with 10 percent of donors typically accounting for 90 percent of

“Most schools understand they have to have a very effective major gifts program, have to do research to understand who their best donors are, and have to have effective major gifts fundraisers who understand how to engage those donors, who need ongoing cultivation.”

— Donna Orem  
CEO,

National Association of Independent Schools (NAIS)

fundraising revenue, she said, schools are focusing most of their efforts in major-gift fundraising.

“Most schools understand they have to have a very effective major gifts program, have to do research to understand who their best donors are, and have to have effective major gifts fundraisers who understand how to engage those donors, who need ongoing cultivation,” she said.

And donors increasingly want to “be involved in the life of the school,” she said, and to “understand how their money has been used, and what the outcomes are.”

Schools also are looking for ways to cultivate students and young alumni, and increasingly they are focusing on online and social media to connect with them. And they are investing more in cultivating alumni.

Citing a groundbreaking 1998 study by Stanford University on alumni giving, Orem said alumni who give the most “are those who feel most connected to the school of today.”

Schools understand that “if the only time alumni hear from the school is when they need money, they won’t get money,” she said.

So schools are developing programs to engage alumni, such as

programs in cities with large concentrations of alumni and travel opportunities. They are also using social media to build alumni communities.

Recognizing that grandparents increasingly are involved in their grandchildren’s education, and often paying for it, schools also are developing programs to engage grandparents in the life of the school.

A big challenge for independent schools, Orem said, is a shortage of experienced development officers. With more nonprofits looking for development officers, the recession prompting many development officers to stay in their jobs, and older Baby Boomers beginning to retire, schools have found it tougher and more expensive to fill openings.

Ultimately, whether a school is large or small, the key to effective fundraising is to “create a culture of philanthropy,” Orem said.

“Just throwing people at the operation tends not to be so successful,” she said.

What works, she said, is helping members of the school community “understand why giving to the school is important to the life of the school, and understanding that most schools don’t charge what it costs to educate a child, and one of the most significant ways to make up those dollars is through giving.”



## INTERNATIONAL AFFAIRS – REFINING THE MESSAGE

With serious disasters abroad in 2013 eclipsing those in the U.S., international aid organizations showed an enhanced focus on disaster planning and preparation before disasters, said Bob Ottenhoff, president and CEO of the Center for Disaster Philanthropy.

International aid groups also have focused more attention on post-disaster recovery and rebuilding, and they have turned increasingly to social media to help educate donors about disaster needs, he said.

“We’re trying to help donors understand that if we can do better planning, if we can help countries build and plan better, and if we can put people and supplies in place before disasters,” he said, “we can do a much more effective job. By getting people back into their homes, kids back into school, and people back to work faster, we can reduce

the overall impact of a disaster.”

Traditionally, Ottenhoff said, 90 percent of donations for disaster relief are made within 90 days of the event, with few donations being made after that.

As a result, relief groups are working to help donors understand “there’s a full arc of disaster relief” that includes pre-positioning supplies and people, building connections with local relief groups, and preparing for post-disaster recovery.

To help deliver that message, he said, international relief organizations are making creative use of digital technology.

To “engage donors more in the unfolding of the story,” for example, organizations are sending staff members into the field in disaster areas

to file daily reports, often featuring video, to create a “more personal engagement” with donors, Ottenhoff said.

International groups also have increased their engagement with local teams of non-governmental organizations, or NGOs, that are much closer to the areas hit by disasters and more familiar with events on the ground.

And international groups increasingly are functioning as “re-granters,” passing on some of the funds they raise to local indigenous groups that have experience working on the ground in the affected countries.

A big challenge for disaster philanthropy in recent years, Ottenhoff said, has been to deal with “growing uneasiness about where the money’s going.”

In the immediate wake of disasters, donors often make contributions “in the emotion of the moment, after watching television,” he said, “and

they’re not exactly sure where the money is going or what it will do.”

Months or years later, if they hear news reports that people in the disaster area still are without homes, or that their lives have not been rebuilt, he said, donors may become skeptical about making gifts for relief in future disasters.

What donors may not understand, he said, is that disasters simply can compound pre-existing and underlying problems.

The 2010 earthquake in Haiti is a perfect example, he said. “Haiti was a vulnerable country with vulnerable populations well before that earthquake hit,” he said. “Its problems didn’t start with the earthquake.”

To address donors’ skepticism, he said, “NGOs are trying to do a better job of telling a fuller narrative about what’s involved in disaster relief.”



## FAITH-BASED – FOCUS ON FUNDAMENTALS

For those faith-based-affiliated charities that are increasing revenue, fundraising fundamentals continue to drive that increase, said Rick Dunham, president and CEO of Dunham & Company, a fundraising firm in Plano, Texas, with just over 50 clients, including 30 based in the United States.

Those fundamentals include effective integration of communications using multiple channels. Among them are direct mail, online communications, and the use of telephone communications to support those appeals. Other key fundamentals include attention to major-donor development and a focus on the cause and the people affected by the work of the charity.

That focus on fundamentals powered a strong year in 2013 for his clients, some who saw fundraising revenue grow 25 percent to 30 percent, Dunham said.

Consistency in message across communications channels is critical, he said. If a donor receives an appeal by email or direct mail, for example, the message on the nonprofit’s website and in its electronic communications should be consistent with the message in those appeals.

Major donor development also should be integrated into a nonprofit’s

overall fundraising strategy, Dunham said.

Rather than treating them separately from other donors, he said, organizations should make sure major donors receive the same types of communications and messages that other donors receive, while ensuring that those messages are customized in the communications aimed at major donors.

Equally important, and where appropriate, Dunham said, nonprofits should challenge donors with the potential to make significant gifts, while integrating those challenges with other fundraising communications.

Major donors should “experience the same communications as other donors, but at a much higher level and customized to their significant relationship with the charity,” Dunham said.

Direct mail appeals continue to be more effective at generating contributions than online appeals, Dunham said. “A truly effective direct-mail strategy will always outperform an online appeal strategy,” he said.

But when both strategies are integrated, a growing number of donors prefer to fulfill their gift online using their credit card. “That’s why you want to make sure the donor experiences the same messaging” online that they get through direct mail, Dunham said.

For year-end appeals in 2013, he said, some of his clients used a “takeover” strategy for their websites, with the messaging that donors were receiving through direct mail and email taking over the organization’s websites and becoming the main message donors were finding online.

“It’s not a driver to income,” he said. “Such a strategy helps ensure that when a person comes to the charity’s website, there’s not confusion with the message but consistency through all channels.”

Dunham said his clients also used a phone strategy to set up

year-end appeals by thanking donors for previous support and then reinforcing year-end gifts with follow-up calls after gifts were made – all with consistent messages across all platforms.

And whatever the particular focus of a multi-channel appeal, faith-based nonprofits should focus on the “why” of the organization, the cause, the people affected...not the “what,” Dunham said.

“The fact that we’re doing a specific project is not what motivates the most significant support,” he said, “but ‘why’ we’re doing that project – to transform lives and the way such a project helps people.”



## ARTS AND CULTURE – GIVING FOR IMPACT

Museums have shifted the focus of their fundraising to better address demand from donors who want to know the difference their gift makes, said Ford Bell, president of the American Alliance of Museums.

“It’s not enough to say we want another picture or exhibit,” he said of fundraising appeals by museums. “Donors want to know our impact on the community.”

With donors receiving a growing number of funding requests from nonprofits that address basic needs such as shelter, food, and clothing, Bell said, museums have been doing a much better job talking about the diverse roles they play in their communities.

The 17,500 museum institutions in the U.S. that range from art museums to zoos provide 18 million instructional hours a year, often offering targeted programs for a broad range of audiences.

Those audiences, to name just a few, include patients with Alzheimer’s disease and their caregivers; children on the autism spectrum; new Americans; children and families involved in the juvenile justice system; and people concerned with hunger and food security.

**“We really have hidden our light under a bushel.”**

— Ford Bell  
President,  
American Alliance of Museums

“Museums are engaged in a wide variety of community issues today,” Bell said. “We really have hidden our light under a bushel. People don’t think of us as educational institutions.”

Museums also are using a variety of fundraising strategies, depending on donors’ age, interests, and capacity to give.

Recognizing that younger donors are looking for results and want to be involved in the organizations they support, for example, museums are creating “an experience that’s meaningful and relevant for them,” Bell said. “Museums need those younger generations to feel the museum is a place they want to be part of.”

So museums are offering travel opportunities, taking people to lunch, meeting with them personally, and inviting them to serve on the board. And donors who make larger gifts are receiving more personal attention, including events designed specifically for them.

Whether targeting younger donors or major donors, museums increasingly are using digital and social media to communicate, and refining their message to be more relevant, Bell said.

The key is to “show them what you’re doing in the community, and also to engage them in that work,” Bell said. “There’s still a problem in the museum field. People still feel we hang stuff on walls. People have to see we’re making a difference in the community.”

Whether for young adults or new Americans, he says, “we’re trying to get them in the door.”



## PUBLIC SOCIETY BENEFIT – DIVERSIFICATION AND IMPACT

With growth in fundraising increasing only modestly in recent years, United Way has been diversifying its fundraising and focusing on its impact, said Sherrie Brach, executive vice president of investor relations at United Way Worldwide.

That strategy has included targeting women, young professionals, and major donors; engaging workplace donors as volunteers; focusing on solving community problems; and “productizing” priority community initiatives to generate new investment opportunities for individuals, corporations, and foundations, Brach said.

United Way also has made it a priority over the next two to three years to use mobile and social media strategies to engage donors.

United Way affiliates throughout the world raised a total of \$5.2 billion in 2012, reflecting overall growth of 1 percent to 1.5 percent in the United States and seven percent outside the United States, said Brach, a former CEO of United Way of Greater Richmond and Petersburg.

“In 2013, we anticipate the trend to continue in overall fundraising,” she said. “We are experiencing slow but steady growth.”

Workplace campaigns remain United Way’s biggest channel for giving, with corporations representing the biggest sources of revenue through corporate gifts and access to employee giving.

But United Way no longer is relying only on “transactional” fundraising through workplace giving, and in recent years has segmented its fundraising by types of donors and tried “to connect more directly with individuals than through the workplace channel,” Brach said.

Ten years ago, in Greensboro, North Carolina, United Way launched its first affinity group for women, an effort that has been adopted at many affiliates and been expanded to include affinity groups for young professionals.

Those efforts, along with efforts to generate “leadership” gifts of \$1,000 or more, and “Tocqueville” gifts of \$10,000 or more, have represented most of the growth in United Way giving, which has

increased at a rate of one-to-two percent a year since the economy collapsed in 2008, Brach said.

United Way also is partnering with companies to connect with individual donors, often by providing opportunities to volunteer for community projects that are in sync with the companies’ business.

And by setting education, income, and health as priority community needs, as well as creating special initiatives to address those needs, United Way has created new opportunities both for volunteerism and for giving.

“It’s a holistic strategic approach to solving community problems, and you can create investment opportunities for individuals, high-end donors, corporations, and foundations that bring investment into our work,” Brach said.

Local United Ways that have taken that approach have developed more diversified funding streams, and while their campaigns have been growing only modestly, those new sources of income have grown more dramatically, Brach said.

In addition to \$79.5 million raised through its annual workplace campaign and corporate giving, for example, Wells Fargo also has contributed a \$5 million grant to develop a “Financial Capability Network” in partnership with United Way.

“We don’t just measure the annual campaign,” Brach said. “We’re now looking at total current-year support.”

A handful of local United Ways also have begun large endowment campaigns focused on their community initiatives, and some have received six-figure and eight-figure gifts to support them.

Now, United Way is looking at ways to use digital media more strategically to engage donors. “That’s the only way we’re going to connect with young people and individuals,” Brach said. “The challenge we have is how to articulate and communicate and represent our work through online engagement in a way that connects quickly with donors.”



## ENVIRONMENT – CONNECTING WITH DONORS

Conservation-oriented environmental groups have focused their fundraising on getting donors more involved in “places that matter” and showing them the impact of their gifts, said Doug Barker, co-founder and principal at Barker & Scott Consulting, a firm that provides management consulting for nonprofits, including environmental organizations.

“We have results you can walk on,” said Barker, quoting John Sawhill, former CEO at The Nature Conservancy, where Barker was the chief information officer.

So environmental and conservation groups have been inviting donors and prospective donors to outings and talking to them about “what’s so special about those particular places.”

Those outings can include activities for families and children and can pave the way for additional gifts.

Recognizing that the environment is “visually compelling,” Barker said, environmental organizations also are providing donors and prospective donors with images of “what’s at stake in terms of nature, and also what some of the threats are.”

And those groups are using traditional and digital media to reach a broad range of constituents.

“At the end of the day, and not just for environmental groups, you’re really looking at a multi-channel integrated strategy for how you’re going to engage your constituents,” Barker said. “Certain strategies resonate more with some groups than others. But it’s having full portfolios of ways to engage people that can be so effective.”

Those strategies, he said, depend on identifying the needs of individual donors and groups of donors.

For major donors, for example, “it’s all about relationship-building, figuring out what that particular donor is passionate about and how they really want to be engaged.”

Environmental and conservation groups can invite donors on trips, showing them first-hand areas that may be at risk and developing a more personal relationship.

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— Doug Barker  
Co-Founder and Principal,  
Barker & Scott Consulting

And organizations increasingly are working to show donors the impact of their giving.

Some groups are using research studies and reports to show the economic value of functioning ecological systems, as well as providing calculators that visitors to their websites can use to measure their carbon footprints through diet and the use of home energy, driving, flying, recycling, and waste.

They also provide tools, tips and information that people can use to take action, whether to reduce their carbon footprints or contact policymakers, as well as quizzes and adoption programs that can engage them.

World Wildlife Fund invites people to “test your elephant IQ,” for example, or to make a symbolic donation to adopt a snow leopard or penguin.

Those kinds of features can increase a donor’s “affinity and trust and overall respect for an organization that probably could also result in increasing their support,” Barker said. “It’s a way to make a connection with what you’re doing, even if symbolically, in a more meaningful and tangible way.”





## HUMAN SERVICES – COMMUNICATION AND PLANNING

Human services organizations, faced with uncertain government funding, are turning increasing attention to communicating more effectively and planning more strategically, said Michael Nilsen, vice president for public affairs at the Association of Fundraising Professionals.

That includes rebranding themselves, telling their stories more effectively, assessing the impact of their programs, making better use of digital technology, and turning to donors for advice, he said.

While human services nonprofits typically depend on government funds for much of their budgets, smaller organizations generally lack the resources of larger organizations and need to be more nimble in adjusting to changes in government support, Nilsen said.

With cuts and instability in government funding, he said, many human-services groups are looking at ways to communicate more effectively and to reposition themselves in their communities. And their need to better define their programs and impact is critical.

“They took their donors for granted, and in doing so they failed to really connect with donors and tell them how they’re impacting the community, so now that’s a huge priority,” Nilsen said.

Now, he said, human services groups are “changing what they’re saying and focusing on impact, storytelling, and direct connection with donors.”

With the number of human services groups growing and often competing for contributed income, Nilsen said, they need to do a better job differentiating themselves.

Human services organizations in general, he said, tend to lag behind in their branding, storytelling, and ability to communicate their impact “because they haven’t had to because of government funds,” he said.

All nonprofits, including those that focus on human services, are also increasing their use of special events to generate revenue – a trend that most likely reflects a rebound in the overall economy, Nilsen said.

And as human services groups work to rebrand and differentiate themselves, they are looking “to diversify, but stay focused,” experimenting to identify what works, and then setting priorities based on “what brings the best return,” he said.

“They can’t just keep programs going that aren’t working,” he said.

Nonprofits also are looking for ways to make more effective use of social media, and particularly videos, he said. Plus, they increasingly are involving donors as a “springboard for ideas,” asking them for feedback and advice “about where to go, not just with programs, but also with fundraising.”

Critical to the health of human services nonprofits, Nilsen said, is planning that is intentional and strategic.

“We’ve gotten out of the worst” of the economic decline, “and if we are going to really make it and be successful, we’ve got to move, but quickly and nimbly, with real purpose,” he said. “We’re at a crossroads. With the economy expected to improve, if you miss this boat, you’re not going to do well over the next couple of years.”



## MEDICAL RESEARCH: PEER-TO-PEER FUNDRAISING

Smaller nonprofits increasingly are using readily available technology to engage peer networks to raise money through athletic events, said David Hessekiel, president of The Run Walk Ride Fundraising Council.

In 2012, the top 30 peer-to-peer fundraising programs raised a total of \$1.68 billion for nonprofits, with the overwhelming majority of those groups involved in health and medical research, he said.

Peer-to-peer fundraising events generally fall into three categories, he said, including “proprietary,” “endurance,” and “independent” programs.

Proprietary programs are those that are created and managed by nonprofits. The top three are the American Cancer Society’s Relay for Life, Susan G. Komen Race for the Cure, and March of Dimes’ March for Babies.

“They have created their own entity, a walk or a run, that they invite supporters to participate in,” Hessekiel said, “and those supporters – whether participating as individuals or members of a team – ask their friends and acquaintances to give money in honor of the effort they are supporting.”

Endurance fundraising focuses on engaging supporters to participate in “third-party” programs, such as the Team in Training program of the Leukemia & Lymphoma Society.

“Thousands of people each year run in marathons and half-marathons and do triathalons,” Hessekiel said. “They’re participating in events that nonprofits do not own.”

But Team in Training and other endurance programs “provide various forms of support for participants to train for endurance events and fundraise,” he said. “They leverage the popularity of events like the Rock ‘n’ Roll Marathon and the New York Marathon to get people involved.”

Independent fundraising consists of supporters “approaching charities and saying, ‘We want to support you, but we want to do it in our own way,’” Hessekiel said.

That could involve anything from staging a walk, run, climb, swim, dance, marathon, or other type of physical event, to throwing a party and inviting people to come and make a contribution.

“More and more of this is taking place, thanks to technology that makes it easy for people to raise money online and for organizations to communicate with those fundraisers,” Hessekiel said.

The last five years have seen a flowering of smaller peer-to-peer fundraising programs, he said.

“Because of the democratization of peer-to-peer fundraising – the lowering of fundraising and communications barriers for nonprofits and individuals – the number of programs has been increasing,” he said.

Still, while the number of new peer-to-peer programs has grown, fundraising revenue that big proprietary programs generate has remained flat, he said. Nonprofits considering peer-to-peer programs should set realistic goals and recognize the costs that will be required, Hessekiel said.

“I run The Run Walk Ride Council, but I’m a big proponent of ‘crawl, walk, and then run,’” he said.

Organizations that create their own proprietary programs “are responsible for everything, from making sure there are portable toilets on site to getting permits to take over streets, and it’s a major investment,” he said. “Those programs usually take several years to actually be profitable for the organization.”

And while they can be highly successful for an organization, he said, “the marketplace for traditional walks is quite crowded.”

Technology, however, now makes it easy to create “a structure for your most passionate supporters to be able to run their own events,” he said.

“If you have passionate supporters, you can also give them the tools they need to do endurance fundraising on your behalf,” he said. “The startup costs and risk involved with those programs are far smaller than creating your own proprietary programs. It’s a lower-risk way of getting a feel for this form of fundraising.”

Increasingly for smaller organizations, he said, “experimenting with and benefiting from peer-to-peer fundraising is another tool in their development chest.”

“I run The Run Walk Ride Council, but I’m a big proponent of ‘crawl, walk, and then run’.”

— David Hessekiel  
President,  
The Run Walk Ride Fundraising Council

## ABOUT THE 2013 CHARITABLE GIVING REPORT

The findings in this Report are based on giving data from 4,129 nonprofit organizations and more than \$12.5 billion in fundraising revenue. The online fundraising findings are based on data from 3,359 nonprofit organizations and more than \$1.7 billion in online fundraising revenue.

To be included in the analysis, these organizations needed to have 24 months of complete giving data with no gaps or missing information. Each organization was then classified by sector using its NTEE code as reported on its 990 tax return. (If you are not sure what sector your organization is classified as, you may refer to your 990 to find your NTEE code. Visit <http://nccs.urban.org/classification/NTEE.cfm> for a complete listing of sectors.)

Organizations were then grouped into three size categories: total annual fundraising less than \$1 million (small), total annual fundraising between \$1 million and \$10 million (medium), and total annual fundraising exceeding \$10 million (large). This is based on recorded giving in their fundraising systems, reported fundraising in IRS Form 990 data, and matching done through the National Center for Charitable Statistics.

Organizations without all the research criteria were not included in this analysis. Organizations based outside the United States were excluded from this analysis. We do not include the unfulfilled portion of pledge gifts. Giving USA data is used to weight the data to ensure that no individual organization or sector is overrepresented in the analysis.

The percentage of total fundraising from online giving is based on 3,135 nonprofits in The Blackbaud Index. These organizations represent \$10.8 billion in total fundraising.

This Report would not be possible without the statistical number crunching muscle of Jim O'Shaughnessy, the dexterous design of Lucy Meyer, the industrious interviewing of Todd Cohen, the eagle-eye editing of Melanie Mathos and Heather Friedrichs Lyman, and the wisdom and support of Chuck Longfield. A big thank you to each and everyone involved in making it happen.

## ABOUT THE BLACKBAUD INDEX

Economic conditions, natural disasters, and market fluctuations have made it extremely difficult for nonprofits to make fundraising decisions informed by the latest donor behavior. That is why we created The Blackbaud Index in 2010 — to provide insight into what happened in the prior few weeks and valuable analysis by leaders in the sector into what fundraisers can learn from it.

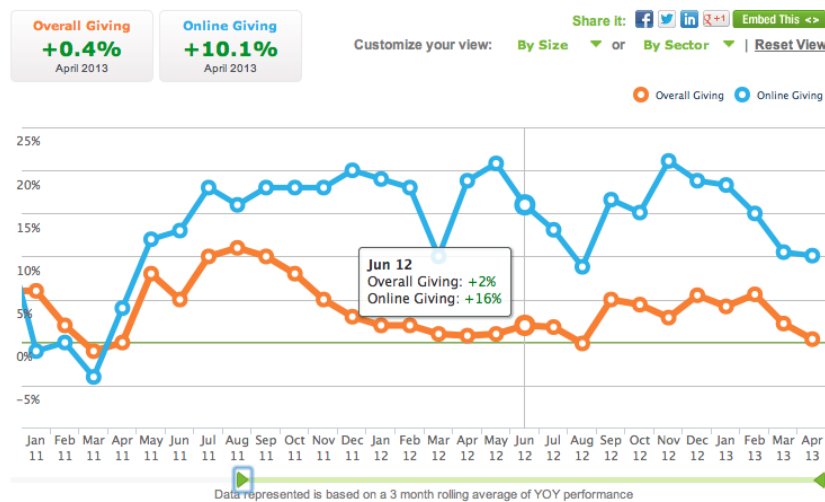
The Blackbaud Index brings you the most up-to-date information on charitable giving today. Tracking approximately \$13 billion in US-based charitable giving, the Index is updated on the first of each month and is based on year-over-year percent changes. Featuring overall and online giving, the Index can be viewed by size and sub-sectors of the nonprofit industry. Visit [www.blackbaud.com/blackbaudindex](http://www.blackbaud.com/blackbaudindex) to experience the recently-enhanced interactive Index charts, where you can easily compare by size or sector and view historical performance.

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