

Blackbaud survey finds that the majority of nonprofits reported growth across the board, but finding funding and new donors still remain top challenges.

2006 State of the Nonprofit Industry — Nonprofit Professionals Share How Their Organizations are Dealing with Key Issues Facing the Sector

about the survey

Blackbaud has conducted its State of the Nonprofit Industry Survey annually for the past three years to gather and provide an overview of information that can help nonprofits better benchmark their operations. The 2006 survey focused on a series of timely issues critical to today's nonprofits; it was structured to capture data in three main areas:

1. General operations (including staffing, budgets, and organizational challenges)
2. Use of the Internet
3. Accountability and stewardship

The survey was widely distributed throughout the nonprofit community and directly to Blackbaud clients via industry newsletters and targeted emails. Seven hundred eighty-five respondents participated. The survey was distributed and administered online, so it is important to note this sampling bias.

results

General Operations

Nonprofits report increases in budgets and staffing, as well as demand for services. In fact, more (72%) claim an increase in demand for services than claim increases in budget (65%) or staffing (44%). On a positive note, this is a smaller gap than we have seen in past years, i.e., perhaps nonprofits are finally getting larger budgets and more staff to help handle the increase in demand.

- ♦ 72% report that demand for their organizations' services increased from 2005 to 2006 (the same as in last year's survey)
- ♦ 44% expected their staffing level to increase from 2005 to 2006 (vs. 36% last year)
- ♦ 65% said their budgets increased from 2005 to 2006 (vs. 61% last year)

Survey respondents provided information on staffing coverage for a number of focus areas, such as prospect research, major gifts, and Internet/Web. For each role, the percentage of respondents that said their organization is covering these functions increased from last year. The biggest jump was in the data/computer systems area.

- ♦ 43% have at least one full-time data/computer systems employee (vs. 30% in 2005)
- ♦ 16% are outsourcing responsibility for the Internet/Web function, a drop from 20% last year

Nonprofits use a multitude of ways to bring revenue to the organization. The funding sources that respondents were most likely to say showed growth from 2005 to 2006 were:

- ◆ Individual donations (51% say funding from this source increased)
- ◆ Investments (39%)
- ◆ Special events (38%)
- ◆ Foundation grants (35%)

The methods used most frequently to raise donations were:

- ◆ One-on-one solicitation of major donors (50% use frequently)
- ◆ Direct marketing (45% use frequently)
- ◆ Special events (39% use frequently)

Those who say they frequently use online donations as a fundraising method increased 11% (from 55% in 2005 to 61% in 2006).

Nonprofits still most often communicate with their donors via mail, with 68% saying this is their most common communication channel), but this is a drop from 74% last year. Use of face-to-face communication and electronic means such as email and Web postings are increasing.

- ◆ 77% plan to increase their use of email
- ◆ 65% plan to increase their use of Web postings
- ◆ 58% plan to increase their use of face-to-face communication

The ability to show impact of activities is of growing importance to the sector as competition is heating up. Nonprofits rate their top organizational challenges as: (1) finding funding to serve the mission, (2) recruiting new donors, and (3) showing the impact of the organization's activities. Top sector challenges were reported to be: (1) the need to show impact/measure outcomes, (2) competition among nonprofits, and (3) accountability to donors.

Use of the Internet

The Internet continues to grow in importance for nonprofits. Organizations can now have more remote employees with the increase in Internet use for quick communication and reports. More than 90% of respondents say that the Internet is a critical tool in running their organization, but many do not feel that their Web site is very effective at meeting their organization's strategic Internet goals. A nonprofit's Web site serves many purposes, including education, communication with constituents, marketing to the public, and fundraising.

- ◆ 93% say the Internet is a critical tool in running their organization (vs. 90% last year)
- ◆ 48% have employees that work remotely; another 6% will soon have remote employees
- ◆ 14% of those with a Web site feel their site is very effective at meeting the organization's strategic Internet goals
- ◆ 43% actively raise funds online (up from 35% last year)
- ◆ The most important online tools are:
 - ❖ Email (85% said it was very important)
 - ❖ Fundraising (61%)
 - ❖ Electronic newsletters (55%)
 - ❖ Event registration (42%)
 - ❖ Constituent profile updates (37%)

Accountability and Stewardship

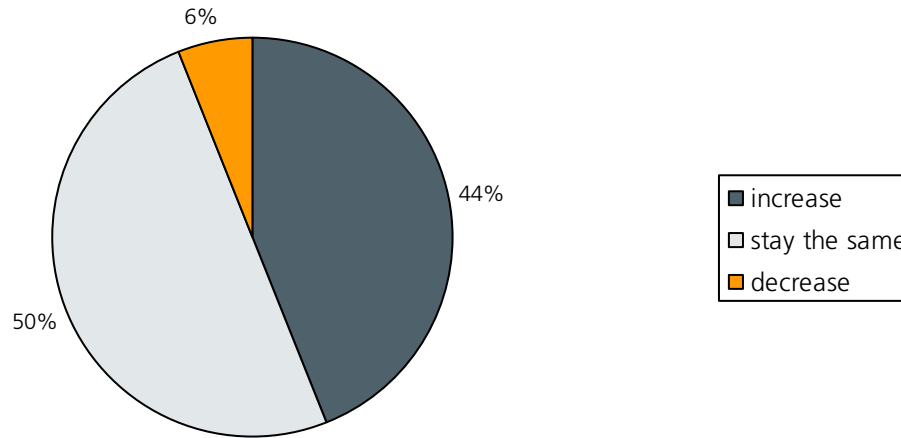
Respondents still have confidence that the public trusts nonprofits, and especially their organization, but almost a third claim an increased demand from donors to report how contributions were spent. Forty-two percent have experienced increased demand from donors asking their contributions to be restricted for a certain purpose. This trend is 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.

- ◆ 35% said they are seeking additional foundation grants to fund operating expenses
- ◆ 35% said they are looking to non-grant revenue sources to fund operating expenses

Survey Results

General Operations

How do you expect your organization's staffing level to change in 2006?

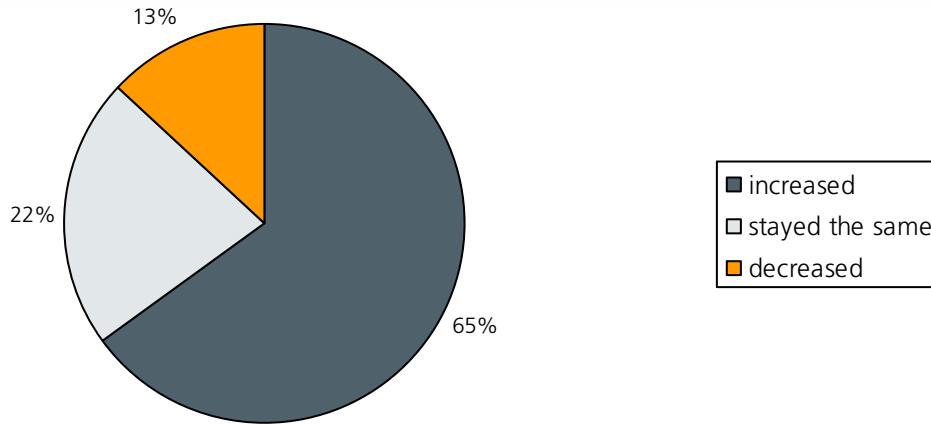


748 total respondents

How are the following roles represented in your organization?

	full-time position	part of someone's job	part-time position	volunteer position	outsourced	N/A	response total
Major Gifts	24%	57%	2%	3%	1%	13%	740
Prospect Research	12%	64%	3%	3%	4%	14%	748
Planned Giving	13%	55%	2%	2%	3%	24%	754
Endowments	7%	58%	2%	2%	2%	29%	748
Internet / Web	20%	54%	2%	4%	16%	3%	757
Data / Computer Systems	43%	33%	4%	4%	15%	1%	757
Marketing	33%	52%	3%	3%	4%	6%	755
Accounting	70%	15%	6%	3%	5%	1%	756
Grant Writing	19%	59%	5%	2%	5%	10%	750
Direct Mail	13%	65%	2%	2%	7%	12%	755

How did your organization's overall budget change for the current fiscal year when compared to last year?

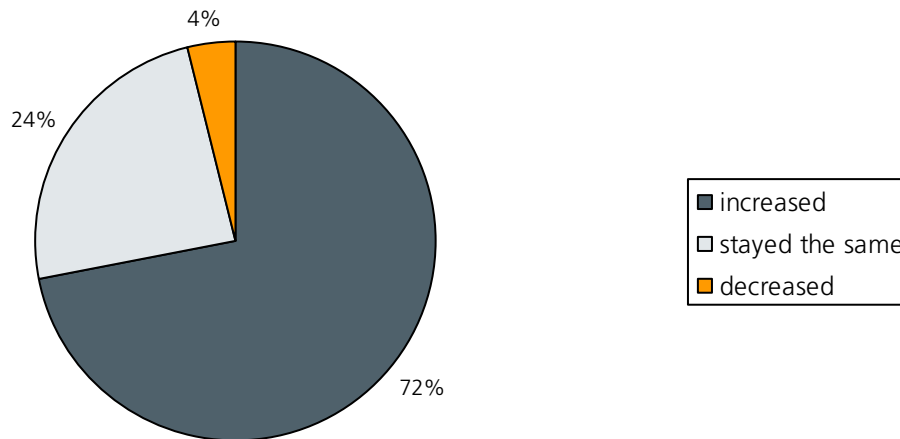


720 total respondents

How did your organization's funding from each source change when compared to last year?

	increased	stayed the same	decreased	no funding from this source	response total
Individual Donations (not including bequests)	51%	32%	12%	5%	658
United Way	8%	29%	10%	54%	634
Corporate Donations	33%	40%	14%	14%	636
Government Grants	21%	29%	13%	38%	632
Foundation Grants	35%	34%	15%	17%	632
Fees for Program Services	29%	31%	7%	33%	626
Investments	39%	33%	6%	21%	580
Memberships	13%	19%	6%	62%	623
Special Events	38%	27%	14%	22%	639
Bequests or Other Planned Gifts	20%	34%	10%	37%	587
Retail Sales	13%	19%	6%	62%	610
For-Profit Business Ventures	5%	13%	2%	81%	591

Over the past year, how has the demand for the services that support your mission changed?



711 total respondents

Which best describes your organization's use of the following fundraising methods?

	use frequently	use periodically	don't use yet but plan to use	formerly used but stopped	have never used / no plans to	response total
Direct Marketing	46%	32%	7%	2%	13%	620
Recurring Giving (i.e. automatically deducted from bank accounts at regular intervals)	20%	30%	24%	1%	25%	621
Special Events	39%	43%	6%	2%	10%	641
One-on-one Solicitation of Major Donors	50%	30%	11%	2%	7%	642
Planned Giving	22%	35%	28%	2%	13%	627
Online Donations	26%	34%	28%	1%	11%	637
Product Sales	17%	20%	7%	3%	52%	595
Matching Gifts	23%	53%	10%	2%	12%	632

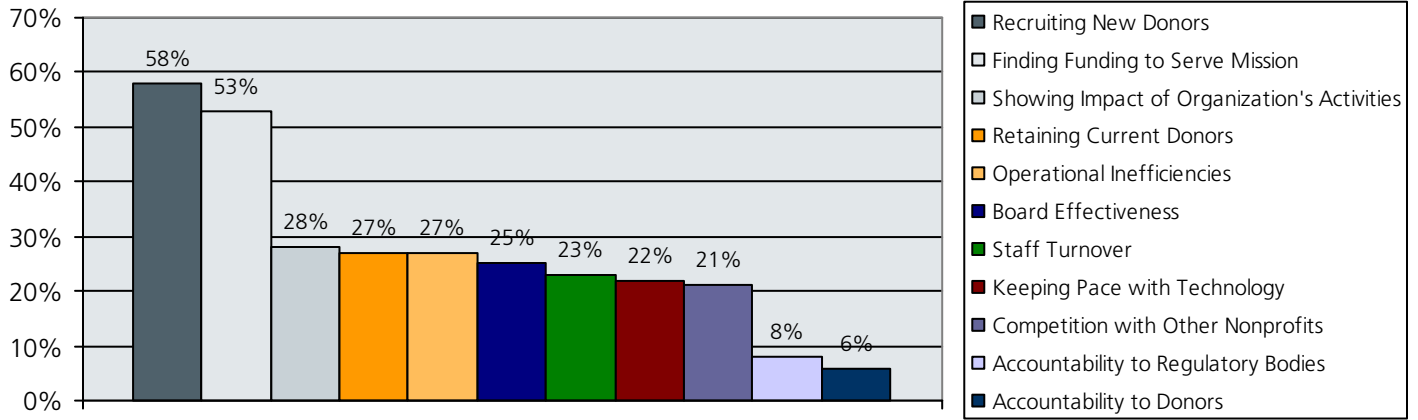
How are the ways your organization communicates with donors changing?

	increasing	no change	decreasing	n/a	response total
Phone	35%	50%	7%	8%	631
Email	77%	16%	0%	7%	630
Face-to-face	58%	35%	3%	5%	628
Mail	33%	50%	14%	3%	639
Web Postings	65%	21%	0%	14%	605

How much do you agree with the following statements regarding your organization's board members?

	strongly agree	Agree	neutral	disagree	strongly disagree	response total
Our board members are committed to helping provide strategic direction for the organization.	45%	37%	12%	5%	1%	666
Our board members believe technology is a critical success factor.	30%	40%	26%	4%	1%	661
Our board members believe in offering competitive pay and benefit packages to recruit and retain staff.	24%	40%	25%	9%	3%	659
Our board is effective in governing the organization.	25%	41%	23%	9%	2%	657

What are your organization's biggest challenges? (totals more than 100% because respondents chose 3)



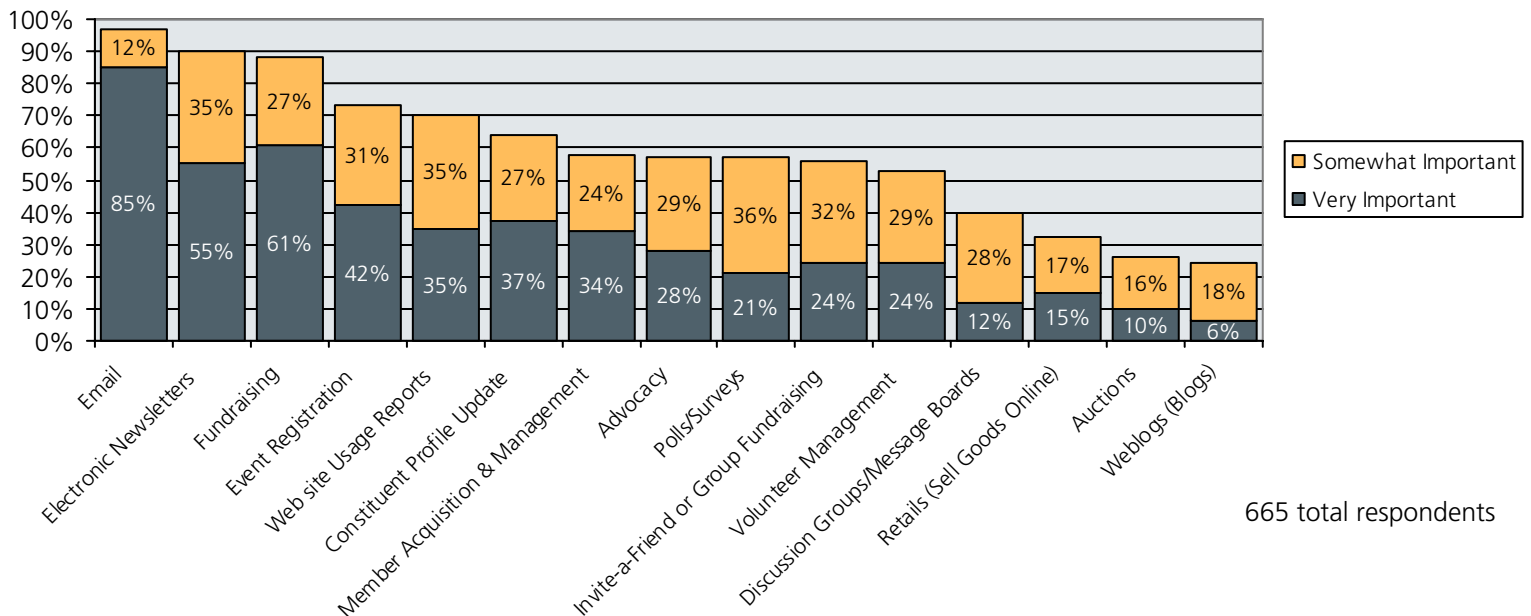
662 total respondents

Use of the Internet

Does your organization have the following?

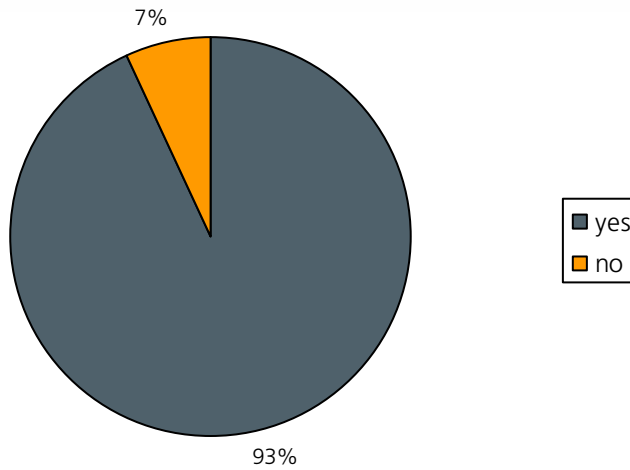
	yes	working on it	no	response total
High Speed Internet Connections (not phone line)	97%	1%	2%	662
A Written Online Strategy	19%	28%	53%	609
Employees Who Work Remotely	48%	6%	46%	654
A Technology Budget	70%	12%	19%	636
A Technology / Training Budget	38%	16%	46%	625
A Written Technology Plan	32%	25%	44%	600
A Data Acquisition Budget	31%	11%	58%	591
A Branding / Marketing Strategy	47%	35%	18%	647

How important would the following online tools be to your organization's Internet strategy?



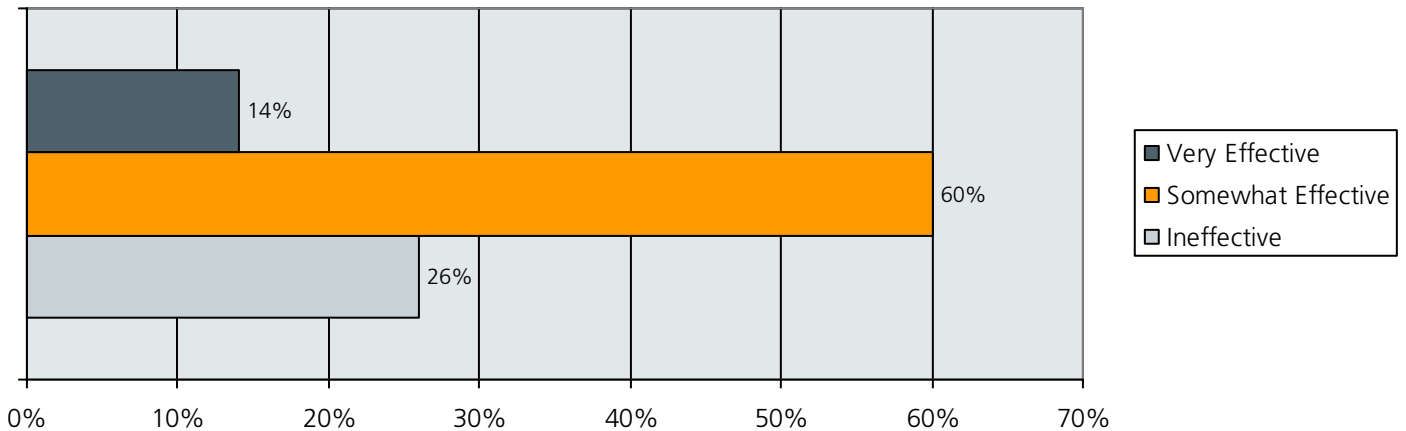
665 total respondents

Do you consider the Internet to be a critical tool in running your organization?



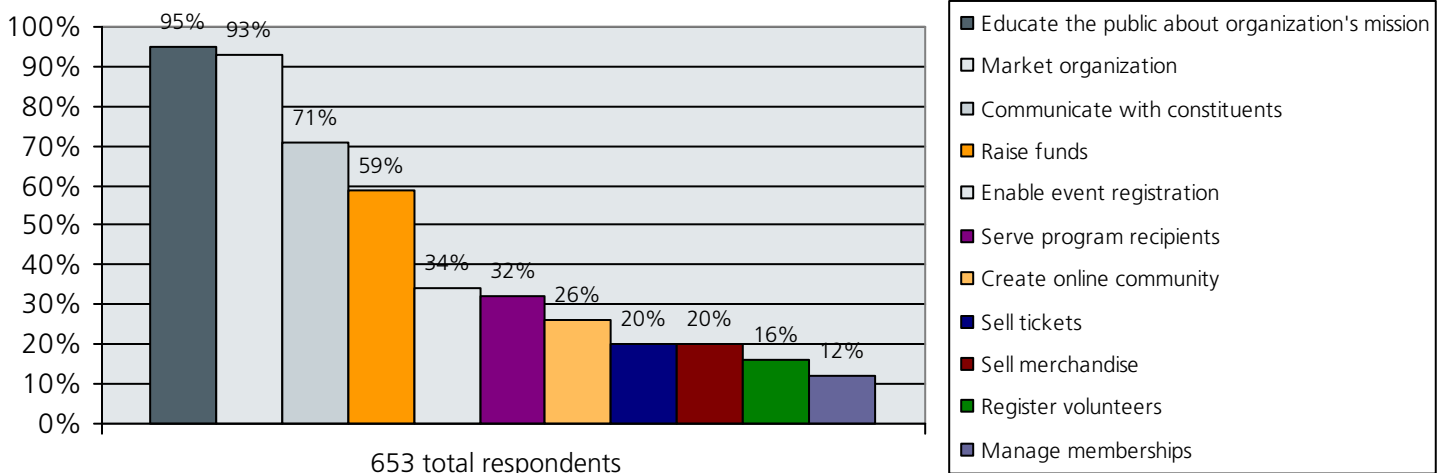
649 total respondents

How effective is your Web site at meeting your organization's strategic Internet goals?



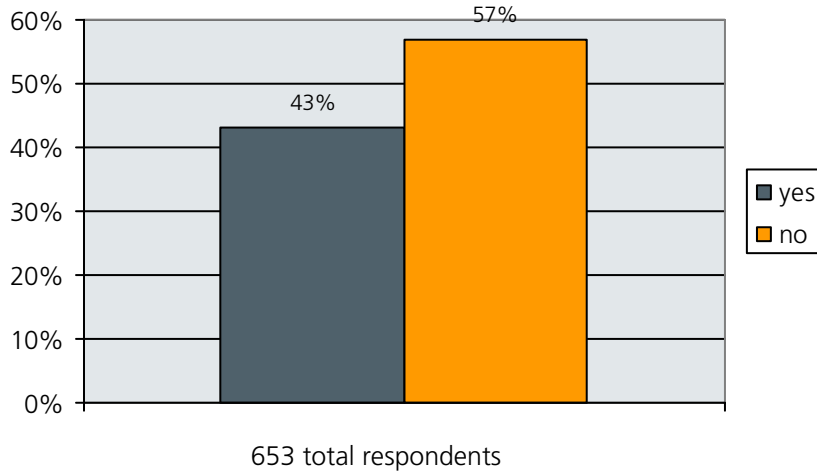
660 total respondents with a Web site

What purpose does your Web site serve? (totals more than 100% because respondents could choose more than one)



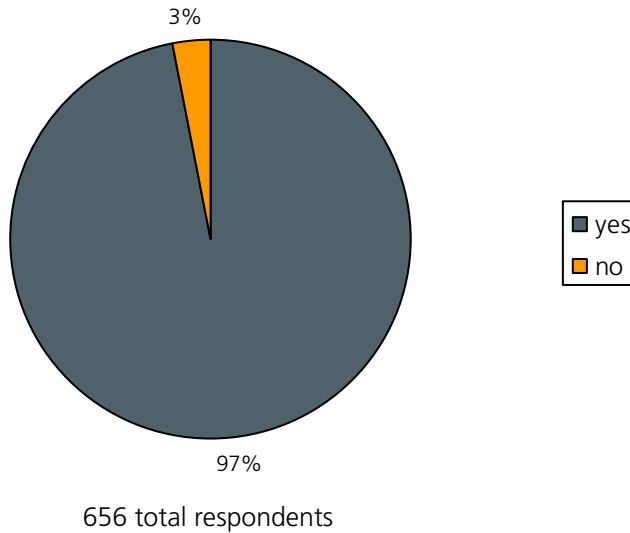
653 total respondents

Does your organization actively raise funds online?

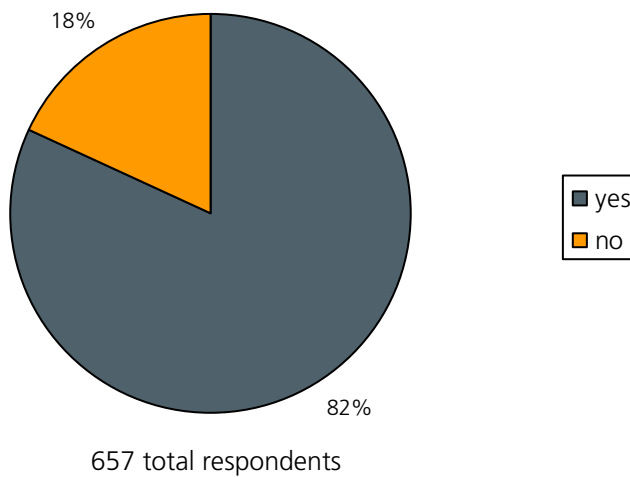


Accountability and Stewardship

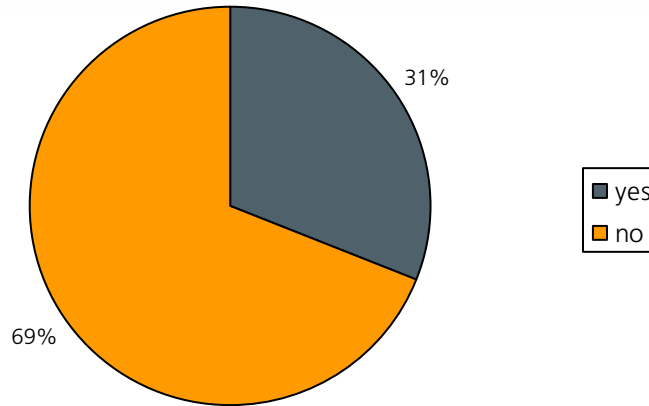
Do you think that your donors trust that their donations to your organization will be spent appropriately?



Do you feel that the public trusts nonprofits in general?

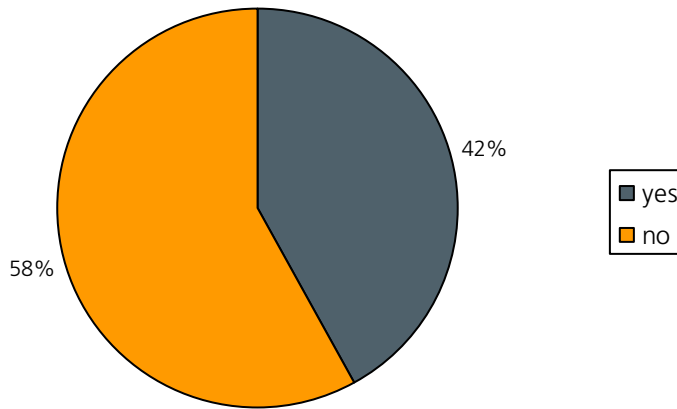


Has your organization seen an increased demand from donors asking to be updated on how their contributions were spent?



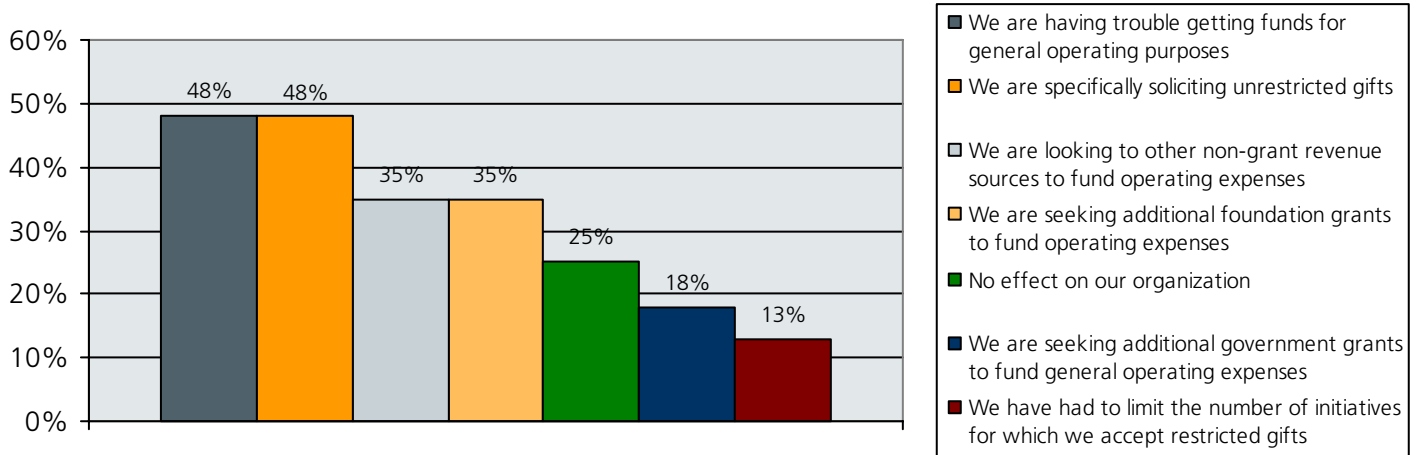
657 total respondents

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



604 total respondents

How is this move toward increased restricted gifts affecting your organization? (totals more than 100% because respondents could choose more than one)



246 total respondents

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

	implemented more than 1 year ago	implemented within the past year	plan to implement	no plans to implement	response total
Audited Financial Statements	90%	5%	4%	1%	615
Formed Audit Committee	63%	11%	9%	17%	548
Established Whistle-Blower Procedures	32%	14%	11%	43%	448
Purchased Directors' and Officers' (D&O) Insurance	80%	5%	4%	11%	441
Communicated Proactively to Donors on How Donations Were Spent	65%	10%	16%	9%	582

for more information

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Blackbaud, Inc.

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