

Blackbaud survey finds that religious organizations are embracing the Internet to communicate and build relationships, but shows accountability to donors is a concern.

## 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.

Fifty survey respondents were from religious organizations, including ministries, churches, dioceses, and other religiously-focused nonprofits. Approximately twenty percent of these religious organizations have total annual revenues of less than \$1 million, and almost two-thirds claim total revenues between \$1 million and \$10 million. This analysis provides a report about the results from religious organizations and comparisons with the more than seven hundred responses received from non-religious organizations.

### results

#### General Operations

Religious organizations, like other nonprofits, report increases in budgets, staffing, and demand for services.

- ♦ 69% report that demand for their organizations' services increased from 2005 to 2006, and 6% reported a decrease (versus 72% reporting an increase and only 4% a decrease in the non-religious sector)
- ♦ 44% expected their staffing level to increase from 2005 to 2006 (the same percentage as reported by the rest of the sector)
- ♦ 57% said their budgets increased from 2005 to 2006 (vs. 66% for the rest of the sector)

In terms of functional areas, religious organizations are more likely to have paid employees who handle major gifts or planned giving than the remainder of the sector. They are less likely than other nonprofits to devote resources to endowments, marketing, and grants writing. A greater percentage of religious respondents reported having employees who work remotely.

- ♦ 90% have employees who handle major gifts (vs. 82% for remainder of sector)
- ♦ 76% have employees who are in charge of planned giving (vs. 70%)
- ♦ 60% have employees who work remotely (vs. 47%)

Religious nonprofits report that a larger portion of income comes from individual donations than other nonprofits report. They are also likely to have fewer funding sources. Religious organizations are much more likely than other nonprofits to use recurring giving, online donations, and planned giving. They are less likely to focus on special events and product sales.

- ◆ 79% use recurring giving (vs. 47% of non-religious respondents)
- ◆ 80% accept online donations (vs. 59%)
- ◆ 73% use planned giving methods (vs. 55%)

In terms of pressing issues for the nonprofit sector as a whole, religious organizations rated accountability to donors much more highly than did non-religious respondents. The need to show impact and measure outcomes rated very highly as well, although not as highly as with the non-religious group.

- ◆ 70% reported that accountability to donors is one of the most pressing issues facing the nonprofit sector (vs. 58% for other respondents)
- ◆ 70% said that the need to show impact and measure outcomes is one of the most pressing issues (vs. 81%)

## Use of the Internet

The Internet appears to be very important to religious nonprofits, with 94% saying that it is a critical tool in running their organizations. Even with the emphasis on the Internet, only 12% of religious respondents said their sites are very effective, indicating an opportunity for improvement.

Given the importance of individual donations, online fundraising is crucial for this group. They are much more likely to actively raise funds online than non-religious organizations. Religious groups receive a higher average gift from online (84% \$50+) than offline (78% \$50+), in contrast to non-religious respondents. Not surprisingly, the largest gifts are still made offline, which corresponds to the remainder of the market. Religious organizations rated middle-aged and high-income donors as more likely to donate online than did the other organizations.

Religious organizations primarily use their Web sites to educate the public about the mission, market the organization, and communicate with constituents. They are more likely than other nonprofits to use their Web sites to raise funds and create an online community.

- ◆ 96% say online fundraising is very or somewhat important to their organization (vs. 87% of others)
- ◆ 8% said online auctions are important (vs. 27%)
- ◆ 38% said online polls/surveys are important (vs. 58%)
- ◆ 68% said their Web sites are somewhat effective
- ◆ 66% use their Web sites to raise funds (vs. 58%)
- ◆ 32% use their Web sites to create an online community (vs. 26%)
- ◆ 56% actively raise funds online (vs. 41%)
- ◆ 63% said middle-aged donors are more likely to give online rather than offline (vs. 26%)
- ◆ 37% said high-income donors are more likely to give online rather than offline (vs. 18%)

## Accountability and Stewardship

All religious respondents say that donors trust that donations to their organizations will be spent appropriately, but 18% do not think the public trusts nonprofits in general. Although donors trust that donations will be spent appropriately, 38% are asking how donations are spent, which is a higher than the rest of the market at 31%.

More than 40% are seeing an increase in restricted gifts. Because religious organizations are less reliant on other funding sources such as government grants and foundation grants, they may be feeling more impact of restricted gifts. Of those that have noticed an increase in restricted gifts, 63% say they are having trouble getting funds for general operating purposes and 53% are specifically soliciting unrestricted gifts.

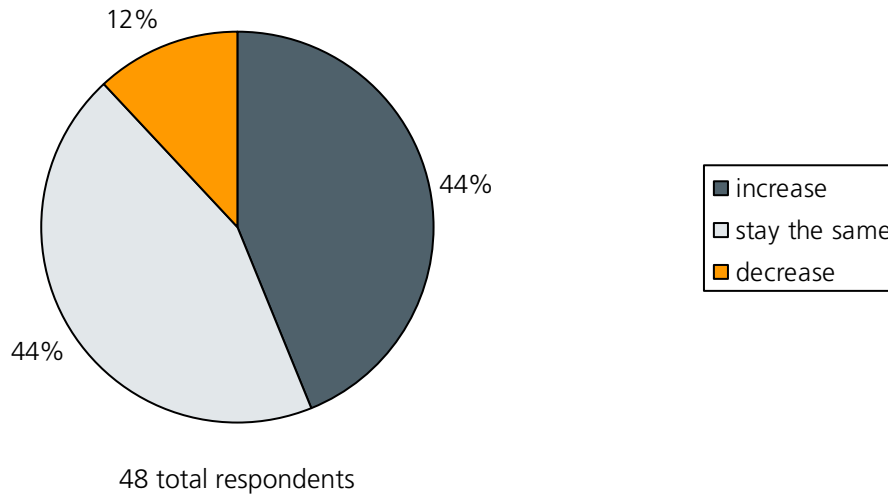
Religious organizations are similarly confident as rest of the market about adhering to donor intent, but a little less sure about the strength of their internal controls. They tend to be behind the rest of the sector in implementing audited financial statements, forming audit committees, and establishing whistle-blower procedures.

- ◆ 18% of religious organizations do not think the public trusts nonprofits in general (same as non-religious group)
- ◆ 38% indicate an increased demand from donors asking to be updated on how their contributions were spent (vs. 31%)
- ◆ 43% are seeing an increase in restricted gifts (similar to rest of sector)
- ◆ 64% are very confident in their organization's internal controls (vs. 79%)
- ◆ 87% have audited financial statements (vs. 95%)
- ◆ 56% have formed an audit committee (vs. 75%)
- ◆ 23% have whistle-blower procedures (47%)

## Survey Results

### General Operations

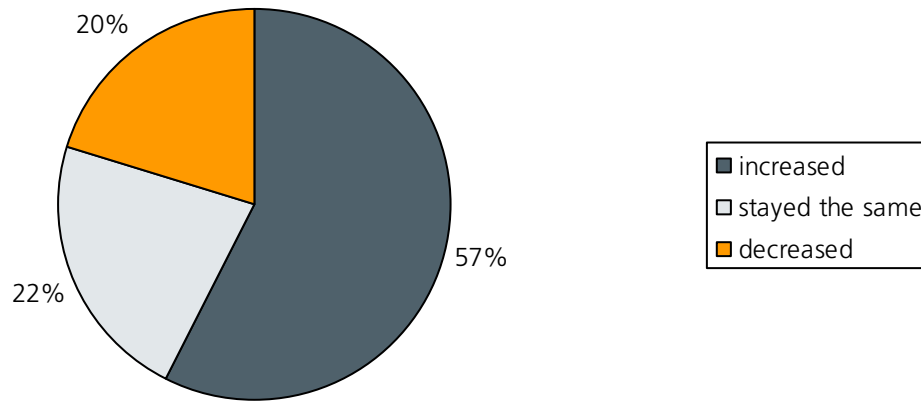
How do you expect your organization's staffing level to change in 2006?



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	31%	57%	2%	2%	0%	8%	49
Prospect Research	8%	62%	8%	4%	4%	14%	50
Planned Giving	16%	56%	4%	0%	0%	18%	50
Endowments	8%	53%	2%	0%	0%	35%	49
Internet / Web	18%	56%	4%	8%	8%	2%	50
Data / Computer Systems	44%	30%	2%	6%	6%	0%	50
Marketing	28%	48%	4%	2%	2%	10%	50
Accounting	64%	18%	8%	2%	2%	0%	50
Grant Writing	4%	53%	10%	6%	6%	20%	49
Direct Mail	14%	64%	4%	2%	8%	8%	50

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

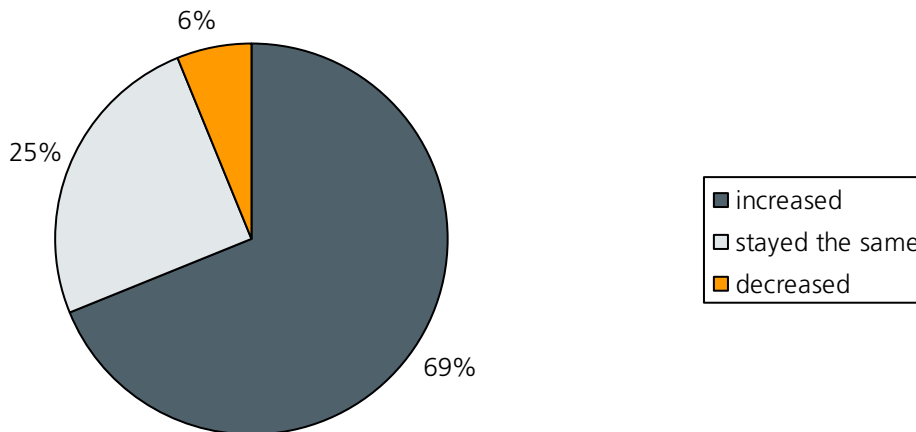


49 total respondents

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)	53%	28%	17%	2%	47
United Way	2%	23%	2%	72%	43
Corporate Donations	10%	49%	5%	37%	41
Government Grants	2%	20%	2%	75%	44
Foundation Grants	31%	33%	7%	29%	42
Fees for Program Services	18%	22%	7%	53%	45
Investments	24%	32%	15%	29%	41
Memberships	5%	16%	5%	74%	43
Special Events	17%	24%	7%	52%	42
Bequests or Other Planned Gifts	20%	43%	11%	25%	44
Retail Sales	10%	21%	2%	67%	42
For-Profit Business Ventures	0%	10%	5%	86%	42

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



48 total respondents

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

	use frequently	use periodically	formerly used but stopped	don't use yet but plan to use	have never used / no plans to	response total
Direct Marketing	49%	33%	0%	5%	14%	43
Recurring Giving (i.e. automatically deducted from bank accounts at regular intervals)	44%	35%	0%	10%	10%	48
Special Events	21%	46%	2%	10%	21%	48
One-on-one Solicitation of Major Donors	53%	30%	2%	9%	6%	47
Planned Giving	31%	42%	0%	15%	13%	48
Online Donations	37%	43%	2%	14%	4%	49
Product Sales	9%	20%	2%	13%	56%	45
Matching Gifts	22%	50%	2%	11%	15%	46

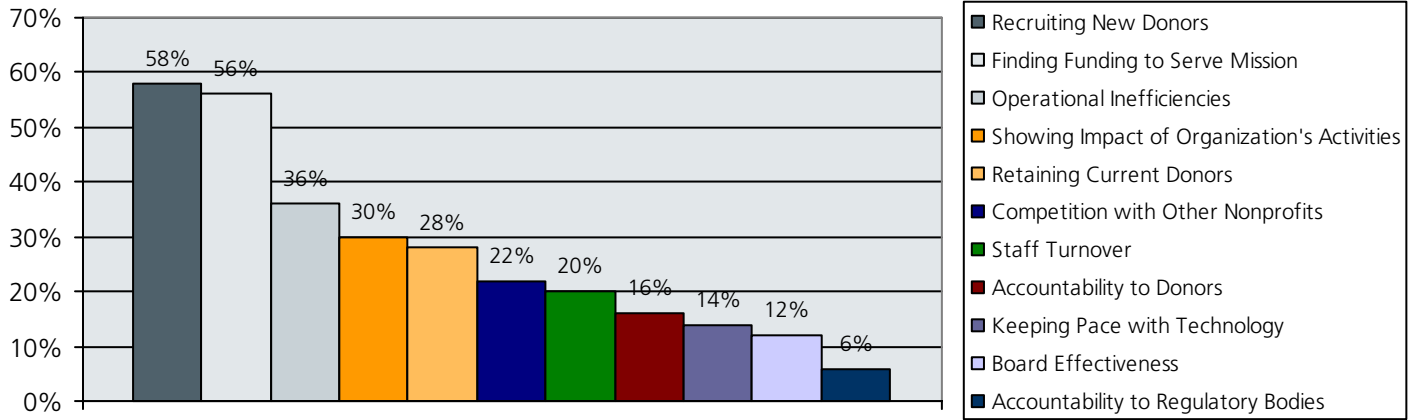
How are the ways your organization communicates with donors changing?

	increasing	no change	decreasing	n/a	response total
Phone	46%	50%	4%	0%	48
Email	90%	10%	0%	0%	49
Face-to-face	56%	38%	6%	0%	48
Mail	50%	35%	15%	0%	48
Web Postings	71%	22%	2%	4%	49

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.	51%	33%	14%	2%	0%	49
Our board members believe technology is a critical success factor.	42%	29%	25%	4%	0%	48
Our board members believe in offering competitive pay and benefit packages to recruit and retain staff.	31%	35%	31%	4%	0%	49
Our board is effective in governing the organization.	27%	35%	23%	12%	2%	48

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



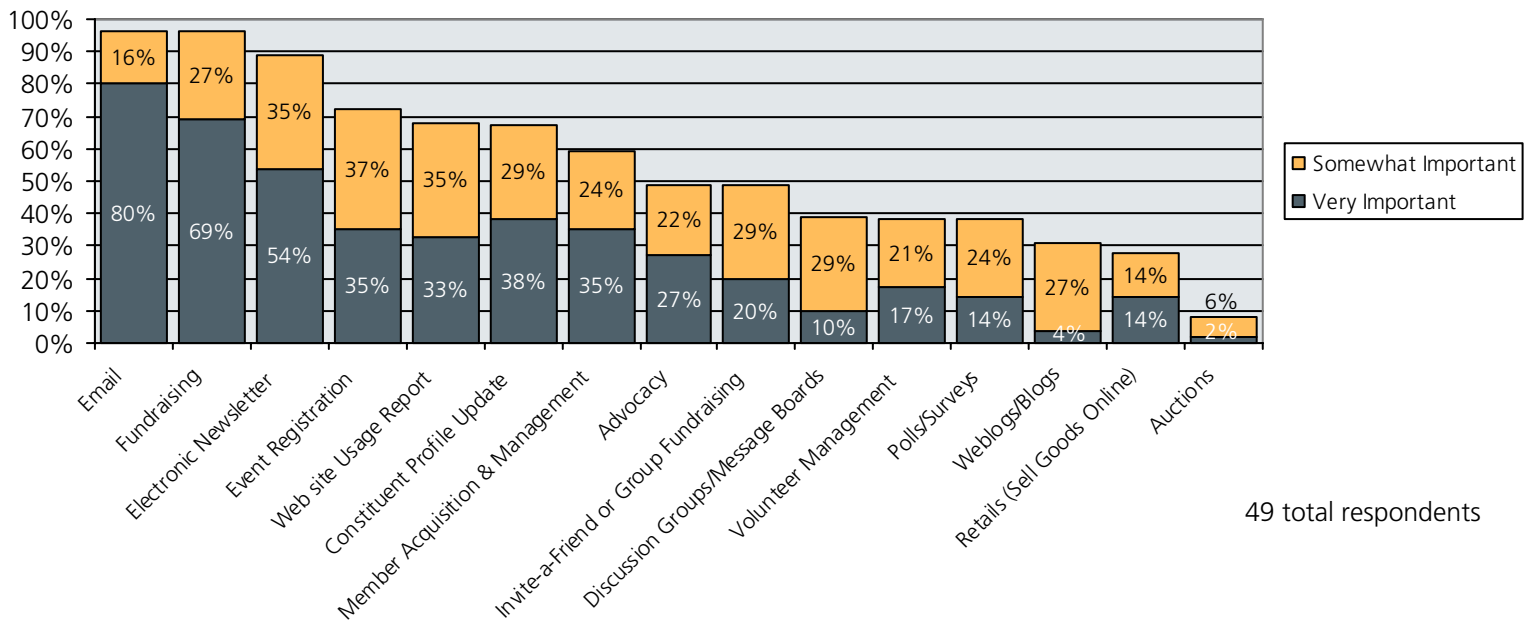
50 total respondents

## Use of the Internet

Does your organization have the following?

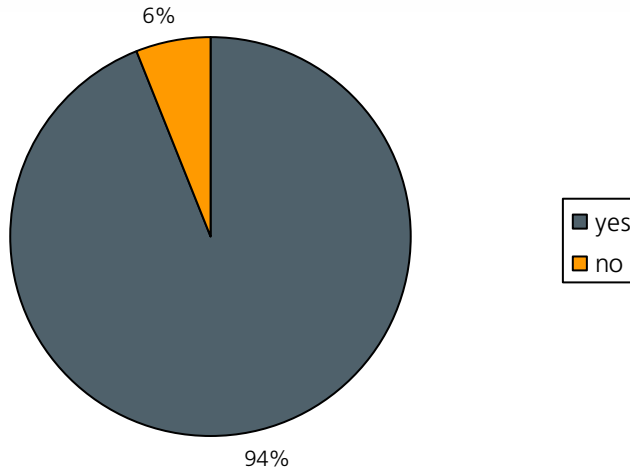
	yes	working on it	no	response total
High Speed Internet Connections (not dial up)	96%	2%	2%	49
A Written Online Strategy	18%	30%	52%	44
Employees Who Work Remotely	60%	6%	34%	50
A Technology Budget	65%	9%	26%	46
A Technology / Training Budget	33%	10%	57%	49
A Written Technology Plan	24%	26%	50%	46
A Data Acquisition Budget	30%	9%	62%	47
A Branding / Marketing Strategy	43%	39%	18%	49

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



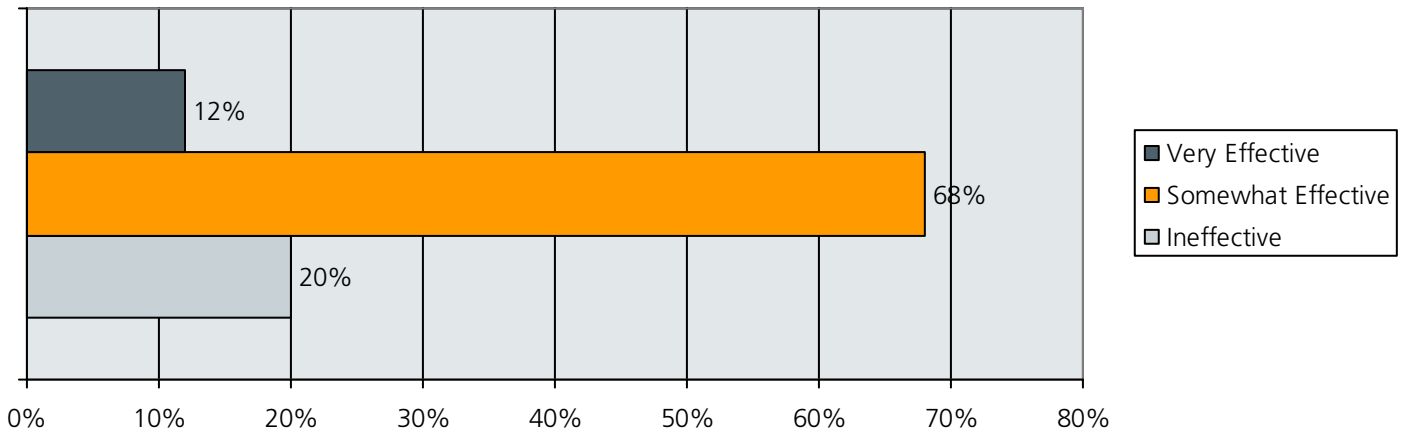
49 total respondents

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



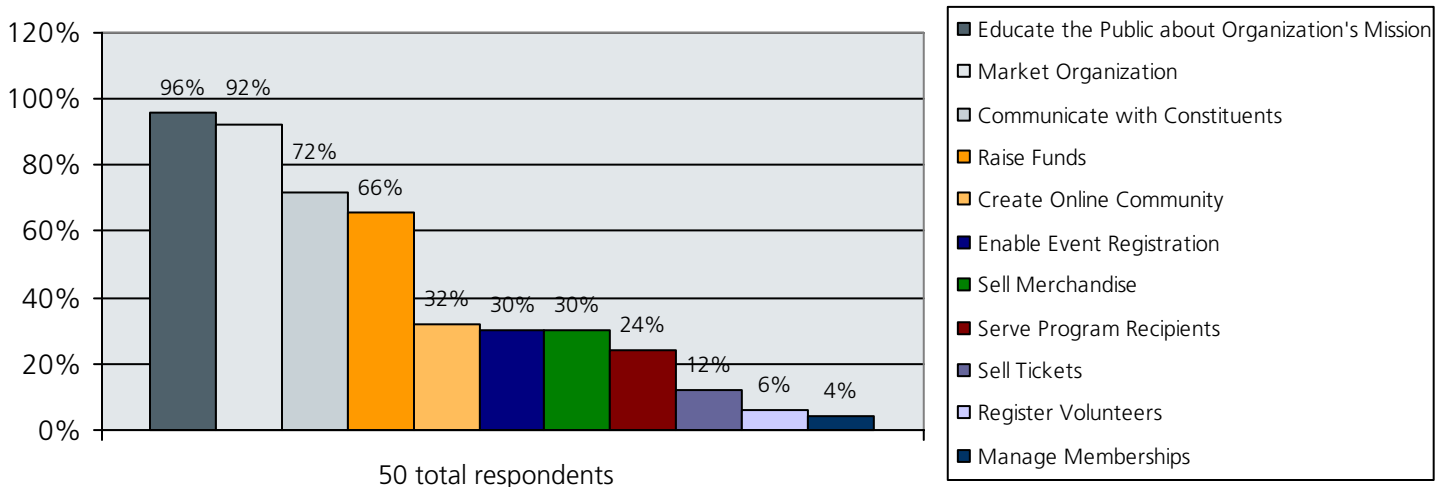
49 total respondents

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



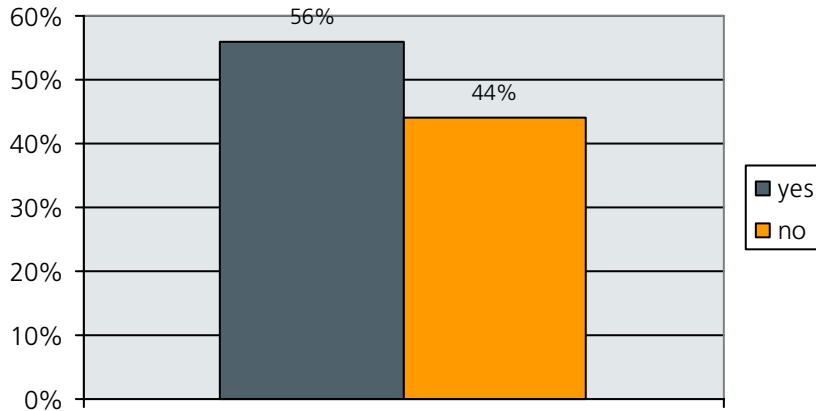
50 total respondents with a Web site

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



50 total respondents

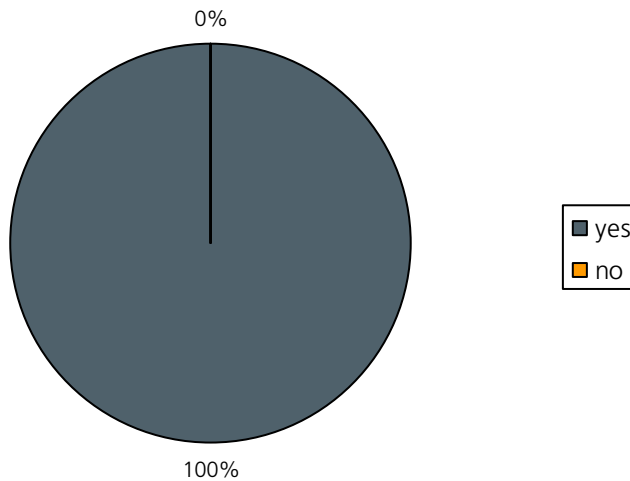
Does your organization actively raise funds online?



50 total respondents

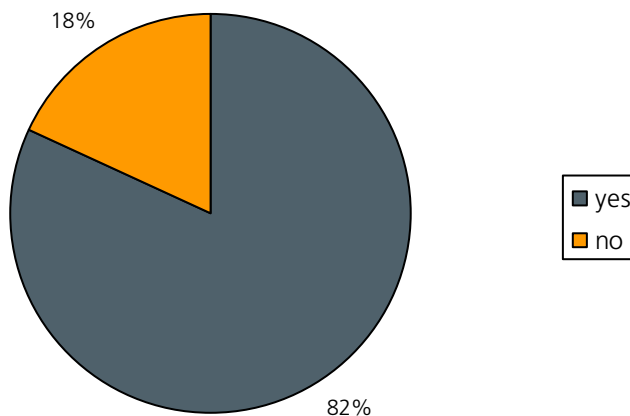
## Accountability and Stewardship

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



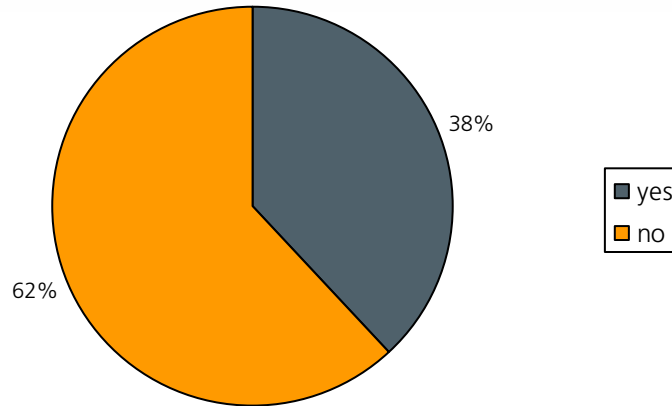
49 total respondents

Do you feel that the public trusts nonprofits in general?



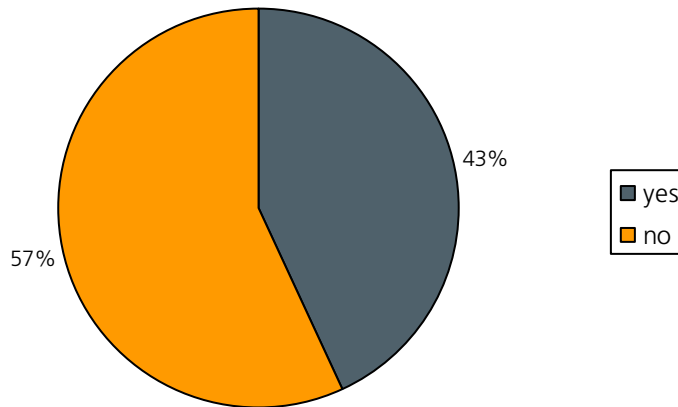
50 total respondents

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



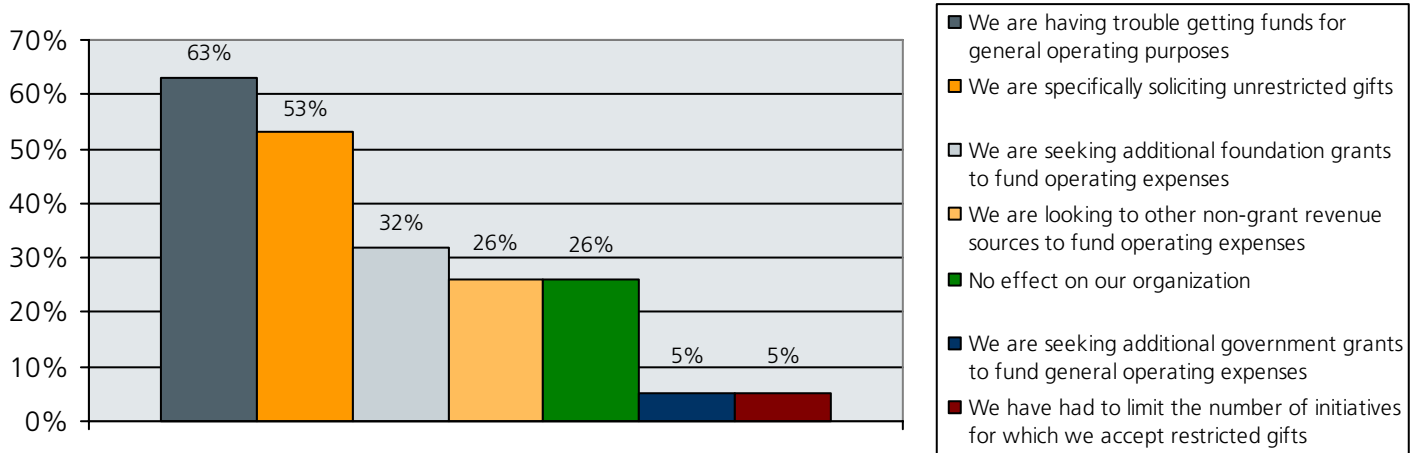
50 total respondents

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



44 total respondents

For those who responded "yes" to the previous question, how is this move toward increased restricted gifts affecting your organization? (totals more than 100% because respondents could choose more than one)



19 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	83%	4%	10%	2%	48
Formed Audit Committee	47%	9%	7%	37%	43
Established Whistle-Blower Procedures	14%	9%	3%	74%	35
Purchased Directors' and Officers' (D&O) Insurance	70%	6%	3%	21%	33
Communicated Proactively to Donors on How Donations Were Spent	68%	5%	20%	7%	44

for more information

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