

New Jersey Non-Profits 2009:

Trends and Outlook

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Summary

This report is the latest in a series of annual surveys designed to gauge trends, experiences and projections of New Jersey non-profit organizations. The Center conducted this round of surveys in mid-February 2009 to assess how non-profits fared in 2008 and to determine their outlook for the coming year. The 351 responses from 501(c)(3) organizations that were submitted online as of February 14, 2009, were included in this analysis.

The survey data clearly indicate that New Jersey non-profits are feeling the effects of the economic downturn, rising demand for services and drastically shrinking pools of funding. In this climate, non-profits are taking a variety of actions to cut costs, stretch resources, adjust programming and forge increased partnerships.

Among the key findings:

- **70% of responding organizations reported that demand for their core services had increased** during the past year, and an equal percentage expected demand to continue to rise in 2009. Only 5% of respondents reported a decrease in demand in the prior year.
- **One-third reported that expenses exceeded support and revenue** during the most recently completed fiscal year.
- **Over 60% expected their total expenses to increase in 2009; however, only 27% expected total 2009 funding to increase.** By contrast, 42% anticipated a decrease in their total funding in 2009, while 22% predicted flat funding in 2009. Corporations, foundations and donations from individuals were identified most often as the categories in which decreases were expected.
- **89% of respondents reported a dramatic change in funding in 2008** vs. the prior year in at least one funding category (private foundations, corporate donations, individual donations, fees for service, investment income, special events, planned giving, endowment, United Way, government, and business ventures). **Decreases outweighed increases in nearly every category** where funding changes were reported.
- **60% of survey respondents reported that a previous funding source had informed them in 2008 that they would not be giving to their organization or that they would be giving less.** Corporations, foundations and individual donors were the sources identified most frequently as reducing funds, with economy-related issues overwhelmingly the most common reason. Decreases in funding from most sources were widely predicted for 2009.
- In response to these trends, **29% of non-profits reported that they had curtailed programs or planned to; and 34% either have cut staff or planned to do so.**
- **48% of respondents reported launching new partnerships/collaborations** in 2008, most commonly with other non-profit organizations, although partnerships with government and business were also reported.
- When asked to identify the issues presenting the greatest challenges to the viability of **their own organizations**, non-profits chose financial uncertainty, the need for a stronger board, increased benefits/insurance costs, increased demand for program services and low organization visibility most frequently.
- When asked to identify the issues most important to maintaining and improving the viability of the **non-profit sector** in the coming decade, non-profits identified non-profit infrastructure/capacity building, foundation/corporate funding, giving and volunteering incentives, attracting/retaining qualified workers, and state fiscal policy/budget the most often.

Although generalizations should be made with caution, the survey results strongly suggest that the economic crisis has had an immediate and detrimental effect on New Jersey's non-profit community, and that the current climate of retrenchment is widely prevalent in the non-profit sector as in business and government. Non-profits continue to cope with rising demand and expenses, and concern over long-term funding, infrastructure and labor force issues remains high. Strong leadership, creativity and innovation, contingency planning, collaborations and cost-sharing will continue to be key factors as non-profits seek to weather the crisis. Additionally, it will be vital for non-profits, individually and as a community, to continue to demonstrate and communicate the beneficial impact of their work on the quality of life and on the economy.

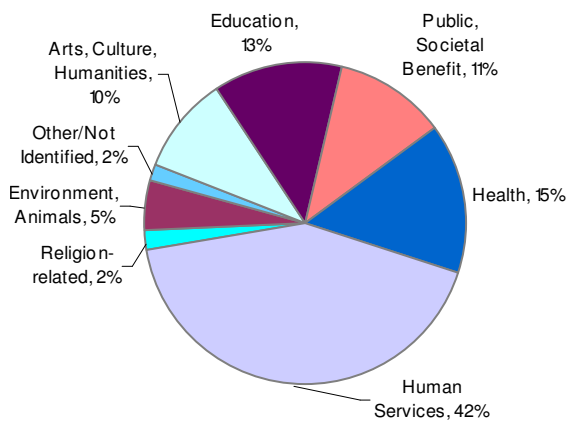
Background and Methodology

This report is the latest in a series of annual surveys by the Center for Non-Profits to gauge trends, experiences and projections of New Jersey non-profit organizations.

The Center conducted the survey online in mid-February 2009 to assess how non-profits fared in 2008 and to determine their outlook for the coming year. An email announcement with a link to the survey was sent to approximately 2900 subscribers of the Center’s email list, and additional outreach was made to other umbrella organizations serving non-profits in the state. All communications encouraged recipients to share the survey notice/instrument broadly within their own networks. The 351 responses from 501(c)(3) organizations that were submitted as of February 14, 2009, were included in this analysis.

Demographics of Responding Organizations

Chart 1: Primary Service Focus
(N=351)



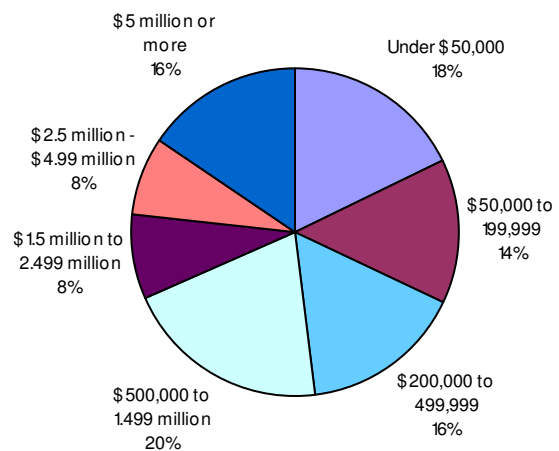
Primary Service Focus

Respondents were asked to select their organization’s primary purpose from a list of 8 classifications. Chart 1 represents the breakdown of respondents according to those categories. Compared with the New Jersey’s non-profit sector overall, human services and health organizations are somewhat overrepresented and public/societal benefit and religious organizations are underrepresented. However, the diversity of organizations within the non-profit sector is reflected within the survey respondents.

Budget Size

Chart 2 represents the breakdown of survey respondents by annual budget. Although a wide range of budget sizes are represented, organizations of less than \$200,000 budget, which make up the majority of New Jersey’s non-profits, are underrepresented in the survey responses. Larger organizations are somewhat overrepresented in this survey when compared with their proportion to the New Jersey non-profit sector as a whole.

Chart 2: Annual Operating Budget
(N=351)



Geographic Location

The geographic distribution of responding organizations was roughly comparable to that of non-profits throughout New Jersey, with Central Jersey slightly over-represented and North and South Jersey slightly under-represented. Organizations from North Jersey (Bergen, Essex, Hudson, Morris, Passaic, Sussex, Union and Warren Counties) comprised 41%, Central Jersey (Hunterdon, Mercer, Middlesex, Monmouth and Somerset) made up 43% of the respondents, while approximately 16% were located in the Southern region (Atlantic, Burlington, Camden, Cape May, Cumberland, Gloucester, Ocean and Salem).

Demand for Services

In 2008

Organizations were asked whether demand for core services increased or decreased during 2008 as compared to 2007 (Table 1). An overwhelming majority of responding organizations (71%) reported that demand for services had increased. Only 5% reported a decrease in demand for services in 2008. Although rising demand was reported in the majority of all types of organizations, it was most often cited in human service non-profits.

Demand for Core Services in 2008 vs. 2007 (N=327)	
Increase	71%
Decrease	5%
No significant change	21%
Unknown	3%

Table 1

Predictions for 2009

The vast majority, 70% of organizations, felt that demand for their services would continue to increase over the next twelve months. 21% felt that demand for services would remain about the same over the next 12 months, and only 5% predicted a decrease in demand. (Table 2) Human services, public/societal benefit and health organizations were among the categories most likely to predict continued rises in demand.

Projected Demand for Core Services in 2009 vs. 2008 (N=325)	
Increase	70%
Decrease	5%
No significant change	21%
Unknown	4%

Table 2

Expenses

In 2008

Organizations were asked whether overall expenses in 2008 increased or decreased compared with 2007. A clear majority (59%) of respondents reported that expenses increased by at least 5% in 2008. (Table 3) 36% reported expense increases of 10% or more; 12% reported increases of 25% or more. Only 10% of respondents reported a decrease in expenses in 2008.

Total Expenses in 2008 vs. 2007 (N=325)	
Increase of 5% or more	59%
Decrease of 5% or more	10%
No significant change (+/- 5% or less change)	27%
Unknown	5%

Table 3

Predictions for 2009

A majority (61%) of respondents expected expenses to continue to rise in 2009 (Table 4). Although in this percentage is actually lower than in some prior Center surveys, this may be partially attributable to cost-cutting measures being implemented by many organizations. Nevertheless, it is important to note that only 27% of organizations expected their total funding to rise in 2009. (Table 6)

Projected Expenses in 2009 vs. 2008 (N=324)	
Increase	61%
Decrease	12%
Remain the same	23%
Unknown	4%

Table 4

Trends in Funding

Total Funding 2008 vs. 2007

35% of organizations reported an overall increase in funding in 2008 compared to the previous year, down from 56% in the survey conducted by the Center one year ago. 27% reported that their overall funding had decreased, compared with only 17% in last year's survey. 32% remained relatively stable and 6% were uncertain. (Table 5)

One-third (33%) of survey respondents reported that total expenses exceeded total income in their most recently completed fiscal year. 42% reported a break-even year, while only 25% of respondents reported that total revenue exceeded total expenses in their most recently completed fiscal year.

Funding in 2008 vs. 2007 (N=323)	
Increase of 5% or more	35%
Decrease of 5% or more	27%
No significant change (+/- 5% or less change)	32%
Unknown	6%

Table 5

Funding Outlook 2009

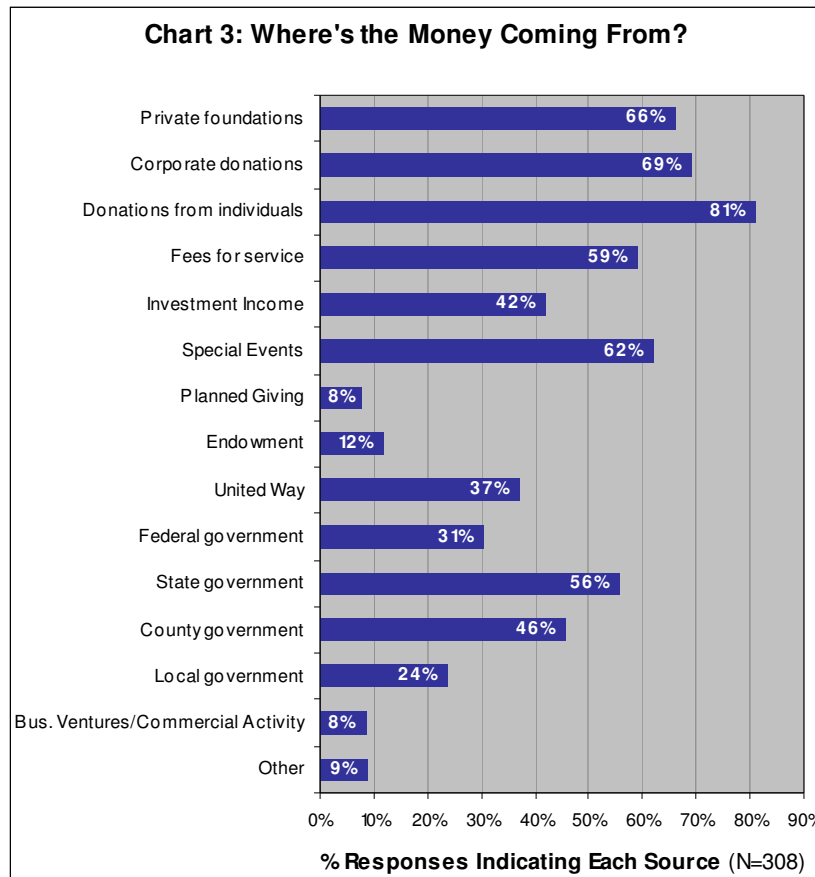
Our respondents' funding predictions for the coming year were strongly reflective of the current economic times. The largest proportion (42%) of responding organizations expected their overall funding to decrease in 2009, while only 27% expected funding to go up. (Table 6) This represents a significant change from our 2008 survey in which only 13% expected decreases and 54% predicted increases.

Projected Total Funding in 2009 vs. 2008 (N=290)	
Increase	27%
Decrease	42%
Remain the same	22%
Unknown/not reported	8%

Table 6

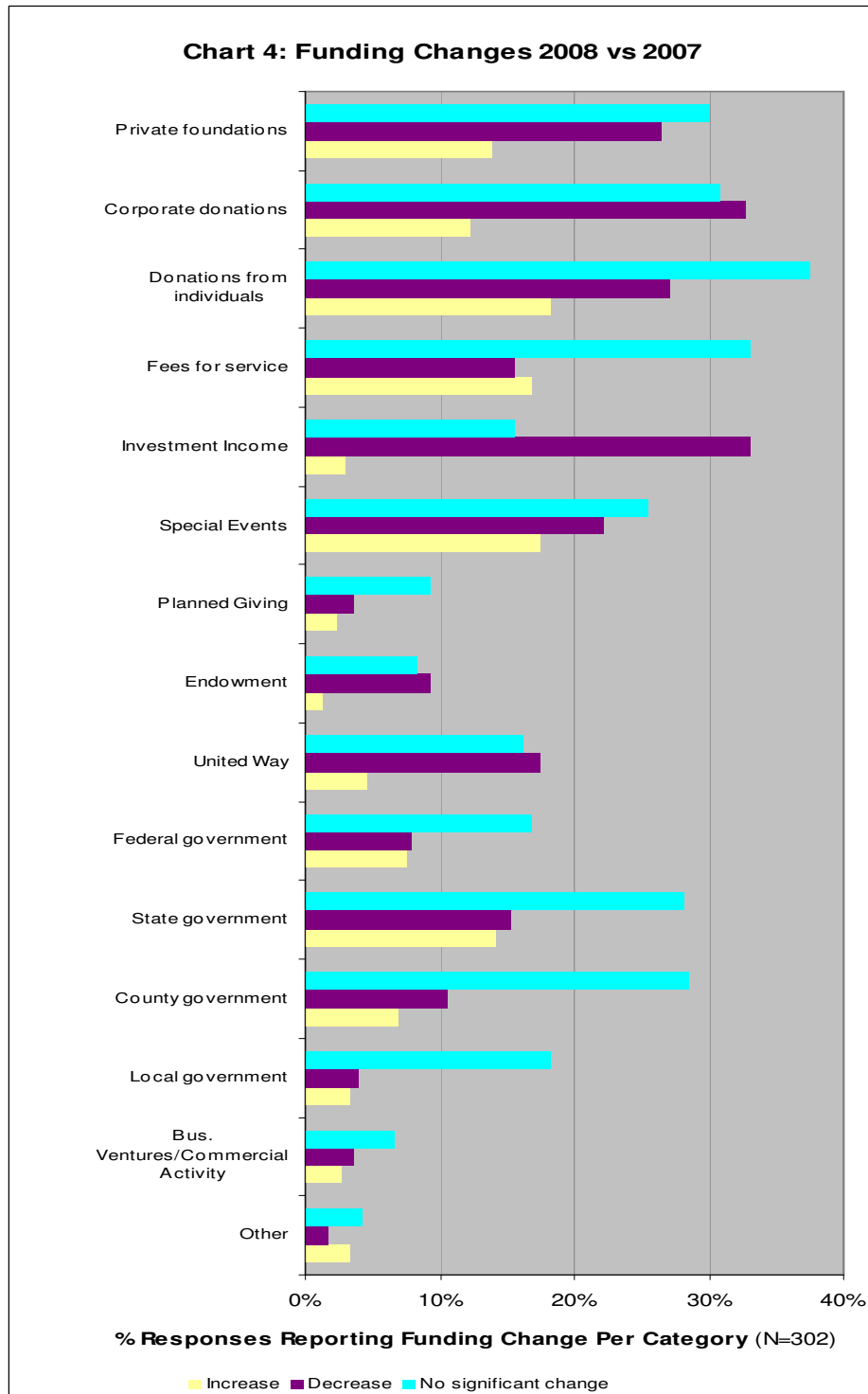
Sources of Funds

Chart 3 depicts the percentage of respondents that reported receiving funds from various types of sources in 2007 or 2008.



Funding Changes in 2008

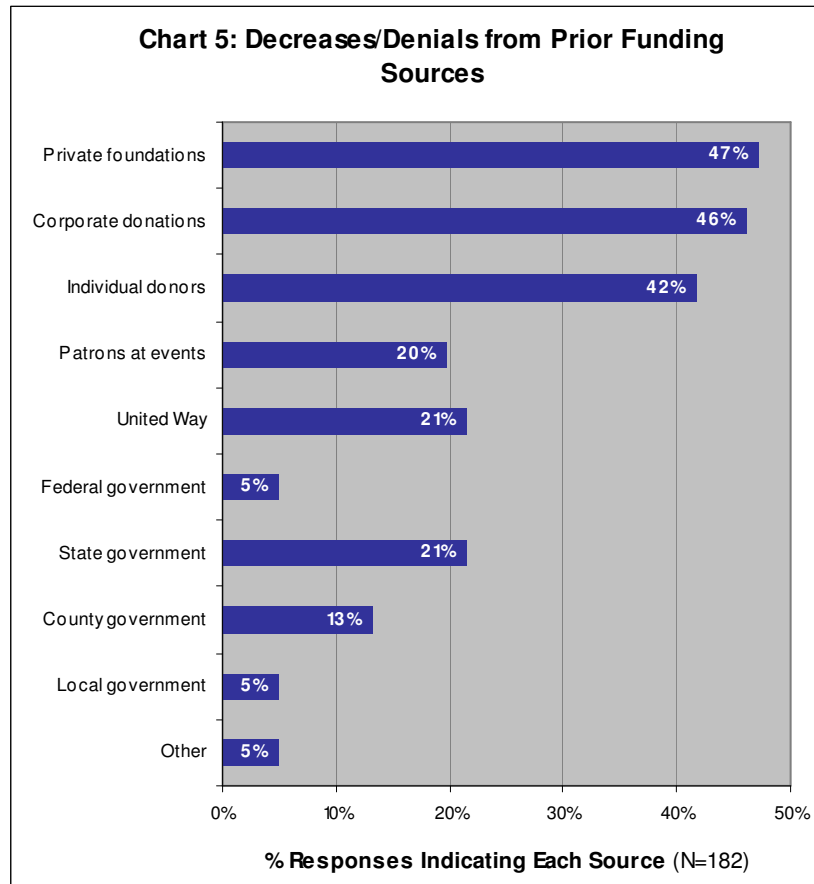
89% of respondents reported a dramatic change in funding in 2008 vs. the prior year in at least one funding category. When funding changes were reported, decreases outweighed increases in nearly every funding category. Decreases were reported most frequently in investment income, corporate donations, individual donations and private foundations (Chart 4).



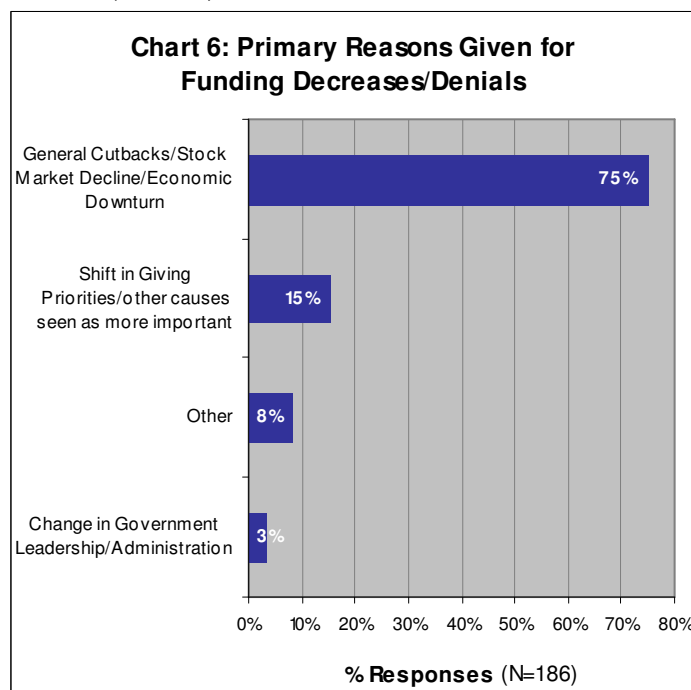
Denials/Reductions by Previous Funders

60% of survey respondents reported that a previous funding source had informed them in 2008 that they would not be giving to their organization or that they would be giving less. This percentage is notably higher

than in our survey of one year ago, when 45% of organizations reported funding denials/reductions. In the current survey, denials or reductions were most frequently reported from foundations and corporations (47% and 46% respectively), followed by individual donors (42%), and state government and United Way (21% each). (Chart 5)

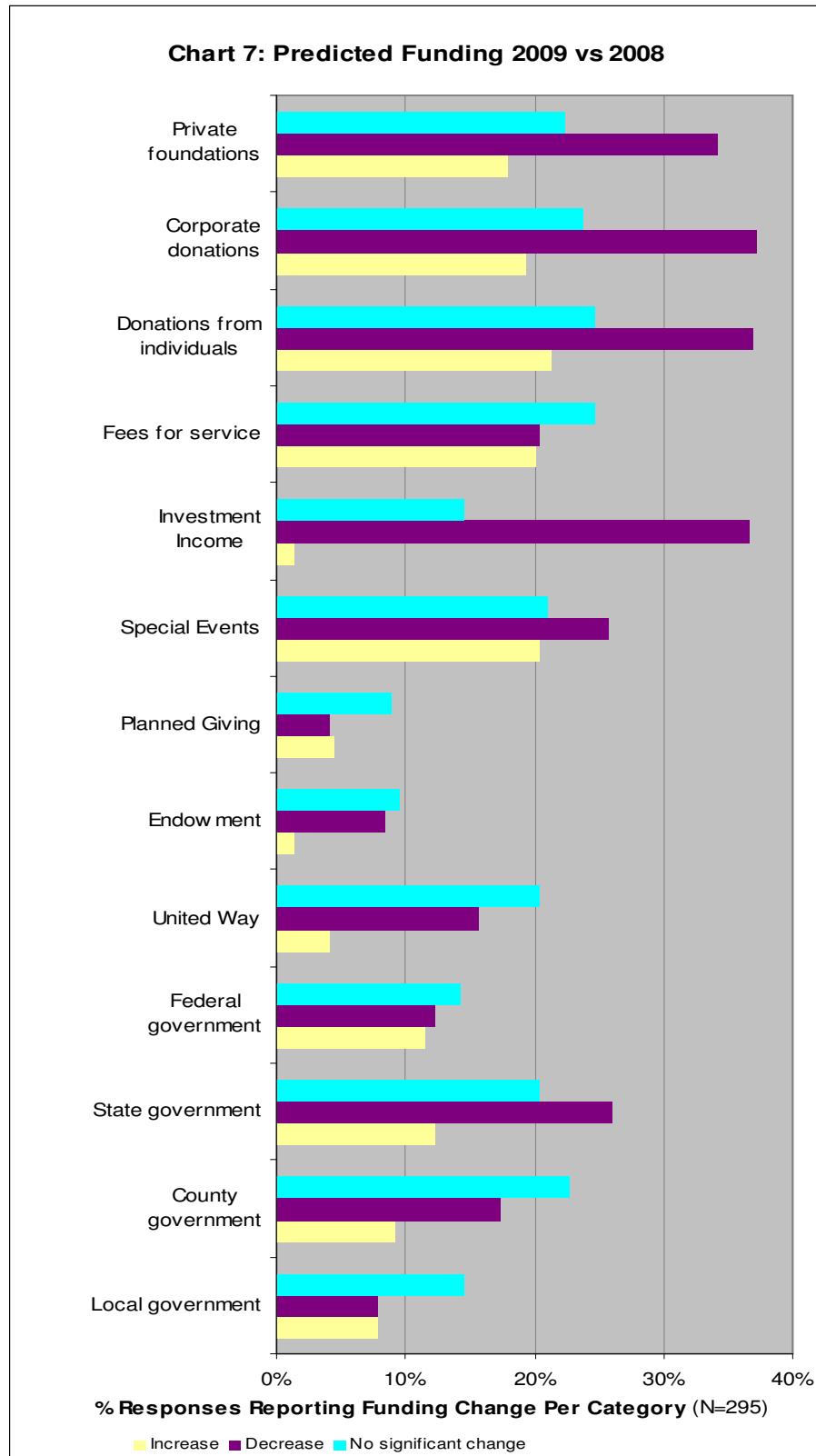


By far the most frequent reason given for funding reductions was the economic downturn/stock market decline, identified by 75% of respondents who were declined funding. Shifts in giving priorities were identified by 15% of respondents. (Chart 6)



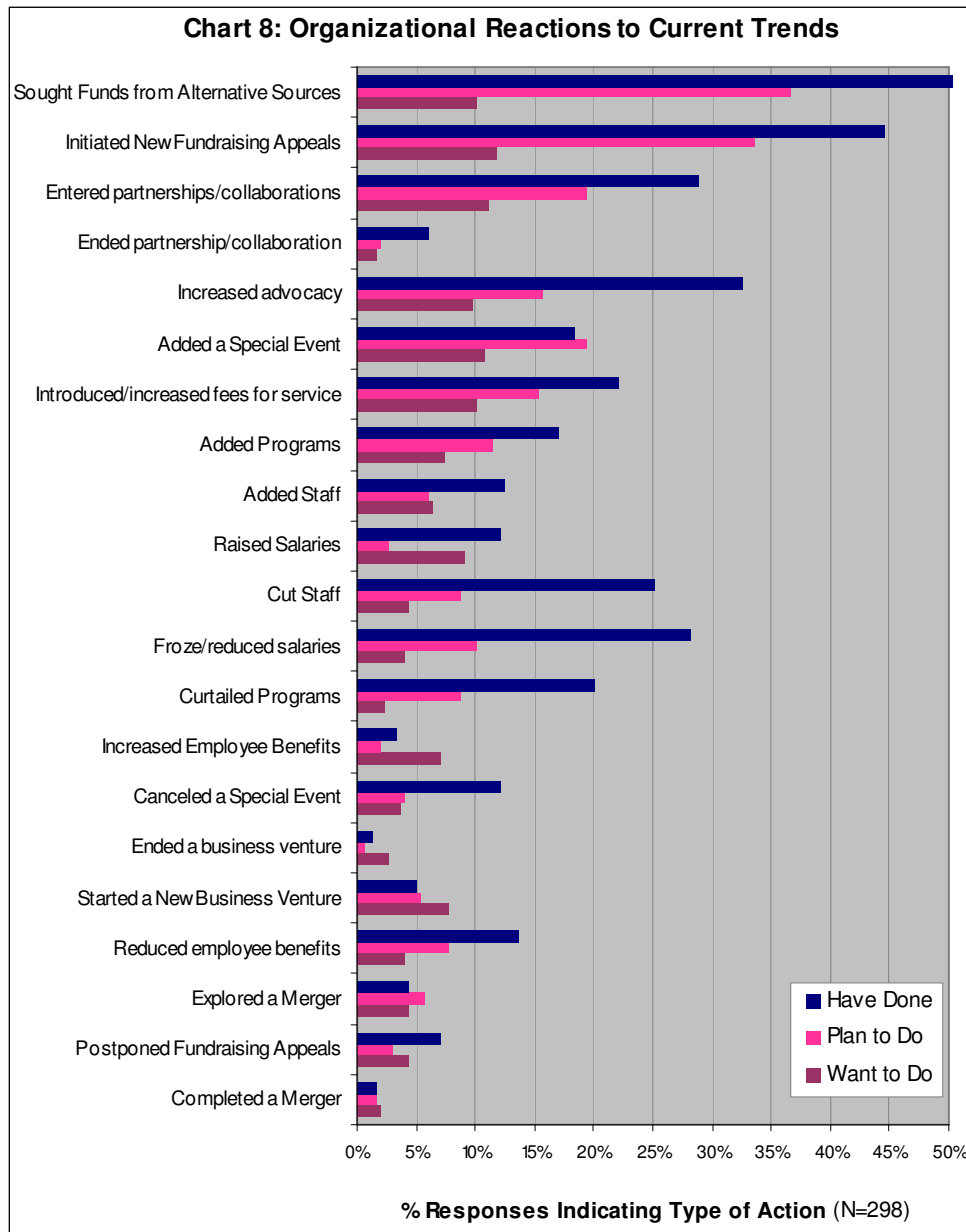
Projected Funding from Specific Sources in 2009

Non-profits widely predicted funding decreases from most sources for 2009, with projected decreases outweighing increases in almost every funding category. Decreased funding was most often predicted from investment income, private foundations, corporate donations and donations from individuals. (Chart 7)



Organizational Reactions to Emerging Trends

Many respondents reported seeking funds from alternative sources, launching new fundraising appeals, and increasing their advocacy efforts. However, a significant number of non-profits also reported cost-cutting and retrenchment activities. For example, 38% of respondents indicated that they had either frozen salaries or planned to do so; 29% had curtailed programs or planned to do so; and 34% either had cut staff or planned to do so. (Chart 8)



Partnerships/Collaborations

Nearly half of respondents (48%) reported launching new partnerships/collaborations in 2008, most commonly with other non-profit organizations, although partnerships with government and business were also reported. Sample activities included joint proposals and events; organizations partnering to provide complementary services and transportation; a collaborative through United Way and several organizations to provide services to constituents; and shared staff between organizations.

Changes in Constituent Populations

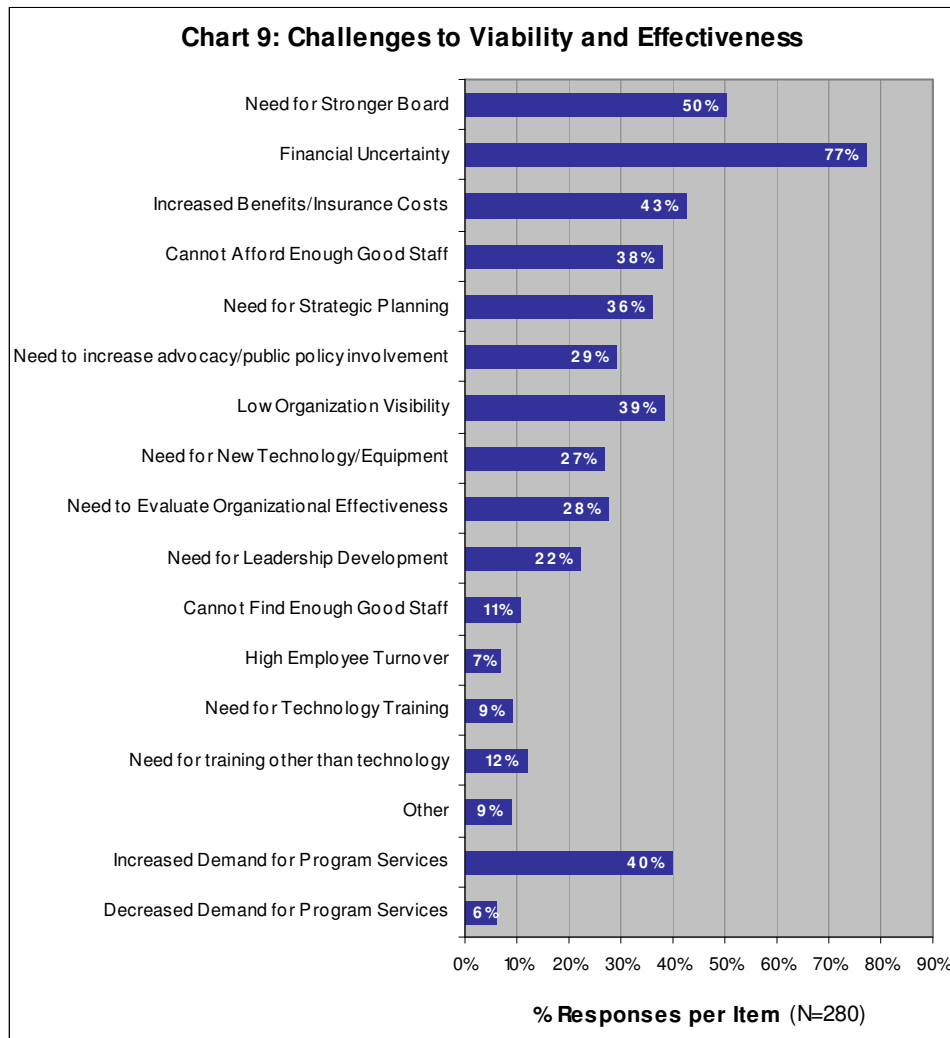
Respondents were asked about changes in their constituent populations. Many non-profits reported that over the past year, they had seen increased numbers of people in financial distress, especially the recently unemployed; more people seeking assistance with food, utilities or rent; and the impact of unemployment on people's access to health care. Non-profits also reported increased diversity of populations (e.g., immigrant populations, non-English speaking, ethnic diversity); growth in housing/homelessness issues; and more families or children.

Issues Facing New Jersey's Non-Profits

Respondents were asked to identify which issues, aside from funding, presented the greatest challenges to the viability and effectiveness of their *individual organizations*. They were also asked to select from a diverse list those five issues that they felt were most important to improving the viability of the *non-profit sector* in the coming decade.

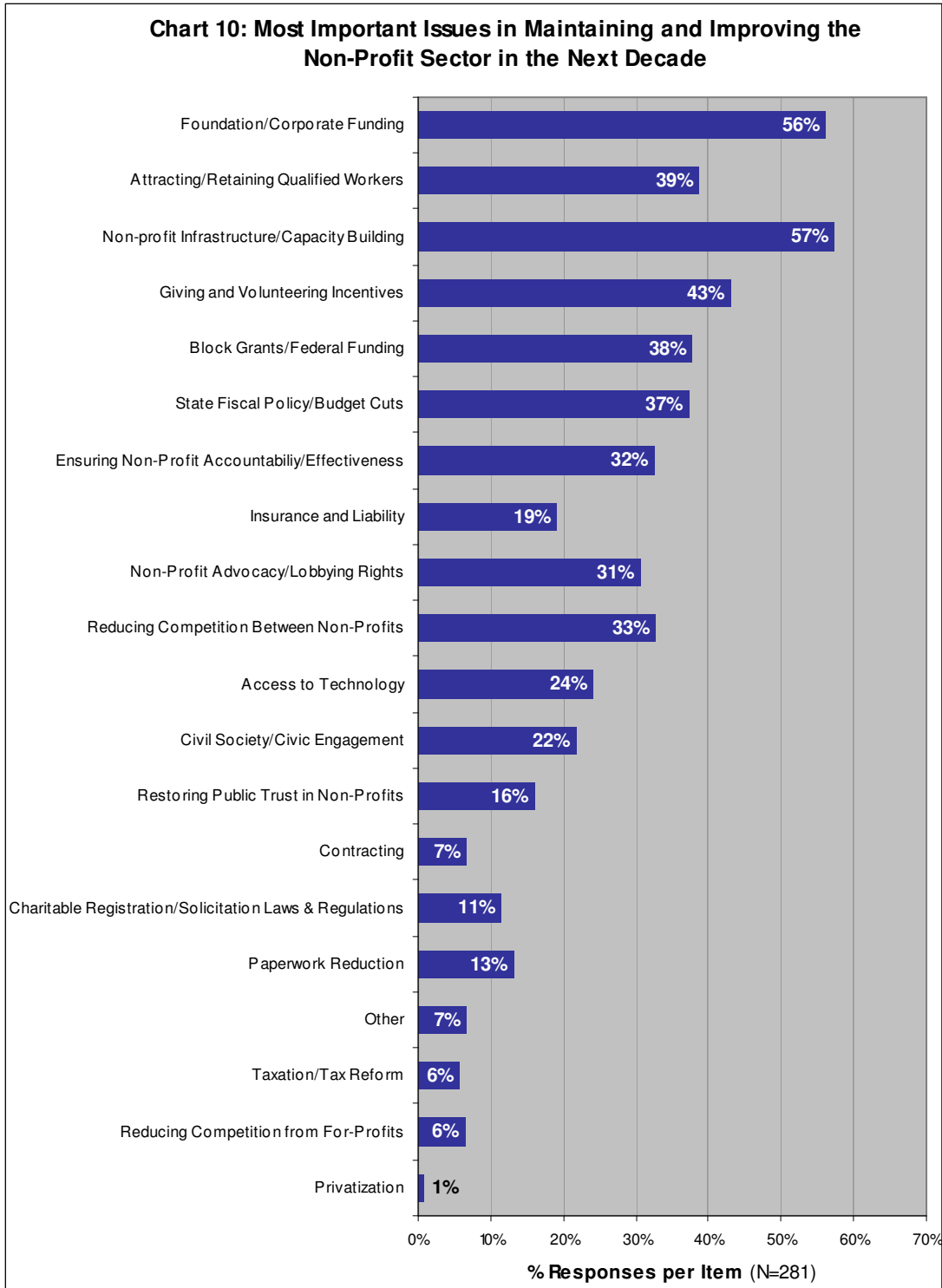
Challenges faced by individual organizations

Financial uncertainty, selected by 77% of respondents, was by far the most frequently cited challenge for individual organizations, followed by the need for a stronger board (50%), higher costs for benefits/insurance (43%), increased demand for services (40%) and low organization visibility (39%). Other frequently mentioned concerns include inability to afford high quality staff (38%) and the need for strategic planning (36%). (Chart 9)



Non-Profit Sector Issues

Funding, infrastructure, and labor concerns dominated the issues identified as important to the well-being of the non-profit sector. Non-profit infrastructure/capacity building, selected by 57% of respondents, topped the list, followed by foundation/corporate funding (56%), giving and volunteering incentives (43%), attracting/retaining qualified workers (39%), block grants/federal funding and state budget cuts (38% and 37% respectively). (Chart 10)



Overall Outlook

Non-profits' thoughts regarding their organizations' overall circumstances have become decidedly more pessimistic compared to the Center's survey of one year ago.

Only 31% of respondents reported that their organization's circumstances were better overall now than one year ago – down from 51% who said that their situation was better in 2008 than in 2007. Fully one-third (34%) of respondents said that their situation was worse than a year ago – up from 15% in last year's survey. (Table 7)

<i>Overall, would you describe your organization's circumstances as better, worse or no different than the same time a year ago?</i>		
Response	2008 (n=178)	2009 (n=278)
Better	51%	31%
Worse	15%	34%
No different	35%	36%

Table 7

One-third (33%) of respondents predicted that their organizations' overall circumstances would be worse one year from now than they are currently, compared with only 8% who held that opinion one year ago. Although the greatest proportion, 41%, predicted that their circumstances would be better a year from now, this still represents a sharp drop from the 68% of respondents who held that view in 2008. (Table 8)

<i>Overall, one year from now, do you think your organization's circumstances will be better, worse or no different than they are currently?</i>		
Response	2008 (n=179)	2009 (n=282)
Better	68%	41%
Worse	8%	33%
No different	24%	26%

Table 8

Interpretation/Implications

Although as with any survey, results should be interpreted with some caution, the survey findings present in stark terms the challenges faced by New Jersey non-profits in the current economy, particularly in light of rising demand for services, shrinking resources and the anxiety that accompanies uncertainty about the future. Organizations are already taking steps to cope with the climate of retrenchment, including staffing and program cuts as well as strengthened partnerships and collaborations.

Strong leadership, creativity and innovation, contingency planning, collaborations and cost-sharing will continue to be key factors as non-profits seek to weather the crisis. Additionally, it will be vital for non-profits, individually and as a community, to continue to demonstrate and communicate the beneficial impact of their work on the quality of life and on the economy.

The Center for Non-Profits will continue to gather and disseminate information regarding how non-profits are faring in the current economic and social environment, and what can be done to address emerging trends.