New Jersey Non-Profits 2010

Trends and Outlook

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Helping organizations build a better New Jersey

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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. It is also a follow-up to an interim survey conducted in the fall of 2009, which documented the continuing effect of the recession on New Jersey's charitable community. The Center for Non-Profits conducted this round of surveys in mid-February 2010 to assess how non-profits fared in 2009 and to determine their outlook for the coming year. The 326 responses from 501(c)(3) organizations that were submitted online as of February 17, 2010, were included in this analysis.

Among the key findings:

- Nearly two-thirds (64%) of responding organizations reported that demand for services had increased during the past year, and even more (74%) expected demand to continue to rise in 2010.
- Forty-five percent reported that total funding had declined in 2009, and 43% reported that expenses exceeded support and revenue during the most recently completed fiscal year.
- Sixty-five percent of survey respondents reported that a previous funding source had informed them in 2009 that they would not be giving to their organization or that they would be giving less. Private foundations, individual donors, corporations and state government were the sources identified most frequently as reducing funds, with economy-related issues overwhelmingly the most common reason.
- Nearly 60% expected their total expenses to increase in 2010, but only 38% expected total 2010 funding to increase. By contrast, 35% anticipated a decrease in their total funding in the coming year.
- Unsurprisingly, most organizations that receive state government funding expected it to decline in 2010. Corporate and foundation funding, which had shown consistent decreases for most respondents in our last two surveys, were predicted by most organizations to remain unchanged during the coming year. However, a higher proportion of respondents predicted individual giving to increase over 2009 levels.
- Forty-three percent of respondents reported that they had already frozen or cut salaries when the survey was taken, and 19% had implemented some reduction of staff hours. Nearly one-third (31%) had cut staff, and an additional 17% said that they might do so before the end of 2010. Half (49%) had launched new fundraising appeals, 36% increased their advocacy efforts, and 35% reported recruiting additional volunteers.
- Similar to previous surveys, 47% of respondents reported launching new partnerships/collaborations in 2009, most commonly with other non-profit organizations, although partnerships with government and business were also reported. Mergers represent a small but growing part of the actions under consideration. While only 2% of respondents reported having completed a merger, 8% had explored one, and 16% indicated that they might investigate one in 2010.
- 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 costs of benefits/insurance, inability to afford high quality staff, and increased demand for program services most frequently.
- When asked to choose 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, state fiscal policy and budget, and giving and volunteering incentives the most often.

Although generalizations should be made with caution, the survey clearly shows the continued toll that the recession, sustained increases in demand for services and reduced funding is taking on New Jersey's non-profit community. Within this environment, some retrenchment within the sector is occurring and will likely continue. Despite the significant steps non-profits have already taken to adapt, the challenges facing them continue to mount, and organizations are straining under the weight. With government and society turning more and more to non-profits to fulfill essential community needs, it is more vital than ever to strengthen organizations and work with policy makers to ensure that our state's social and economic needs can be met.

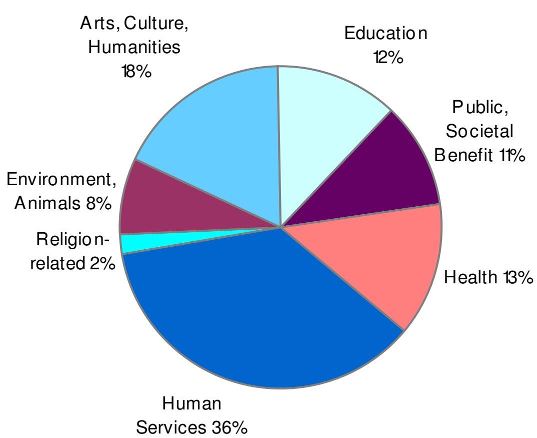
Background and Methodology

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 2010 to assess how non-profits fared in 2009 and to determine their outlook for the coming year. An email announcement with a link to the survey was sent to approximately 2600 subscribers of the Center's email list, and additional outreach was made via Facebook and 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 326 responses from 501(c)(3) organizations that were submitted as of February 17, 2010, were included in this analysis.

Demographics of Responding Organizations

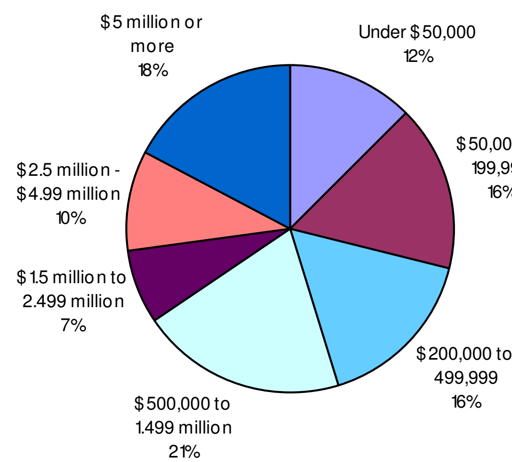
Chart 1: Primary Service Focus
(N=291)



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, health, and arts and cultural organizations are somewhat overrepresented and public/ societal benefit and religious organizations are under-represented. However, the diversity of organizations within the non-profit sector is reflected within the survey respondents.

Chart 2: Annual Operating Budget
(N=291)



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 when compared with their proportion to the number of non-profits in the state overall.

Geographic Location

The geographic distribution of responding organizations was roughly comparable to that of non-profits throughout New Jersey, with Central Jersey slightly overrepresented and South Jersey slightly under-represented. Organizations from North Jersey (Bergen, Essex, Hudson, Morris, Passaic, Sussex, Union and Warren Counties) comprised 48% of the respondents, Central Jersey (Hunterdon, Mercer, Middlesex, Monmouth and Somerset) made up 37%, while approximately 15% were located in the Southern region (Atlantic, Burlington, Camden, Cape May, Cumberland, Gloucester, Ocean and Salem).

Demand for Services

Change in Demand in 2009

Organizations were asked whether demand for core services increased or decreased during 2009 as compared to 2008 (Table 1). An overwhelming majority of responding organizations (64%) reported that demand for services had grown. Only 12% reported a lower demand for services in 2009. Although rising demand was reported in the majority of all types of organizations, it was most often cited in human service, education and health organizations.

Demand for Core Services in 2009 vs. 2008 (N=280)	
Increase	64%
Decrease	12%
No significant change	22%
Unknown	2%

Table 1

Change in numbers of people served in 2009

With a majority of organizations reporting increased demand for services during 2009, overall nearly the same percentage reported serving more clients, patrons or individuals during the same period (Table 2). Although not all non-profits' missions involve direct service to individuals, there were some clear gaps in the increased demand expressed by some types of organizations and whether they had served more people in the same period. This gap was most prevalent in health-related organizations, including mental and behavioral health.

Changes in Numbers of People Served in 2009 (N=282)	
Increase	60%
Decrease	15%
Remained the same	22%
Unknown	3%

Table 2

Predictions for 2010

Nearly three-quarters of organizations (74%) predicted that demand for their services would continue to increase in 2010. Eighteen percent felt that demand for services would remain about the same, and only 5% predicted a decrease in demand. (Table 3) Human service organizations were the most likely to predict continued increases in demand.

Projected Demand for Core Services in 2010 vs. 2009 (N=284)	
Increase	74%
Decrease	5%
No significant change	18%
Unknown	3%

Table 3

Expenses

In 2009

Organizations were asked whether overall expenses in 2009 increased or decreased compared with 2008. Half (51%) of respondents reported that expenses increased by at least 5% in 2009. (Table 4) Thirty-two percent reported expense increases of 10% or more; 11% reported increases of 25% or more. Strikingly, 21% of responses reported decreases in expenses in 2009; by contrast, one year ago only 10% of respondents reported a decrease in expenses in the prior year. This is largely a reflection of a variety of cost-cutting measures implemented by many organizations in response to the economic downturn, as large proportions of these organizations also reported having cut staff, reduced or frozen salaries, or curtailed programs in 2009.

Total Expenses in 2008 vs. 2007 (N=269)	
Increase of 5% or more	51%
Decrease of 5% or more	21%
No significant change (+/- 5% or less change)	24%
Unknown	5%

Table 4

Predictions for 2010

A majority (58%) of respondents expected expenses to rise in 2010 (Table 5). This percentage is actually lower than in some prior Center surveys, and is likely attributable to cost-cutting measures being implemented by many organizations. However, as indicated later in this report, only 38% of organizations expected their total funding to rise in 2010.

Projected Expenses in 2010 vs. 2009 (N=261)	
Increase	58%
Decrease	17%
Remain the same	23%
Unknown	3%

Table 5

Revenue/Expense Comparisons

Amid widespread reports of increased demand for programs and services, 43% of responding organizations reported spending more money than they took in during their most recent fiscal year, and only 23% reported that their total revenues had exceeded expenses. Year-end shortfalls were reported fairly evenly among all types of non-profits. (Table 6)

Total Income vs. Expenses for Most Recent Fiscal Year-End (N=265)	
Surplus	23%
Break-even	34%
Deficit	43%

Table 6

Trends in Funding

Total Funding 2009 vs. 2008

The recession continued to take its toll on non-profit funding in 2009. Forty-five percent of organizations reported that their overall funding had decreased in the prior year, compared with 27% one year ago and only 17% in our 2008 survey. Only 28% of organizations reported an overall increase in funding in 2009 compared to the previous year, down from 35% in the survey conducted by the Center one year ago and 56% two years ago. (Table 7)

Funding in 2009 vs. 2008 (N=228)	
Increase of 5% or more	28%
Decrease of 5% or more	45%
No significant change (+/- 5% or less change)	23%
Unknown	4%

Table 7

Consistent with the Center's two previous surveys, respondents were most likely to report funding decreases from corporate, foundation and individual donations, as well as investment income, special events and state government (Chart 3, next page).

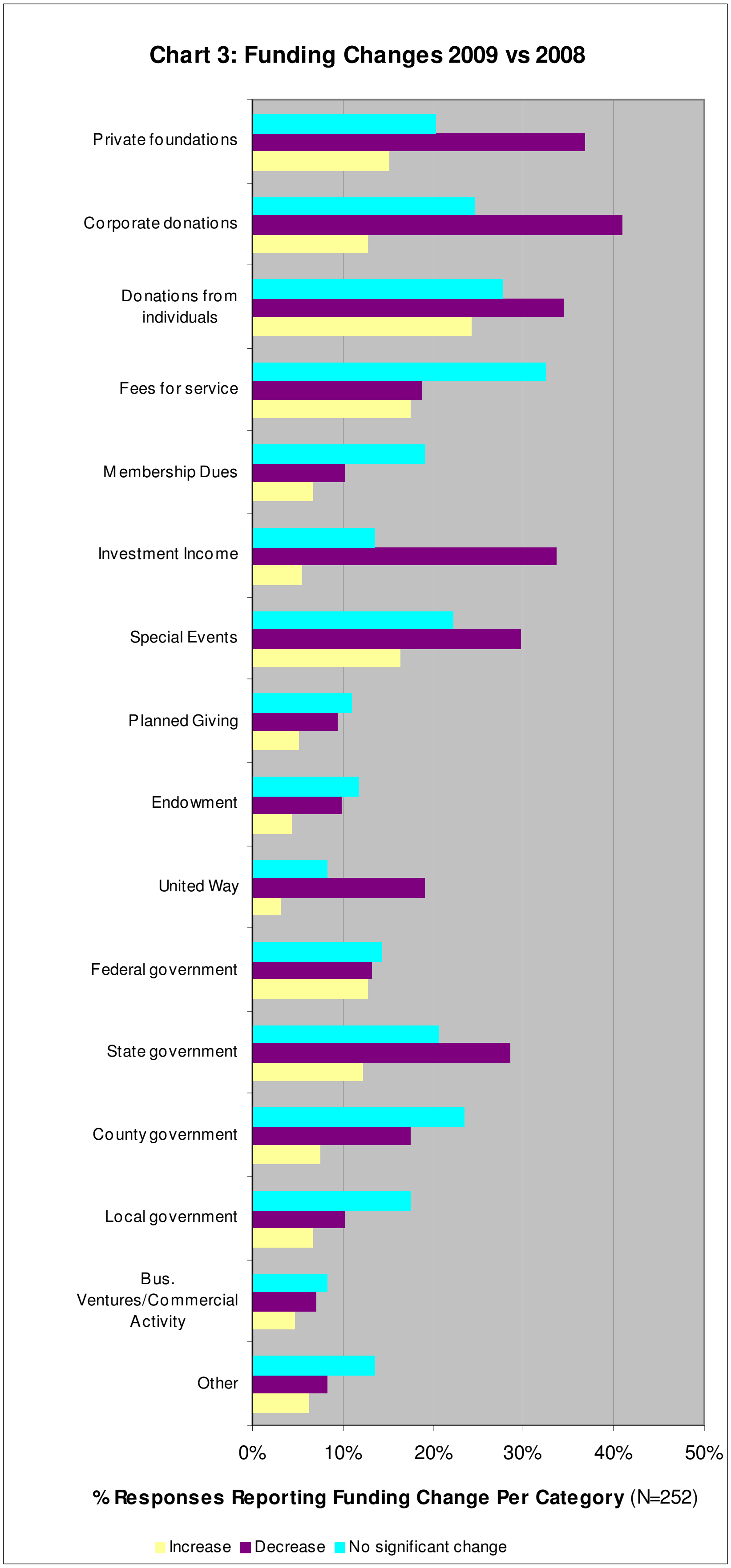
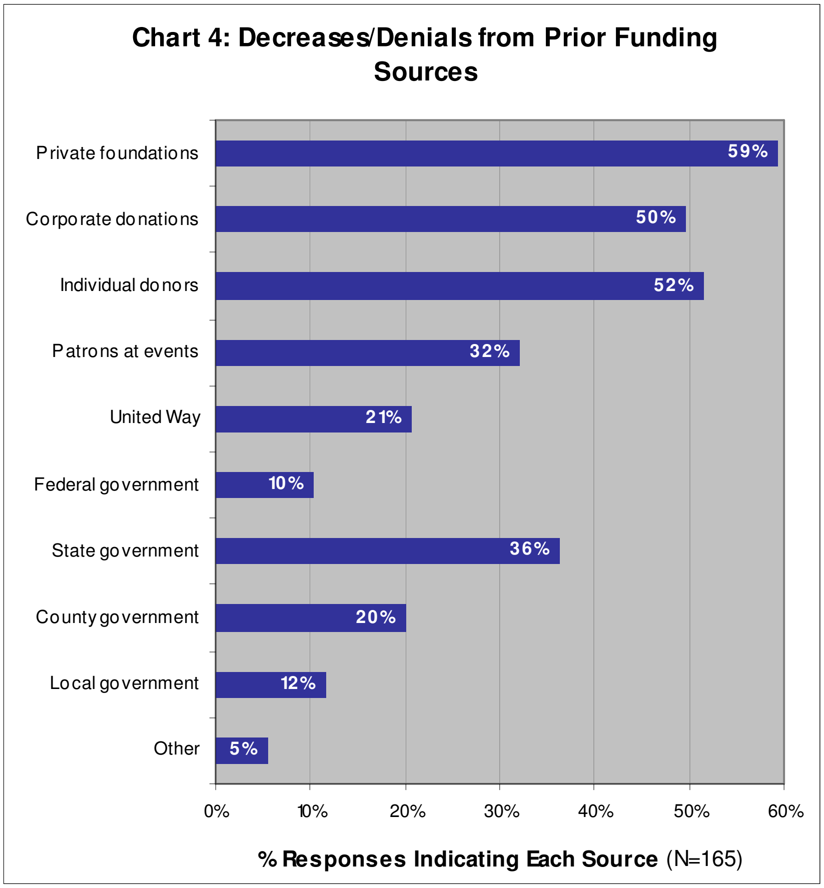


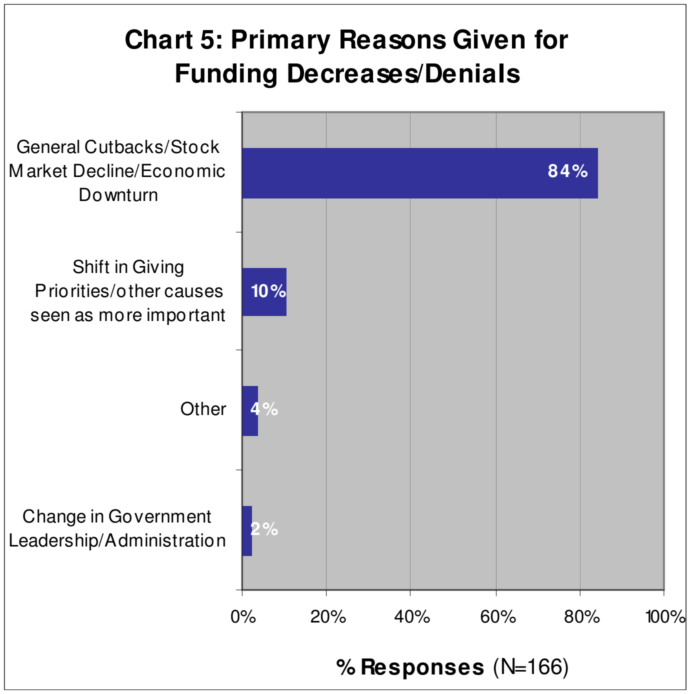
Chart 3: Funding Changes 2009 vs 2008
Private foundations
Corporate donations
Donations from individuals
Fees for service
Membership Dues
Investment Income
Special Events
Planned Giving
Endowment
United Way
Federal government
State government
County government
Local government
Bus. Ventures/Commercial Activity
Other
0%
10%
20%
30%
40%
50%
% Responses Reporting Funding Change Per Category (N=252)
Increase
Decrease
No significant change

Denials/Reductions by Previous Funders

Sixty-five percent of survey respondents reported that a previous funding source had informed them in 2009 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 two years ago, when 45% of organizations reported funding denials or reductions, and a slight increase above our 2009 survey (60%). In the current survey, denials or reductions were most frequently reported from private foundations (59%), individual donors (52%) and corporations (49%), followed by state government (36%), special event patrons (32%) and United Way (21%). (Chart 4)



Overwhelmingly, the most frequent reason given for funding reductions was the economic downturn/stock market decline, identified by 84% of respondents who were declined funding. Shifts in giving priorities were identified by 10% of respondents. (Chart 5)



Funding Outlook 2010

Thirty-eight percent of responding organizations predicted that their total funding would increase in 2010, while 35% projected decreases and 24% predicted stable funding. This is slightly more optimistic than our early 2009 survey, in which 27% of organizations predicted funding growth, but still far below the 2008 levels, in which 54% of respondents had projected increased funding and only 13% had predicted reductions.

Projected Total Funding in 2010 vs. 2009 (N=290)	
Increase	38%
Decrease	35%
Remain the same	24%
Unknown/not reported	4%

Table 8

Projected Funding from Specific Sources in 2010

For the first time in two years, more respondents predicted increased funding in the coming year from individuals and special events, and they predicted level funding from private foundations and corporations and several other categories. (Chart 6) Although clearly an improvement over previous findings, these responses should be considered in the context of the sharp reductions that had taken place during the previous two years. While there may have been some "bottoming out" in certain key categories, organizations' predictions regarding their overall funding for this year remain guarded, as cited above. Not surprisingly, organizations receiving state government funds overwhelmingly projected decreased state funding in 2010. Forty-two percent of organizations that reported receiving state funds predicted cuts in the upcoming year.*

* Governor Chris Christie declared a state of fiscal emergency for the State of New Jersey on February 11, 2010, several days into the data collection window for this survey. Data collection ended on February 17, 2010, well in advance of the Governor's Fiscal Year 2011 budget message in March.

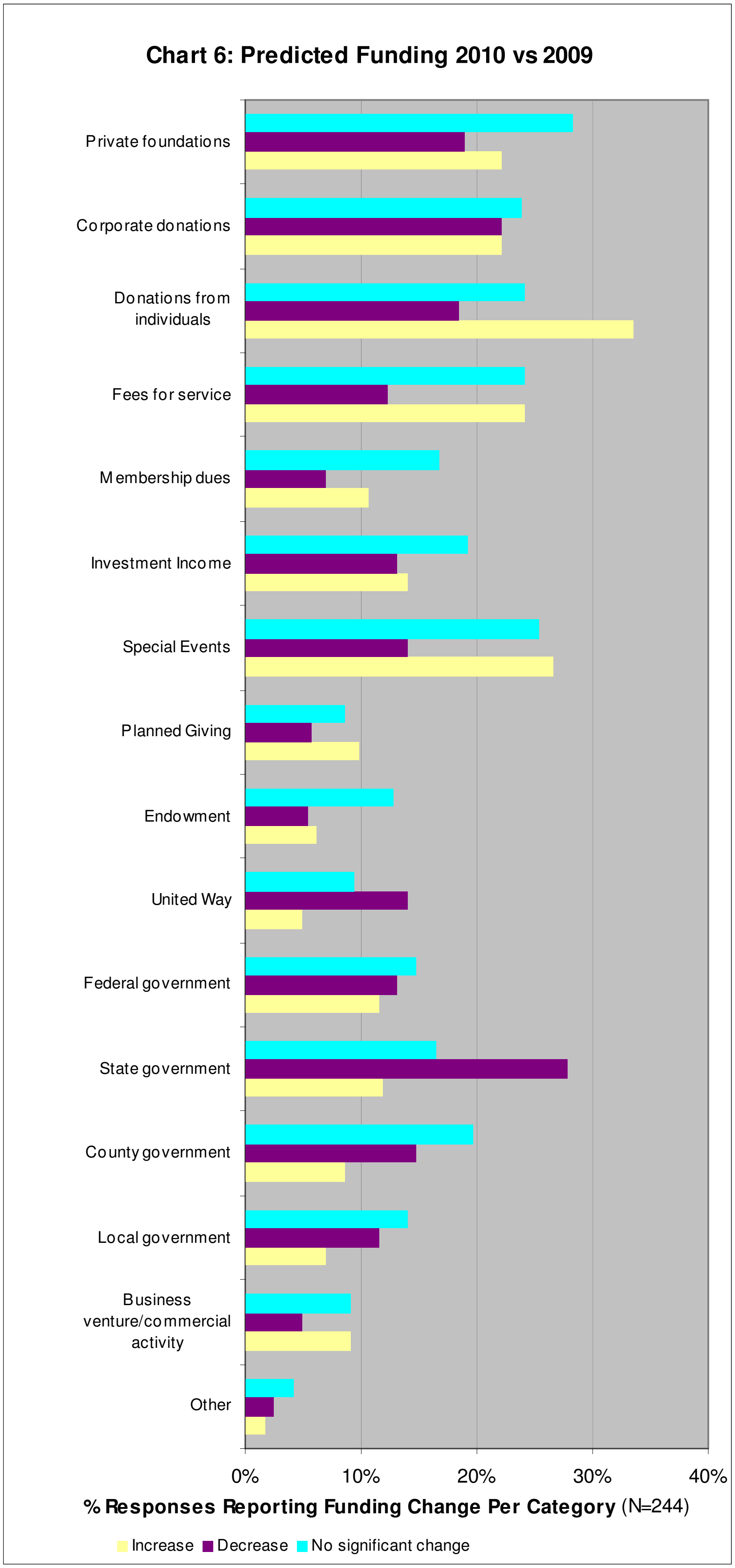
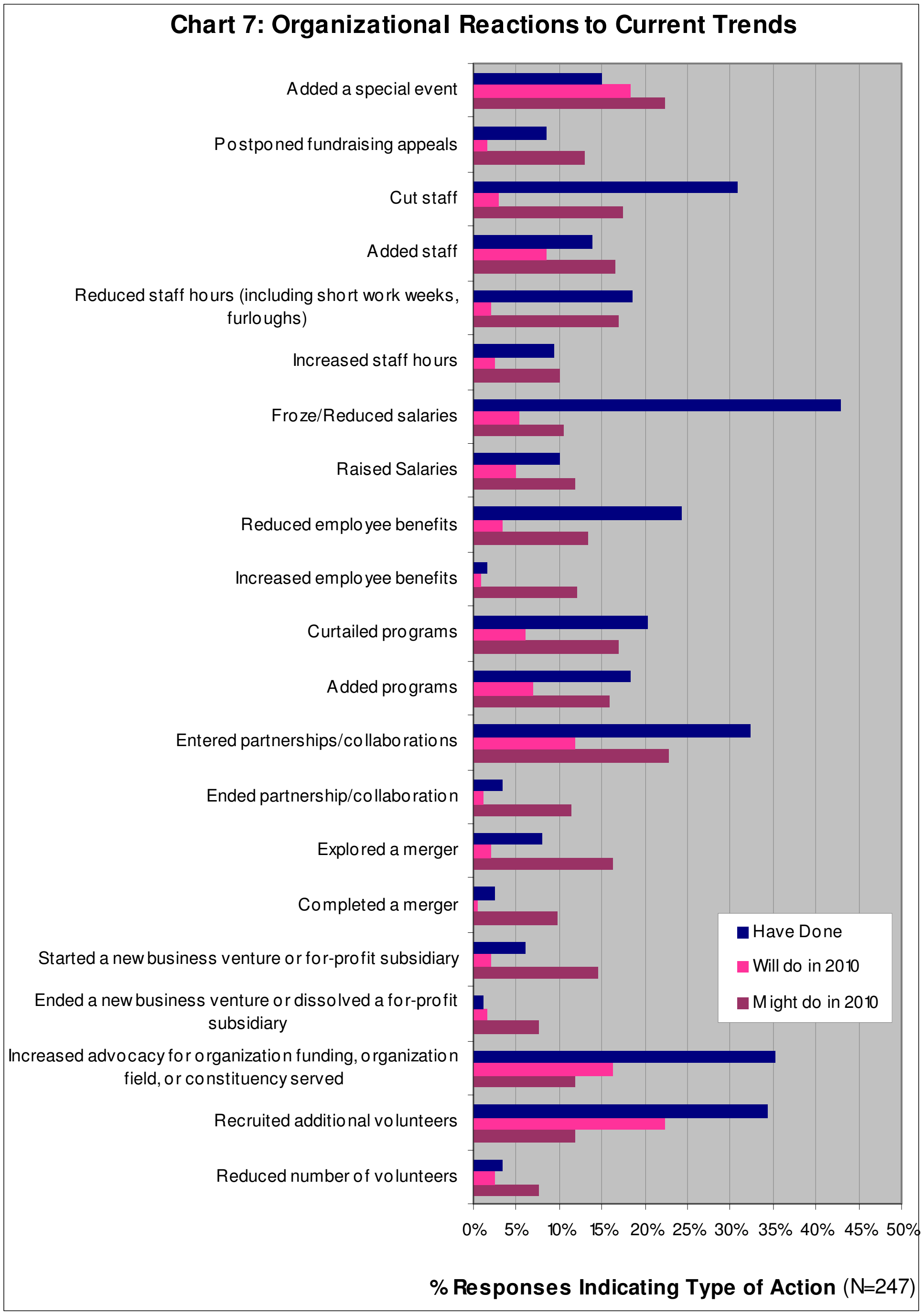


Chart 6: Predicted Funding 2010 vs 2009
Private foundations
Corporate donations
Donations from individuals
Fees for service
Membership dues
Investment Income
Special Events
Planned Giving
Endowment
United Way
Federal government
State government
County government
Local government
Business venture/commercial activity
Other
0%
10%
20%
30%
40%
% Responses Reporting Funding Change Per Category (N=244)
Increase
Decrease
No significant change

Organizational Reactions to Emerging Trends

A combination of cost-cutting and revenue-seeking activities dominated respondents' reactions to the current trends. (Chart 7) Forty-three percent reported that they had already frozen or cut salaries, 31% had cut staff, and 19% had implemented some reduction of staff hours. Nearly half of respondents (49%) had launched new fundraising appeals, 36% increased their advocacy efforts, and 35% reported recruiting additional volunteers. Partnerships/collaborations were also widely reported. Mergers represent a small but growing part of the actions under consideration. While only 2% of respondents reported having completed a merger, 8% indicated that they had explored one, and 16% indicated that they might explore one in 2010.



Partnerships/Collaborations

Consistent with prior surveys, nearly half of respondents (47%) reported launching new partnerships or collaborations in 2009, most commonly with other non-profit organizations, although partnerships with government and business were also reported. Sample activities included a new café launched by two organizations to combat hunger, provide job training in the culinary field, and promote sustainable living and healthy eating; shared services agreements among organizations; development of joint proposals and events; partnerships between hospitals and social service organizations to serve the elderly; organizations partnering to provide complementary services and transportation; development and sharing of software programs to maximize efficiencies among organizations; and shared staff between organizations.

Changes in Program/Service Focus

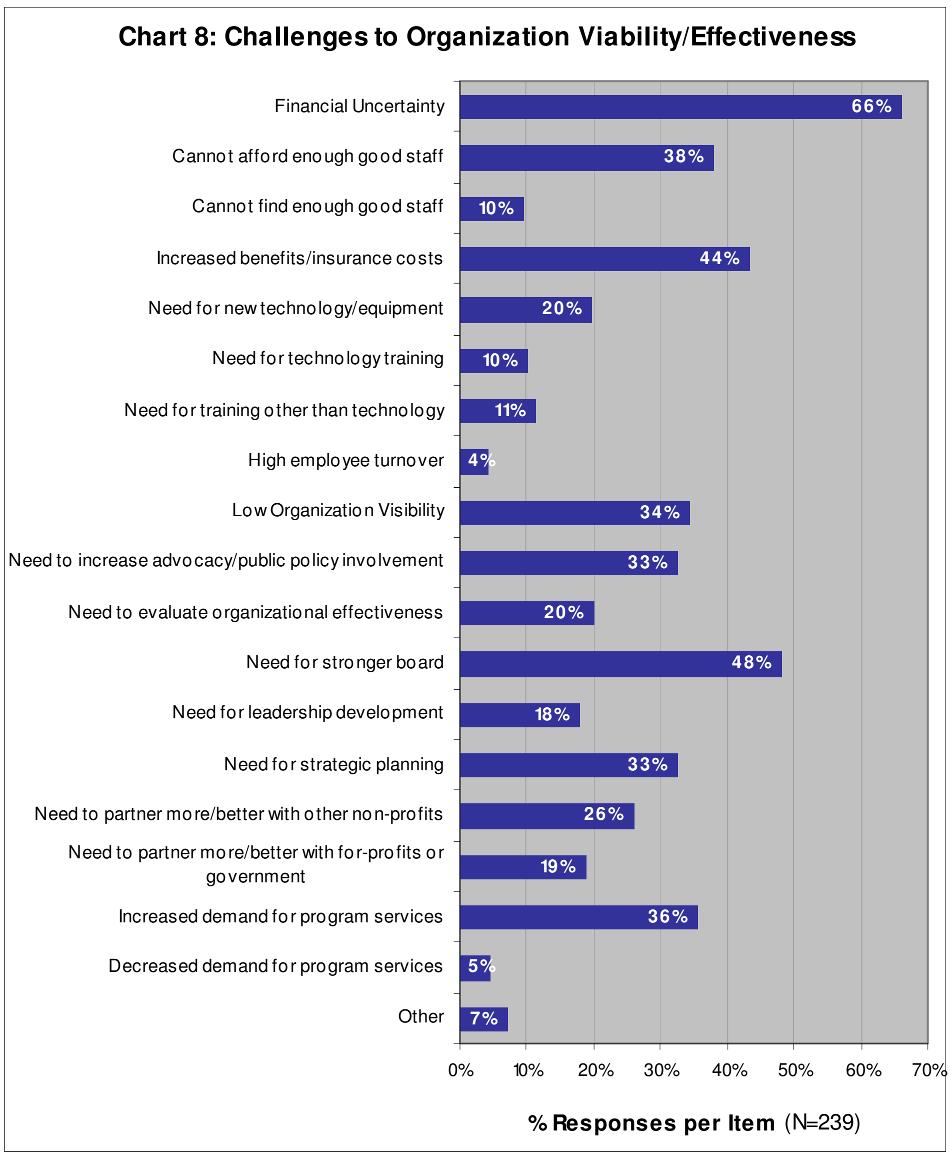
Respondents were asked to describe any changes in program or service focus made in response to the trends they had experienced. Many reported streamlining operations or narrowing focus due to the funding climate. Some reported taking on new clients as other organizations closed or reduced operations. A number mentioned service adaptations such as more foreclosure counseling, mental health services and career counseling. Others adopted a more cautious risk assessment approach when considering new programming.

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.

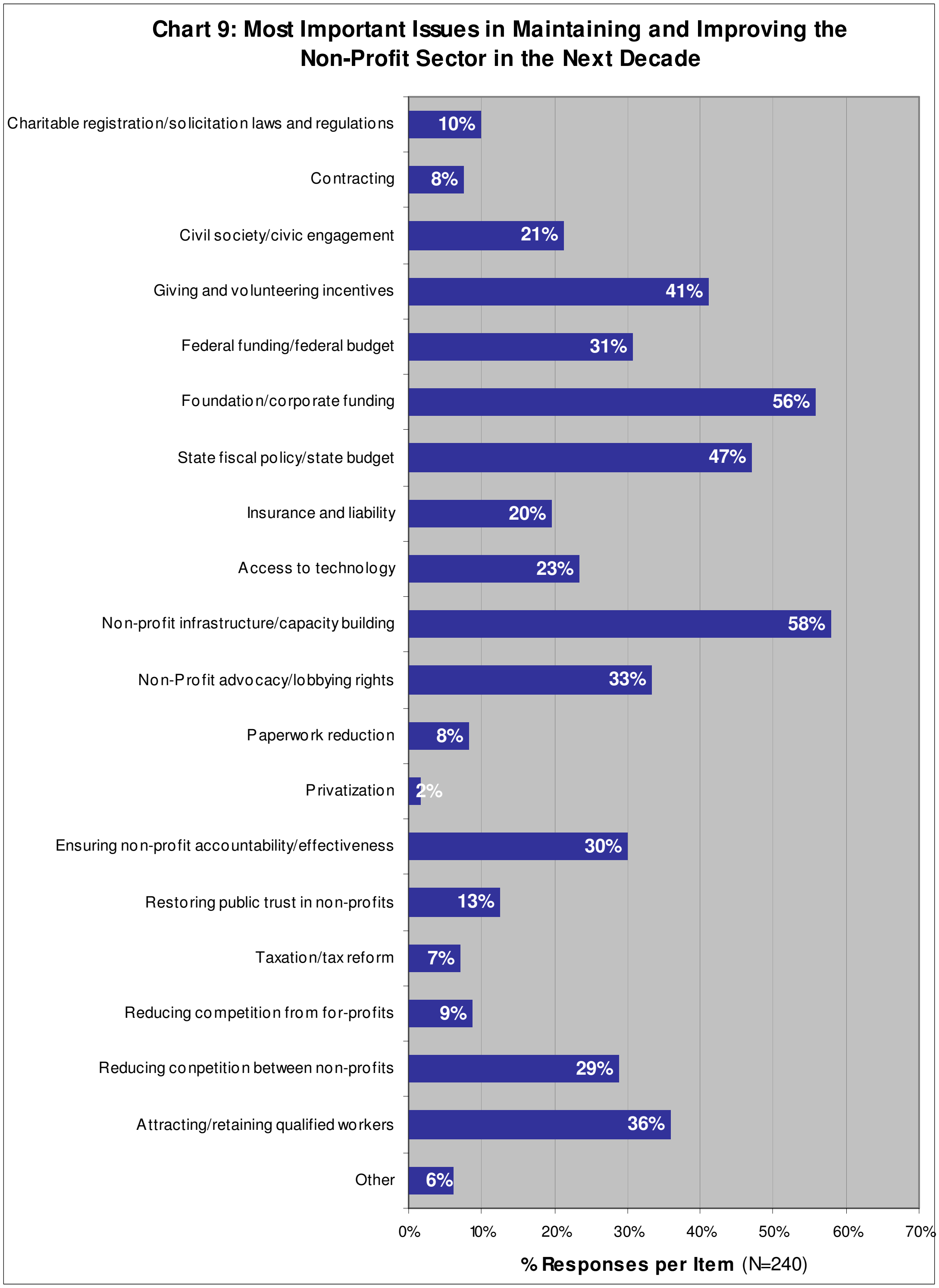
Challenges faced by individual organizations

Consistent with previous surveys, financial uncertainty, selected by 66% of respondents, was by far the most frequently cited challenge for individual organizations, followed by the need for a stronger board (48%), higher costs for benefits/ insurance (44%), inability to afford high quality staff (38%), and increased demand for services (36%). Other frequently mentioned concerns included low organization visibility (34%), the need for strategic planning (33%) and the need to increase public policy involvement (33%). (Chart 8)



Non-Profit Sector Issues

Funding, infrastructure, and labor concerns again dominated the issues identified as important to the well-being of the non-profit sector. As in last year's survey, non-profit infrastructure/capacity building, selected by 58% of respondents, topped the list, followed by foundation/corporate funding (56%), state fiscal policy and budget (47%), and giving and volunteering incentives (41%). Attracting/retaining qualified workers (39%), non-profit advocacy/lobbying rights (33%), federal funding (31%), and ensuring non-profit accountability/effectiveness (30%) and reducing non-profit competition (29%) were also identified frequently. (Chart 9)



Overall Circumstances and Outlook

Comparison with One Year Ago

Non-profits' thoughts regarding their organizations' overall circumstances were not quite as dire as in the fall of 2009, but remained far more negative compared to the Center's survey of two years ago. Less than one-third of respondents (30%) reported that their organization's circumstances were better overall now than one year ago, while 36% said that their situation was worse. (Table 9)

Overall, would you describe your organization's circumstances as better, worse or no different than the same time a year ago?				
Response	**2008** *(n=178)*	**February 2009** *(n=278)*	**August 31, 2009** *(n=242)*	**February 2010** *(n=236)*
Better	51%	31%	17%	30%
Worse	15%	34%	57%	36%
No different	35%	36%	26%	34%

Table 9

Outlook for 2010

Non-profits in our survey remained highly uncertain about their future. Proportions predicting that their overall circumstances in one year would be better, worse or no different were almost identical to those from the Center's last survey in late August 2009. However, the high percentage (34%) of "unknown/too early to tell" – also unchanged since the last survey – reflects the unpredictability of the recession and outside forces overall. (Table 10)

Overall, one year from now, do you think your organization's circumstances will be better, worse or no different than they are currently?				
Response	**February 2008** *(n=179)*	**February 2009** *(n=282)*	**August 31, 2009** *(n=242)*	**February 2010** *(n=236)*
Better	68%	41%	41%	43%
Worse	8%	33%	13%	14%
No different	24%	26%	12%	9%
Unknown/Too early to tell	n/a	n/a	34%	34%

Table 10

Interpretation/Implications

Although as with any survey, results should be interpreted with caution, the findings clearly show that the recession continues to exact a toll on much of New Jersey's non-profit community. Faced with consistently rising demand for services and funding cuts, many organizations have cut staff, frozen or reduced salaries or staff hours while seeking alternative revenue sources and recruiting additional volunteers.

Organizations have also taken steps to adjust programming, leverage partnerships and explore new collaborations or shared services. Some commented that the current downturn has provided the impetus to engage in crucial internal re-examinations and undertake beneficial streamlining. Retrenchment within the sector, some desired and some unwanted, is likely to continue in the coming year.

However, despite the significant steps non-profits have already taken to adapt, the challenges continue to mount, and organizations are straining under the weight. With government and society turning more and more to non-profits to fulfill essential community needs, it is more important than ever to strengthen organizations and work with policy makers to ensure that our state's social and economic needs can be met.

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.