

New Jersey Non-Profits 2011

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, and to explore the effects of the economy on New Jersey's charitable community. The Center for Non-Profits conducted this round of surveys from February 7-14, 2011, to assess how non-profits fared in 2010 and to determine their outlook for the coming year. The 216 responses from 501(c)(3) organizations that were submitted online during the survey period were included in this analysis.

Among the key findings:

- Nearly three-quarters (73%) of responding organizations reported that demand for services had increased during the past year, and a similar proportion (72%) expected demand to continue to rise in 2011.
- Thirty-four percent reported that total funding had declined in 2010, and 36% reported that expenses exceeded support and revenue during the most recently completed fiscal year.
- Fifty-nine percent of survey respondents reported that a previous funding source had informed them in 2010 that they would not be giving to their organization or that they would be giving less. Denials or reductions were most frequently reported from private foundations, corporations, individual donors, and state government, with economy-related issues overwhelmingly the most common reason.
- Sixty-five percent expected their total expenses to increase in 2011, but only 38% expected total 2011 funding to increase. By contrast, 25% anticipated a decrease in their total funding, while 31% expected flat funding in the coming year. Generally, respondents were slightly more optimistic than one year ago, predicting level or increased funding in many major categories. However, taking into account the sharp funding declines of recent years and overall funding predictions, the general outlook remains cautious.
- Forty-three percent of respondents reported that they had already frozen or cut salaries by the time the survey was taken, 36% had cut staff, 27% had implemented some reduction of staff hours, and 23% had reduced employee benefits. Nearly half had launched new fundraising appeals or sought funds from alternative sources, 27% increased their advocacy efforts, and 36% had recruited additional volunteers.
- Nearly half of respondents (49%) reported launching new partnerships or collaborations in 2010, most commonly with other non-profit organizations, although partnerships with government and business were also reported. While only 3% of respondents reported having completed a merger, 9% indicated that they had explored one, and 16% indicated that they might explore one in 2011.
- Asked to identify the issues presenting the greatest challenges to the viability of *their own organizations*, non-profits most frequently 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.
- 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 foundation/corporate funding, attracting/retaining qualified board members, non-profit infrastructure/capacity building, and state fiscal policy and budget the most often.

Although the 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. While there are some signs that funding declines may have begun leveling off in certain categories, funding remains tight. Combined with the steadily increasing demand for services, rising expenses, cash flow problems and regulatory burdens, this means continued difficulty for many organizations. Organizations have continued to adjust programming, leverage partnerships and explore new collaborations or shared services. Retrenchment within the sector, some desired and some unwanted, is likely to continue, with austerity reigning among many non-profits.

These challenges carry significant implications for the provision of essential community programs and services when government and our state's residents are relying more than ever on non-profits to provide them. Within this climate, it is crucial for non-profits, policy makers, business and philanthropic leaders to continue to work together 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.

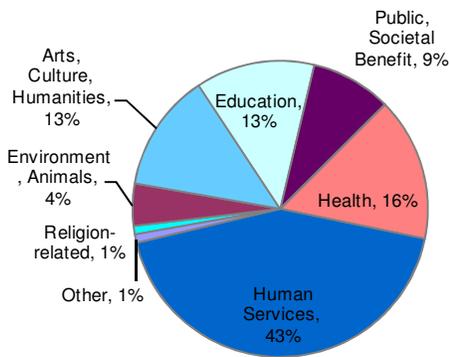
Background and Methodology

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 2011 to assess how non-profits fared in 2010 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 216 responses from 501(c)(3) organizations that were submitted as of February 14, 2011, were included in this analysis.

Demographics of Responding Organizations

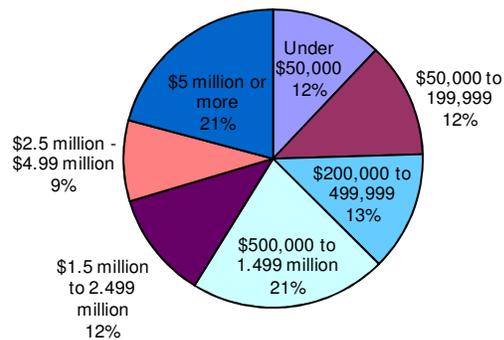
Chart 1: Primary Service Focus
(N=216)



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, while educational, public/societal benefit and religious organizations are underrepresented. However, the diversity of organizations within the non-profit sector is reflected within the survey respondents.

Chart 2: Annual Operating Budget
(N=216)



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 budgets, 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 underrepresented. 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 34%, while approximately 18% were located in the Southern region (Atlantic, Burlington, Camden, Cape May, Cumberland, Gloucester, Ocean and Salem).

Demand for Services

Change in Demand in 2010

Organizations were asked whether demand for core services increased or decreased during 2010 as compared to 2009 (Table 1). Nearly three-quarters (73%) of responding organizations reported that demand for services had grown. Only 6% reported a lower demand for services in 2010. Although rising demand was reported in the majority of all types of organizations, it was most often cited in human service and health organizations.

Demand for Core Services in 2010 vs. 2009 (N=209)	
Increase	73%
Decrease	6%
No significant change	19%
Unknown	2%

Table 1

Change in numbers of people served in 2010

With a majority of organizations reporting increased demand for services during 2010, a lower 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 between the increased demand noted by some types of organizations and whether they had served more people in the same period. This gap was most prevalent in human service organizations.

Changes in Numbers of People Served in 2010 (N=210)	
Increase	63%
Decrease	10%
Remained the same	24%
Unknown	2%

Table 2

Predictions for 2011

Nearly three-quarters of organizations (72%) predicted that demand for their services would continue to increase in 2011. Nineteen percent felt that demand for services would remain about the same, and only 4% predicted a decrease in demand. (Table 3) Health and human service organizations were the most likely to predict continued increases in demand.

Projected Demand for Core Services in 2011 vs. 2010 (N=210)	
Increase	72%
Decrease	4%
No significant change	19%
Unknown	5%

Table 3

Expenses

In 2010

Organizations were asked whether overall expenses in 2010 increased or decreased compared with 2009. Half (50%) of respondents reported that expenses increased by at least 5% in 2009. (Table 4) Thirty percent reported expense increases of 10% or more; 13% reported increases of 25% or more. One-third reported relatively unchanged expenses; this suggests that respondents are maintaining many of the cost-cutting measures implemented previously as a result of the economic downturn, as large proportions of these organizations also reported having cut staff, reduced or frozen salaries, or curtailed programs in 2010 or 2009.

Total Expenses Most Recent Year vs. Previous Year			
	2010	2009	2008
Increase of 5% or more	50%	51%	59%
Decrease of 5% or more	12%	21%	10%
No significant change (+/- 5% or less change)	33%	24%	27%
Unknown	5%	5%	5%

Table 4

Expense predictions for 2011

Over three-fifths (65%) of respondents expected expenses to rise in 2011 (Table 5). This percentage is comparable to our 2010 survey but is actually lower than in some prior years, and is likely attributable to sustained cost-cutting measures in many organizations. However, as indicated later in this report, only 38% of organizations expected their total funding to rise in 2011.

Projected Expenses in 2011 vs. 2010 (N=197)	
Increase	65%
Decrease	8%
Remain the same	22%
Unknown	5%

Table 5

Revenue/Expense Comparisons

Amid widespread reports of increased demand for programs and services, 36% of responding organizations reported spending more money than they took in during their most recent fiscal year. This is a slight improvement over our 2010 survey (43%); nevertheless, only one-quarter of respondents reported that total revenues had exceeded expenses, roughly the same proportion as last year. (Table 6)

Total Income vs. Expenses for Most Recent Fiscal Year-End (N=199)	
Surplus	25%
Break-even	39%
Deficit	36%

Table 6

Cash Reserves/Lines of Credit

Just over half (57%) of responding organizations reported that they had a cash reserve (defined in the survey as an unrestricted amount of funds set aside to provide a cushion against future unexpected cash flow shortages, expenses or losses), and 35% reported having a line of credit. Predictably, cash reserves and lines of credit were more frequently reported among larger organizations.

Among organizations with cash reserves, 41% reported having a reserve of 1-3 months of operating funds; 26% reported 3-6 months' worth; and 30% reported over six months of operating funds. Forty-one percent indicated that their cash reserve remained relatively constant over the past year, while 35% said it was smaller than one year ago and 24% said that their reserve was larger.

Two-thirds (68%) of organizations with lines of credit reported having to borrow against the line of credit in 2010, and 25% reported that they had to borrow more in 2010 than in the previous year. Sixty-three percent of respondents indicated that the line of credit was "essential" or "very important" to their organizations' continued ability to provide core programs and services.

Trends in Funding

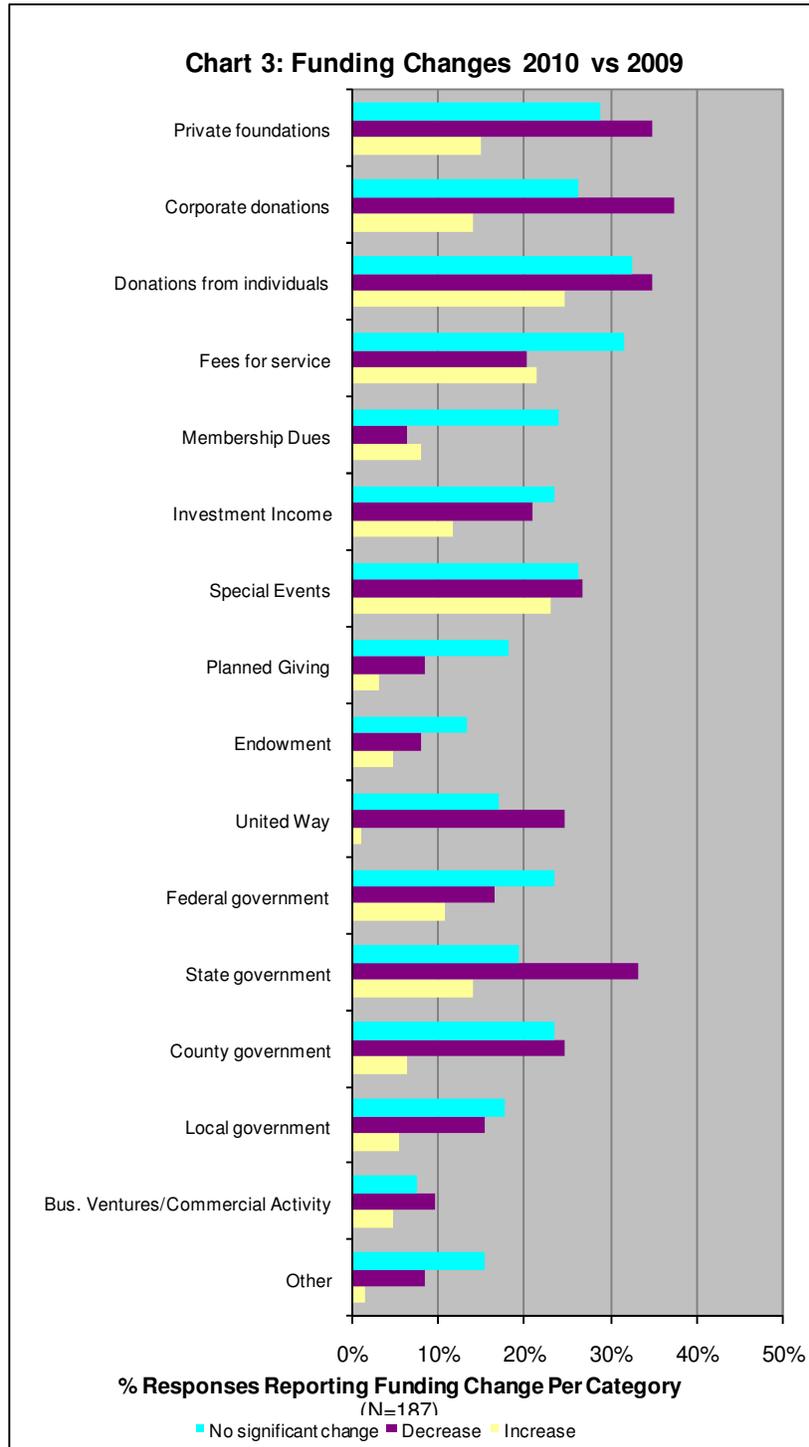
Total Funding 2010 vs. 2009

The recession continued to take its toll on non-profit funding in 2010. Thirty-four percent of organizations reported that their overall funding had decreased in the prior year; this is better than in the prior year, when nearly half (45%) of respondents reported funding decreases; but only 29% reported funding increases, roughly unchanged from the survey conducted by the Center one year ago and still less than the Center's survey of two years ago. This suggests that while there may be some signs of leveling out, tight funding continues to be the norm.

Funding in Most Recent Year vs. Previous Year			
	2010	2009	2008
Increase of 5% or more	29%	28%	35%
Decrease of 5% or more	34%	45%	27%
No significant change (+/- 5% or less change)	33%	23%	32%
Unknown	4%	4%	6%

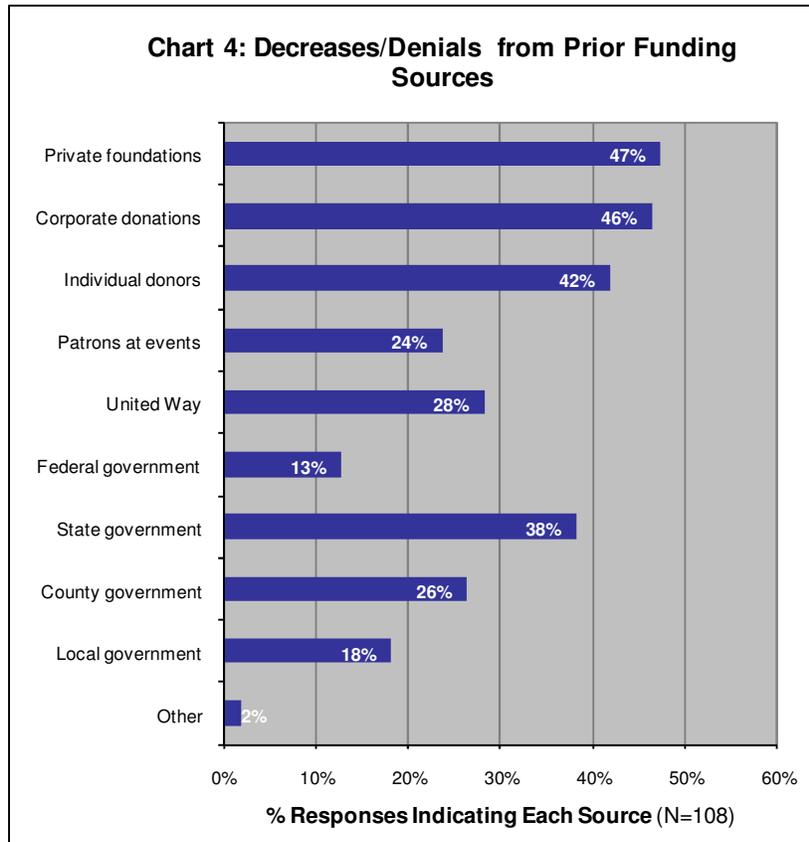
Table 7

Respondents were most likely to report funding decreases from corporate, foundation and individual donations, and state government (Chart 3).

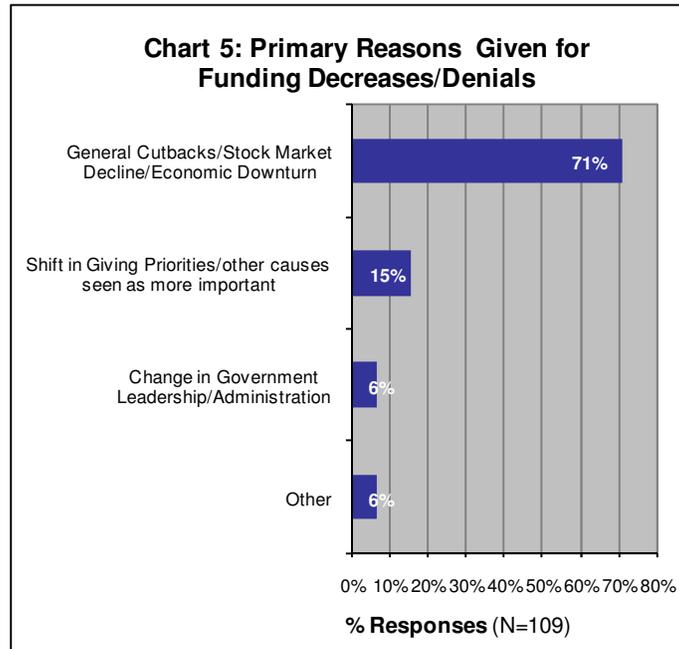


Denials/Reductions by Previous Funders

Fifty-nine percent of survey respondents reported that a previous funding source had informed them in 2010 that they would not be giving to their organization or that they would be giving less. This percentage is roughly the same as in our survey of two years ago, when 60% of organizations reported funding denials or reductions, and slightly lower than our 2010 survey (65%). In the current survey, denials or reductions were most frequently reported from private foundations (47%), corporations (46%), individual donors (42%), and state government (38%). (Chart 4)



Overwhelmingly, the most frequent reason given for funding reductions was the economic downturn/stock market decline, identified by 71% of respondents who were declined funding. Shifts in giving priorities were identified by 15% of respondents. (Chart 5, next page)



Funding Outlook 2011

Thirty-eight percent of responding organizations predicted that their total funding would increase in 2011, while 25% projected decreases and 31% predicted stable funding. Compared with our survey of a year ago, the percentage of organizations predicting increased funding is unchanged, but slightly fewer are predicting decreases than one year ago. (Table 8)

Projected Funding - Upcoming vs. Previous Year			
	2011	2010	2009
Increase	38%	38%	27%
Decrease	25%	35%	42%
Remain the same	31%	24%	22%
Unknown/not reported	6%	4%	8%

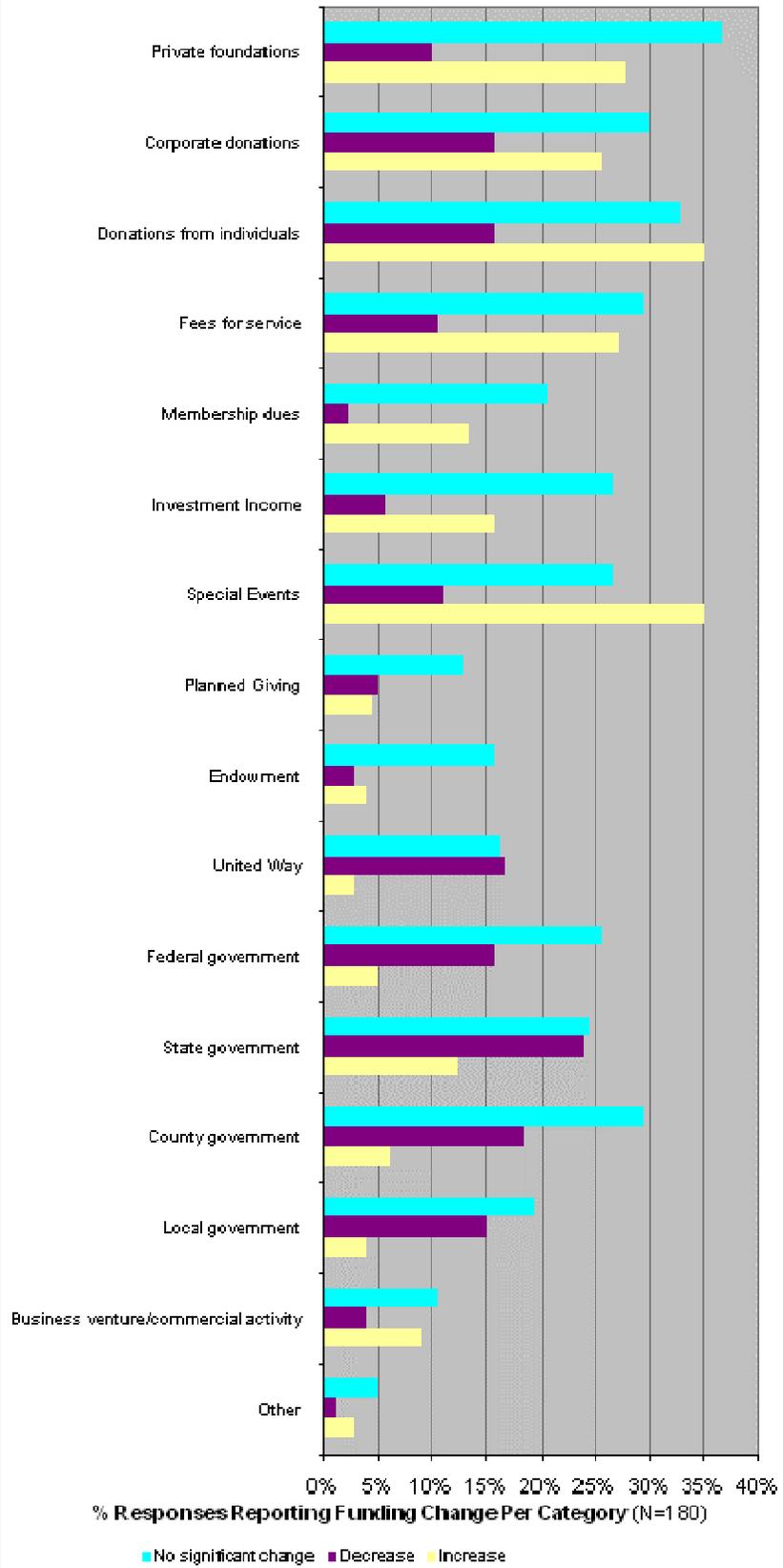
Table 8

Projected Funding from Specific Sources in 2011

Overall, a higher proportion of respondents predicted level or increased funding in many major categories than in last year's survey, a slightly more optimistic outlook than in 2010. However, taking into account the sharp funding declines of recent years and the overall funding predictions cited above, the general outlook remains very cautious. Respondents were most optimistic regarding individual giving and special events, while, not surprisingly, organizations were most likely to predict decreased funding from state government in 2011.* (Chart 6, next page)

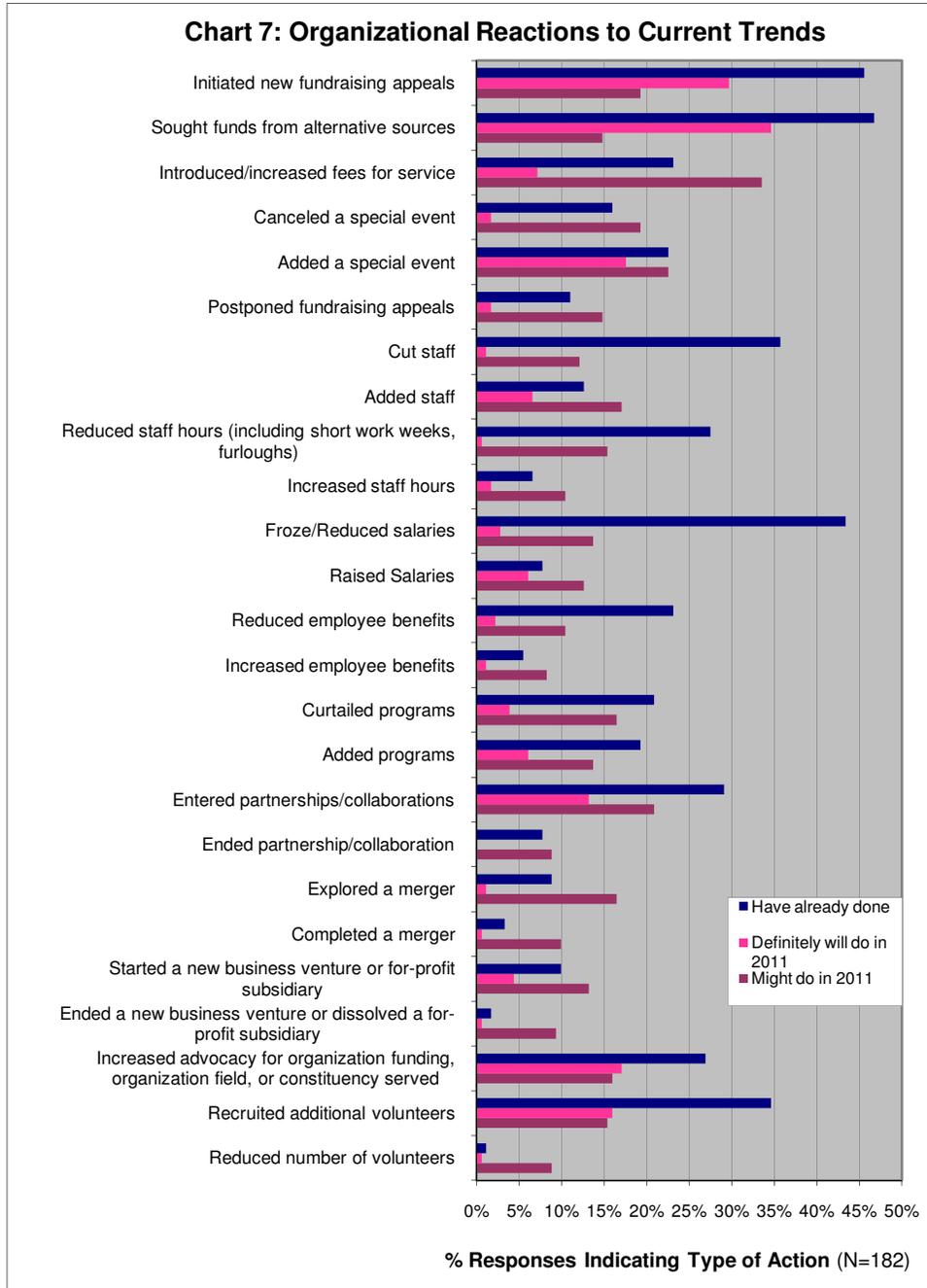
* Governor Chris Christie's proposed FY 2012 budget was released February 22, 2011, eight days after data collection ended for this survey.

Chart 6: Predicted Funding 2011 vs 2010



Organizational Reactions to Emerging Trends

Overall, organizations appear to be maintaining cost-cutting measures initiated previously, while continuing to seek additional sources of revenue. (Chart 7) Forty-three percent reported that they had already frozen or cut salaries by the time the survey was taken, 36% had cut staff, 27% had implemented some reduction of staff hours, and 23% had reduced employee benefits. Nearly half of respondents had launched new fundraising appeals or sought funds from alternative sources, 27% increased their advocacy efforts, and 36% reported recruiting additional volunteers. Partnerships/collaborations were also widely reported. While only 3% of respondents reported having completed a merger, 10% said that they might complete one in 2011, 9% indicated that they had explored one, and 16% indicated that they might explore one in 2011.



Partnerships/Collaborations

Consistent with prior surveys, nearly half of respondents (49%) reported launching new partnerships or collaborations in 2010, most commonly with other non-profit organizations, although partnerships with government and business were also reported. Sample activities included government/for-profit/non-profit partnerships to promote public health and financial literacy; shared services agreements among organizations; development of joint proposals and events; partnerships between dissimilar but complementary organizations; shared space; and better coordination of events.

Changes in Program/Service Focus

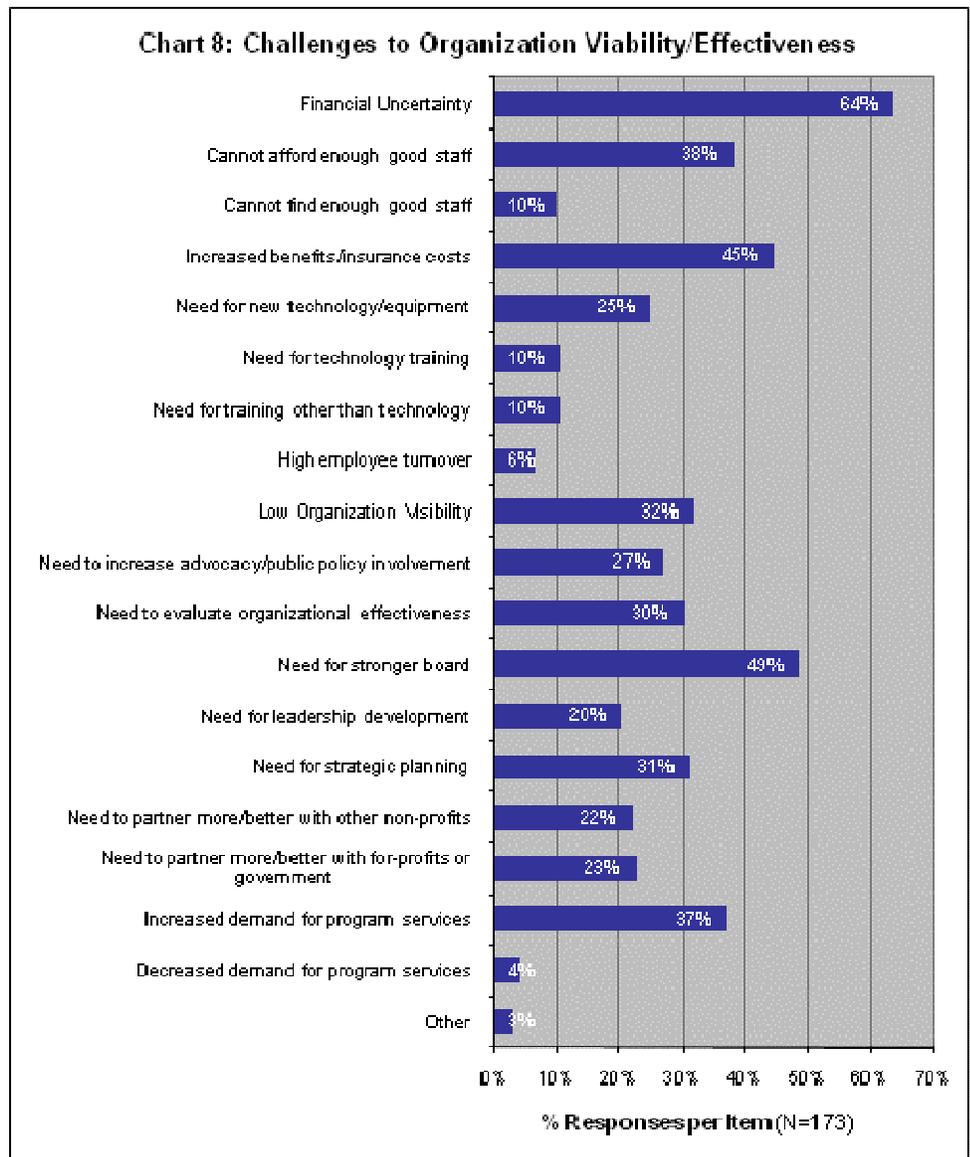
Respondents were asked to describe any changes in program or service focus made in response to the trends they had experienced. Many reported streamlining operations or narrowing focus due to the funding climate. A number mentioned service adaptations such as more foreclosure counseling, mental health services and career counseling, and tailoring more services to low-income and unemployed people. Several reported greater use of technology and social media in the pursuit of their missions.

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.

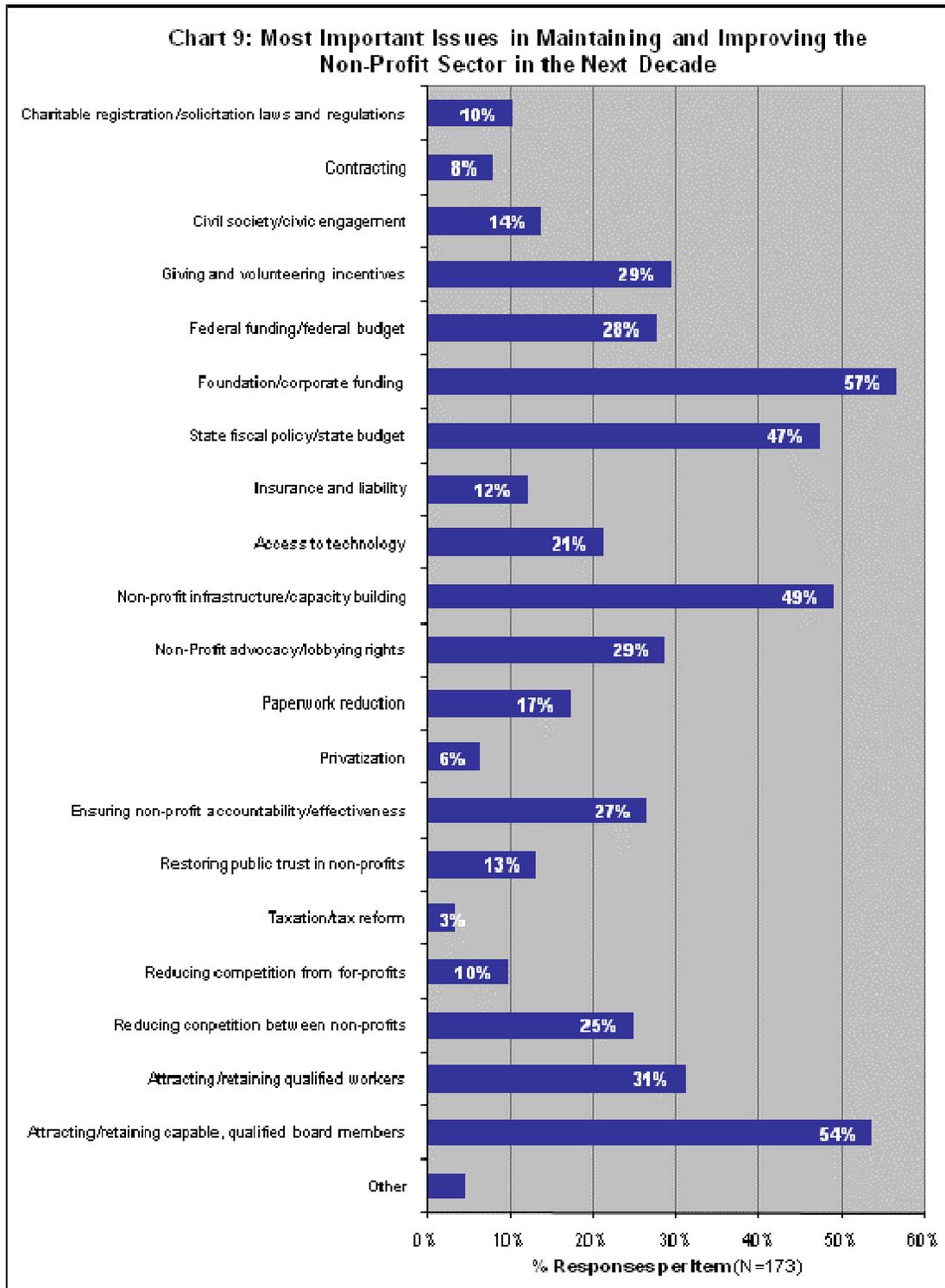
Challenges faced by individual organizations

Consistent with previous surveys, financial uncertainty, selected by 64% of respondents, was by far the most frequently cited challenge for individual organizations, followed by the need for a stronger board (49%), higher costs for benefits/insurance (45%), inability to afford high quality staff (38%), and increased demand for services (37%). Other frequently mentioned concerns included low organization visibility (32%), the need for strategic planning (31%) and the need to evaluate organizational effectiveness (30%). (Chart 8)



Non-Profit Sector Issues

Funding, governance, infrastructure, and staffing concerns again dominated the issues identified as important to the well-being of the non-profit sector. Foundation/corporate funding, selected by 57% of respondents, topped the list, followed by attracting/retaining qualified board members (54%), non-profit infrastructure/capacity building (49%), and state fiscal policy and budget (47%). Attracting/retaining qualified workers (31%), giving and volunteering incentives (29%), non-profit advocacy/lobbying rights (29%), federal funding (28%), and ensuring non-profit accountability/effectiveness (27%) were also identified frequently. (Chart 9)



Overall Circumstances and Outlook

Comparison with One Year Ago

Non-profits' thoughts regarding their organizations' overall circumstances remained relatively unchanged from one year ago. Approximately one-third of respondents (32%) reported that their organization's circumstances were better overall now than one year ago, while 29% said that their situation was worse and 38% said it was no different. (Table 9)

<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)	February 2009 (n=278)	August 2009 (n=242)	February 2010 (n=236)	February 2011 (n=173)
Better	51%	31%	17%	30%	32%
Worse	15%	34%	57%	36%	29%
No different	35%	36%	26%	34%	38%

Table 9

Outlook for 2011

Uncertainty about the future remained high among our 2011 survey respondents. The proportions predicting that their overall circumstances in one year would be better, worse or no different and "unknown/too early to tell" were almost identical to those from the Center's survey of one year ago. (Table 10)

<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)	February 2009 (n=282)	August 2009 (n=242)	February 2010 (n=236)	February 2011 (n=173)
Better	68%	41%	41%	43%	45%
Worse	8%	33%	13%	14%	10%
No different	24%	26%	12%	9%	11%
Unknown/Too early to tell	n/a	n/a	34%	34%	34%

Table 10

Interpretation/Implications

Although the data 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. While there are signs that funding declines may be leveling off in certain quarters, steadily increasing demand for services, tight funding, rising expenses, cash flow problems and regulatory burdens continue to pose serious challenges for many organizations. As one respondent expressed it, "the shock and awe of 2008-09 is over, but uncertainty remains."

Organizations have continued to adjust programming, leverage partnerships and explore new collaborations or shared services. Many have already cut staff, frozen or reduced salaries or staff hours while seeking alternative revenue sources and recruiting additional volunteers. The economy has necessitated some critical internal examinations within non-profits as well. One remarked that their organization is better off now for having made tough decisions in the previous year. Retrenchment within the sector, some desired and some unwanted, is likely to continue, with austerity reigning among much of the non-profit community.

These challenges carry significant implications for the provision of essential programs and services when government and our state's residents are relying more than ever on non-profits to provide them. Within this climate, it is crucial for non-profits, policy makers, business and philanthropic leaders to continue to work together 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.



About the Center for Non-Profits

The Center for Non-Profits is New Jersey's state association of non-profits. The Center's mission is to build the power of the New Jersey's non-profit community by serving as **the premier voice and comprehensive resource for and about our sector.**

For 28 years, since its founding in 1982, the Center has been, and remains, New Jersey's only umbrella organization for all charities in the State. Through capacity building, public policy, education, and training programs the Center gives non-profits the information and tools they need to pursue their missions more effectively, strengthening non-profits, individually and as a sector, in order to improve the quality of life for the people of New Jersey.

Serving Those who Serve, through high-quality, effective non-profit capacity building

Strengthening the Non-Profit Voice through non-profit advocacy, public policy and public education

Helping Non-Profits Stretch Scarce Resources by providing access to cost-saving member benefits and discounts; and leveraging dollars and time by serving as a single resource for and about non-profits

For more information, visit <http://www.njnonprofits.org>, or call the Center at 732-227-0800.

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