NEW JERSEY NON-PROFITS 2013

Trends and Outlook

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Center FOR NON-PROFITS
Helping organizations build a better New Jersey

1501 Livingston Avenue
North Brunswick, NJ 08902
732 227 0800 fax: 732 227 0087
www.njnonprofits.org
center@njnonprofits.org
Summary
This report is the latest in a series of annual surveys designed to gauge trends, experiences and expectations among 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 year’s survey online from January 28-Friday, February 18, 2013, to assess how non-profits fared in 2012 and to determine their outlook for the coming year. This analysis is based on the 185 responses from 501(c)(3) organizations submitted during the survey period.

Among the key findings:

• More than two-thirds (69%) of responding organizations reported that demand for services had increased during the past year, and even more (78%) expected demand to continue rising in 2013.
• Forty percent reported relatively level funding in 2012 vs. 2011, but 34% reported that expenses exceeded support and revenue during their most recently completed fiscal year.
• Sixty-two percent expected their total expenses to increase in 2013, but only 42% expected total 2013 funding to increase. By contrast, 34% expected total funding to remain the same as 2012, and 19% anticipated a decrease. Generally, respondents were slightly more optimistic than one year ago, predicting level funding in many major categories and increases for individual gifts and special events. However, taking into account the sharp funding declines of recent years and overall funding predictions, the general outlook remains cautious.
• Twenty-eight percent reported that they had frozen or cut salaries by the time the survey was taken, 29% had cut staff, 12% had implemented some reduction of staff hours, and 13% had reduced employee benefits. More than 40% had launched new fundraising appeals or sought funds from alternative sources, 30% had increased their advocacy efforts, and 30% had recruited additional volunteers.
• This year’s survey included questions about the impact of Hurricane Sandy on New Jersey non-profits, and non-profits’ role in the recovery efforts. Thirty-five percent of respondents said that the storm had caused loss of jobs/livelihood for their clients, and 35% reported that demand for their services increased as a result of the storm. Nearly one-third (29%) said that they had modified their programs or services in the wake of the storm, and nearly two-fifths (38%) either reported that they were part of a collective effort to address post-Sandy needs or expressed a desire to become part of such efforts.
• A significant portion of respondents (42%) reported launching new partnerships or collaborations in 2012, most commonly with other non-profit organizations, although partnerships with government and business were also reported. Twelve percent said that they might explore a merger in 2013 and 10% said that they might complete one.
• Asked to identify the issues presenting the greatest challenges to the viability of their own organizations, non-profits most frequently mentioned financial uncertainty, the need for better branding/communications, the need for a stronger board, and higher costs of benefits/insurance.
• 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 were most likely to select foundation/corporate funding; attracting/retaining capable, committed board members; non-profit infrastructure/capacity building; state fiscal policy/budget; and federal funding.

This year’s survey revealed some small but encouraging signs that of improvement for some organizations from the very worst effects of the economic downturn. However, for most non-profits funding has not returned to pre-recession levels, and rising demand and expenses remain the norm. While most respondents did not expect their circumstances to worsen in 2013, many external uncertainties such as the long-term aftermath of Hurricane Sandy and the impact of federal “sequestration” automatic budget cuts could influence the progress made during the coming year. Given these and a variety of other factors, the outlook remains cautious for many organizations.

Meanwhile, our state’s residents and our government are relying increasingly on non-profits to provide vital programs and services. In this environment, non-profits continue to work to fortify their own structures, expand their outreach and communications efforts, and strengthen their collaborations with non-profit, for-profit and government partners, in order to meet the needs of their communities. The Center for Non-Profits will continue to share the latest information about the economic, social and policy environment for non-profits, and will work cooperatively to seek solutions to the collective challenges we face.
Background and Methodology

The New Jersey Non-Profit Issues and Trends Survey is conducted annually by the Center for Non-Profits in order to gauge trends, experiences and views of our state’s non-profit community.

The Center conducted this year’s survey online during February 2013 to assess how non-profits fared in 2012 and to determine their outlook for the coming year. An email announcement with a link to the survey was sent to approximately 3,500 subscribers of the Center’s email list, and additional outreach was made via social media (Facebook, Twitter and LinkedIn) 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 185 responses from 501(c)(3) organizations that were submitted as of February 18, 2013, were included in this analysis.

Responding Organizations

Primary Service Focus
Respondents were asked to select their organization's primary purpose from a list of 8 classifications (Chart 1). Compared with the New Jersey’s non-profit community overall, human services and health organizations are somewhat overrepresented in our survey 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 respondent group.

Budget Size
Chart 2 represents the breakdown of survey respondents by annual budget. Although a wide range of budget sizes are represented, organizations with budgets of less than $200,000, which make up the majority of New Jersey's non-profits, are underrepresented. Larger organizations (budgets of $5 million or more) are somewhat overrepresented.

Geographic Location
All regions of the New Jersey were represented among survey respondents. Organizations from North Jersey (Bergen, Essex, Hudson, Morris, Passaic, Sussex, Union and Warren Counties) comprised 59% of the respondents, Central Jersey (Hunterdon, Mercer, Middlesex, Monmouth and Somerset) made up 25%, while approximately 16% were located in the Southern region (Atlantic, Burlington, Camden, Cape May, Cumberland, Gloucester, Ocean and Salem).
**Demand for Services**

**Change in Demand in 2012**
Organizations were asked whether demand for core services increased or decreased during 2012 as compared to 2011 (Table 1). Consistent with prior surveys, more than two-thirds (69%) of responding organizations reported that demand for services had grown. Only 6% reported a lower demand for services in 2012. Although rising demand was reported by the majority of all types of organizations, it was most often cited in human service, health and community improvement organizations.

| Demand for Core Services in 2012 vs. 2011 (N=164) |
|-----------------|--------|
| Increase        | 69%    |
| Decrease        | 6%     |
| No significant change | 22% |
| Unknown         | 3%     |

*Table 1*

**Changes in number of people served in 2012**
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. The percentage of organizations reporting increased demand for services during 2012 exceeded those reporting that they had served more clients, patrons or individuals during the same period (Table 2). This gap was somewhat more prevalent in health, community improvement and human service organizations.

| Changes in Numbers of People Served in 2012 (N=164) |
|-----------------|--------|
| Increase        | 62%    |
| Decrease        | 11%    |
| Remained the same | 24% |
| Unknown         | 2%     |

*Table 2*

**Predictions for 2013**
Nearly four-fifths of organizations (78%) predicted that demand for their services would continue to increase in 2013. Fifteen percent felt that demand for services would remain about the same, and only 3% predicted a decrease in demand. (Table 3) These numbers were distributed fairly evenly across all types of organizations.

| Projected Demand for Core Services in 2013 vs. 2012 (N=164) |
|-----------------|--------|
| Increase        | 78%    |
| Decrease        | 3%     |
| No significant change | 15% |
| Unknown         | 4%     |

*Table 3*

**Expenses**

**In 2012**
Organizations were asked whether overall expenses in 2012 increased or decreased compared with 2011. Nearly half (48%) of respondents reported that expenses increased by at least 5% in 2012. (Table 4) Twenty-five percent reported expense increases of 10% or more. One-third reported relatively unchanged expenses. These proportions are similar to those reported in the last two surveys, suggesting that although some expenses continue to rise, respondents are maintaining many of the cost-cutting measures implemented previously.

| Total Expenses Most Recent Year vs. Previous Year |
|-----------------|--------|--------|
| Increase of 5% or more | 48% | 49% | 50% |
| Decrease of 5% or more  | 15% | 12% | 12% |
| No significant change (+/- 5% or less change) | 35% | 34% | 33% |
| Unknown             | 2%   | 5%   | 5%   |

*Table 4*
Expense predictions for 2013
About three-fifths (62%) of respondents expected expenses to rise in 2013 (Table 5). This proportion has remained roughly the same since 2009, but remains lower than pre-recession levels, and is likely attributable to sustained cost-cutting measures in many organizations. However, as noted later in this report, only 42% of organizations expected their total funding to rise in 2013.

Revenue/Expense Comparisons
Approximately one-third (34%) of responding organizations reported spending more money than they took in during their most recent fiscal year, while 30% reported that revenues had exceeded expenses. Both of these figures represent a slight improvement over our 2012 survey (40% and 22% respectively). However, coupled with the widespread reports of growing demand for services, the effects of the economic downturn remain prevalent for many organizations. (Table 6)

Cash Reserves/Lines of Credit
Three-fifths (63%) of this year’s respondents 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 34% reported having a line of credit. Larger organizations were more likely to report having cash reserves and lines of credit.

Among organizations with cash reserves, 35% reported having a reserve of 1-3 months of operating funds; 21% reported 3-6 months’ worth; and 35% reported over six months of operating funds. Forty-three percent indicated that their cash reserve remained relatively constant over the past year, while 28% said it was smaller than one year ago and 30% said that their reserve was larger.

Half (51%) of organizations with lines of credit reported having to borrow against the line of credit in 2012; 18% reported that they had to borrow more in 2012 than in the previous year, and 13% reported borrowing less. Fifty-three percent of respondents with a line of credit indicated that it was "essential" or "very important" to their organizations’ continued ability to provide core programs and services.

Trends in Funding
Total Funding 2012 vs. 2011
One-third (33%) of our respondents reported that funding had increased in 2012 compared with the previous year. This proportion is roughly the same as last year’s survey; but 40% reported that funding had held steady and about one-quarter (24%) reported decreases. (Table 7)

The fact that more organizations reported stable, rather than decreased, funding is a marked improvement over our survey results for the past three years. This trend is encouraging, but for many organizations circumstances remain hampered by rising demand, increasing expense projections, and resource scarcity, as reported elsewhere in the survey.
For most respondents funding from many major sources, including corporations, foundations, individuals, and government was relatively unchanged in 2012 compared with the year before (chart 3). This suggests something of a holding pattern with respect to funding, although funding overall remains below pre-recession levels.

Chart 3: Funding Changes 2012 vs 2011

- Private foundations: 27% decrease, 21% increase, 33% no significant change
- Corporate donations: 21% increase, 18% decrease, 42% no significant change
- Donations from individuals: 34% increase, 21% decrease, 36% no significant change
- Fees for service: 21% increase, 11% decrease, 30% no significant change
- Membership Dues: 16% decrease, 8% increase, 32% no significant change
- Investment Income: 14% decrease, 10% increase, 31% no significant change
- Special Events: 27% increase, 22% decrease, 31% no significant change
- Planned Giving: 20% decrease, 4% increase, 20% no significant change
- Endowment: 17% decrease, 5% increase, 22% no significant change
- United Way: 17% decrease, 3% increase, 20% no significant change
- Federal government: 16% decrease, 9% increase, 18% no significant change
- State government: 21% decrease, 12% increase, 29% no significant change
- County government: 17% decrease, 8% increase, 25% no significant change
- Local government: 15% decrease, 3% increase, 19% no significant change
- Bus. Ventures/Commercial Activity: 16% decrease, 5% increase, 18% no significant change
- Other: 18% decrease, 6% increase, 3% no significant change

% responses reporting funding change per category (N=146)
- No significant change
- Decrease
- Increase
Denials/Reductions by Previous Funders
Nearly half (48%) of survey respondents reported that a previous funding source had informed them in 2011 that they either would not be giving to their organization or that they would be giving less. This represents a gradual, continuing improvement from our survey of three years ago, in which 65% of organizations reported funding denials or reductions, and from the 54% reported one year ago. In the current survey, denials or reductions were most frequently reported from private foundations (52%), corporations (38%), individual donors (35%), and state government (33%). (Chart 4)

Overwhelmingly, the most frequent reason given for funding reductions was the economic downturn/stock market decline, identified by 58% of respondents who were declined funding. Shifts in giving priorities were identified by 28% of respondents. While few funders explicitly informed our respondents that gifts were being redirected to Sandy relief, it is also possible that the storm factored into general revision of giving priorities. (Chart 5, next page)
Funding Outlook 2013
Forty-two percent of responding organizations predicted that their total funding would increase in 2013, while 19% projected decreases and 34% predicted stable funding. This outlook is roughly the same as last year but slightly more optimistic than two years ago. (Table 8)

Projected Funding from Specific Sources in 2013
Overall, a higher proportion of respondents predicted level or increased funding in many major categories than in last year’s survey, which is a more optimistic outlook than reported one year ago. Respondents were most optimistic about individual giving and least hopeful regarding government funding at all levels. While respondents were more likely to predict special event revenue increases than flat or reduced funding, it’s also worth noting that the percent of projected decreases from special events is higher than a year ago.

Taking into account the sharp funding declines of recent years and the overall funding predictions cited above, the general outlook remains very cautious. (Chart 6, next page)
Chart 6: Predicted Funding 2013 vs 2012

% responses reporting funding change per category (N=141)

- No significant change
- Decrease
- Increase

- Private foundations: 28% (Increase), 11% (Decrease), 37% (No significant change)
- Corporate donations: 28% (Increase), 6% (Decrease), 43% (No significant change)
- Donations from individuals: 41% (Increase), 9% (Decrease), 36% (No significant change)
- Fees for service: 26% (Increase), 6% (Decrease), 25% (No significant change)
- Membership dues: 9% (Decrease), 1% (Increase), 19% (No significant change)
- Investment Income: 12% (Decrease), 6% (Increase), 30% (No significant change)
- Special Events: 31% (Increase), 15% (Decrease), 28% (No significant change)
- Planned Giving: 11% (Decrease), 3% (Increase), 11% (No significant change)
- Endowment: 5% (Decrease), 4% (Increase), 19% (No significant change)
- United Way: 9% (Decrease), 4% (Increase), 21% (No significant change)
- Federal government: 12% (Increase), 9% (Decrease), 21% (No significant change)
- State government: 13% (Increase), 13% (Decrease), 33% (No significant change)
- County government: 9% (Decrease), 11% (Increase), 27% (No significant change)
- Local government: 6% (Decrease), 8% (Increase), 20% (No significant change)
- Business venture/commercial activity: 11% (Increase), 2% (Decrease), 11% (No significant change)
- Other: 3% (Decrease), 1% (Increase), 8% (No significant change)
Organizational Reactions to Emerging Trends

In 2012, organizations continued to seek additional sources of revenue while maintaining cost-cutting measures initiated previously. (Chart 7) More than 40% launched new fundraising appeals or sought funds from alternative sources, 30% increased their advocacy efforts, and 30% recruited additional volunteers. Partnerships/collaborations were also widely reported. Twenty-eight percent reported that they had frozen or cut salaries by the time the survey was taken, 29% had cut staff, 12% had reduced some staff hours, and 13% had cut employee benefits. However, others reported restoring some staff positions or salaries. Twelve percent said that they might explore a merger in 2013 and 10% said that they might complete one this year. These responses suggest that some organizations are starting to see modest improvements, whether due in part to an influx of resources after Hurricane Sandy or other factors; while others continue to struggle in the current climate (again, possibly a combination of prolonged economic troubles exacerbated by the storm).
**Partnerships/Collaborations**

Consistent with prior surveys, a significant portion (42%) of respondents reported launching new partnerships or collaborations in 2012, most commonly with other non-profit organizations, although partnerships with government and business were also reported. Sample activities included arts & tourism collaboratives; regional conservation education and outreach; joint ventures for supportive housing development; and development of joint proposals and 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. Consistent with the past few years, many reported streamlining operations, narrowing focus or reducing/eliminating programs due to funding or capacity shortages, while others reported launching new advocacy campaigns or fund raising activities. Several reported undertaking internal reorganizations such as board or organizational restructuring, or program analysis/planning. A recurring theme was the need to continue to stretch resources and, in the words of one respondent, “do as much, if not more, with less.” A number mentioned such as service adaptations such as more mental health services; increased teacher education; and enhanced services for home renters.

**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 58% of respondents, was by far the most frequently cited challenge for individual organizations, followed by the need for better branding/communications (49%), need for a stronger board (48%), and higher benefits/insurance costs (41%). Other common concerns included increased demand for services (29%), inability to afford high quality staff (29%), need to increase advocacy/public policy (28%), low organization visibility (28%), strategic planning, and improved non-profit partnerships (25% each). (Chart 8)
Non-Profit Sector Issues
Governance, infrastructure and funding concerns continued to dominate the issues identified as important to the well-being of the non-profit community. Foundation/corporate funding, attracting/retaining capable, committed board members, and non-profit infrastructure/capacity building each selected by more than half of respondents, topped the list. State fiscal policy/state budget (41%), federal funding (35%), attracting/retaining qualified workers (33%) and improving understanding about non-profits (32%) were also mentioned frequently. (Chart 9)
Impact of Hurricane Sandy

This year’s survey included a series of questions regarding the impact of Hurricane Sandy on New Jersey non-profits, and about non-profits’ role in the recovery efforts.

Among the findings:

**Impact on Clients/Property/Operations**
- Three-quarters (75%) of respondents experienced a temporary loss of power and approximately half (48%) reported minor property damage.
- Major property damage was reported by 9% of respondents, and prolonged power outages (two weeks or more) were mentioned by 8%.
- Half (52%) reported that their clients had sustained some damage to their homes.
- Thirty-five percent said that the storm had caused loss of jobs/livelihood for their clients.
- Thirty-five percent reported that demand for their services increased as a result of the storm.
- Nearly one-third (29%) said that they had modified their programs and services in the wake of the storm.
- Nearly two-fifths (38%) either reported that that they were part of a collective effort to address post-Sandy needs or expressed a desire to become part of such efforts.

**Impact on Funding**
- Approximately 13% of respondents said that funding had already increased or was likely to increase.
- Nearly one-quarter (23%) indicated either that funding had already declined or that funding declines were likely, suggesting that at least some giving had been redirected from other issues and concerns to storm relief; while another 20% felt that it was too early to predict the effects.

It bears noting that our survey was conducted less than four months after Sandy made landfall in New Jersey, and full implications, recovery strategies and funding/aid opportunities continue to unfold. For these reasons and due to the response size, findings should be interpreted with some caution; but the responses are indicative of the pervasive, significant and lingering aftereffects of the storm on our state.
Overall Circumstances and Outlook

Comparison with One Year Ago
There was a slight improvement in respondents’ assessment of their organizations’ overall circumstances compared with one year ago. Forty-three percent reported that their organization’s circumstances had improved over the past year, while 22% said that their situation was worse and 35% said it was no different. (Table 9)

<table>
<thead>
<tr>
<th>Overall, would you describe your organization’s circumstances as better, worse, or no different than the same time a year ago?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Better</td>
</tr>
<tr>
<td>Worse</td>
</tr>
<tr>
<td>No different</td>
</tr>
</tbody>
</table>

Table 9

Outlook for 2013
Predictions by survey respondents regarding whether their overall circumstances in one year would be better, worse, no different or “unknown/too early to tell” have remained largely unchanged for three consecutive years. Although there has been a slight reduction in those who thought their situations would worsen over the coming 12 months, uncertainty remains high and outlook remains far below pre-recession (2008) levels. (Table 10)

<table>
<thead>
<tr>
<th>Overall, one year from now, do you think your organization’s circumstances will be better, worse or no different than they are currently?</th>
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<tbody>
<tr>
<td>Better</td>
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<tr>
<td>Worse</td>
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<tr>
<td>No different</td>
</tr>
<tr>
<td>Unknown/Too early to tell</td>
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</table>

Table 10

Interpretation/Implications
This year’s survey revealed some small but encouraging signs that of improvement for some organizations from the very worst effects of the economic downturn. However, rising demand and that has yet to return to pre-recession levels remain the norm for most non-profits. While circumstances do not appear to be worsening for most of our respondents, many external uncertainties, including the long-term aftermath of Hurricane Sandy and the impact of federal “sequestration” automatic budget cuts, could influence the progress made during the coming year. Given these and a variety of other factors, the outlook remains cautious for many organizations.

Meanwhile, our state’s residents and our government are relying increasingly on non-profits to provide vital programs and services. In this environment, non-profits continue to work to fortify their own structures, expand their outreach and communications efforts, and to strengthen their collaborations with non-profit, for-profit and government partners, in order to meet the needs of their communities.

The Center for Non-Profits will continue to share the latest information about the economic, social and policy environment for non-profits, and will work cooperatively to seek solutions to the collective challenges we face.
About the Center for Non-Profits

The Center for Non-Profits is New Jersey's state association of non-profits. For more than 30 years since its founding in 1982, the Center has been, and remains, New Jersey’s only umbrella organization for all charities in the state.

The champion and first-stop resource for and about New Jersey non-profits

The Center helps thousands of non-profits every year – tracking trends, advocating on non-profit issues, providing legal and management expertise and timely information. We specialize in the issues that are common to the broad cross-section of non-profits, enhancing and complementing the work organizations do in their own fields. Because the Center is keeping watch on these broad issues, individual non-profits are free to focus more on their own goals, saving time and money in the process.

A strong BASE for New Jersey non-profits

**Building** non-profit capacity through shared resources and expertise
**Advocating** on behalf of the New Jersey non-profit sector
**Saving** non-profits money through group buying and affinity programs
**Educating** prospective and existing non-profit leaders on best practices

For more information about the Center and how membership can add value for your organization, visit [www.njnonprofits.org](http://www.njnonprofits.org), or call the Center at 732-227-0800.

**Center for Non-Profits**
1501 Livingston Avenue
North Brunswick, NJ 08902
732 227 0800  fax: 732 227 0087
web: [www.njnonprofits.org](http://www.njnonprofits.org)
e-mail: center@njnonprofits.org

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