New Jersey Non-Profits 2015

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 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 in January 2015 to assess how non-profits fared in 2014 and to determine their outlook for the coming year. This analysis is based on the 188 responses from 501(c)(3) organizations submitted during the survey period.

Among the key findings:
- Four-fifths (78%) of responding organizations reported that demand for services had increased during the past year, and a similar percentage (80%) expected demand to continue rising in 2015.
- Fifty percent reported receiving more total funding in 2014 vs. 2013, but 64% reported that their expenses were higher than in the previous year, and 26% reported that expenses exceeded support and revenue during their most recently completed fiscal year.
- Seventy-two percent expected their total expenses to increase in 2015, but only 57% expected total 2015 funding to increase. About one-quarter (26%) expected total funding to remain the same as 2014, and only 9% anticipated a decrease. Levels of optimism remained about the same as last year and higher than two years ago, with increased funding most often predicted from individual gifts, foundations and special events.
- Organizations continued to seek additional sources of revenue and volunteers to support their work. A sizeable percentage reported that they had added new programs or were considering doing so, and significant number indicated that they had launched, or were contemplating new collaborative efforts. Fewer organizations were contemplating program and staff cuts, suggesting modest improvement over two years ago. Although 30% said that they would consider adding staff in 2015, the percentage that said they would definitely add staff, or had already done so, remained relatively low.
- More than half of respondents (56%) reported launching new partnerships or collaborations in 2014, most commonly with other non-profit organizations, although partnerships with government and business were also reported. Nearly 20% said that they might explore a merger in 2015 and 9% said that they might complete one this year.
- Asked to identify the issues presenting the greatest challenges to the viability of their own organizations, non-profits most frequently mentioned the need for better branding/communications, financial uncertainty, the need for a stronger board, and staffing/benefit costs.
- 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 attracting/retaining capable, committed board members; foundation/corporate funding; non-profit infrastructure/capacity building; improving understanding about non-profits; and attracting/retaining qualified workers.

Many of the modest signs of encouragement from a year ago were also evident in this year’s survey. Amid these hopeful trends, however, a number of important causes for concern persist. Chief among these is the steadily rising demand for services, which continues to outpace capacity and funding in many quarters. The ability of organizations to meet these demands, as well as to shore up areas of capacity and infrastructure, are pressing issues. Organizations are being challenged to tell their story and stand out in an increasingly frenetic and crowded environment, and uncertainty regarding the impact of government budgets and institutional philanthropy remains acute.

A strong, vibrant non-profit community is more critical than ever to addressing the evolving needs of our communities and society. 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 help tackle 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 January and early February 2015 to assess how non-profits fared in 2014 and to determine their outlook for the coming year. An email announcement with a link to the survey was sent to approximately 3,800 subscribers of the Center’s email list, and additional outreach was made via social media (Facebook, Twitter and LinkedIn) and to funders or 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 188 responses from 501(c)(3) organizations that were submitted as of February 4, 2015, 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). Although survey respondents represent the diversity of organizations within the non-profit community, human services organizations are overrepresented in our survey while educational and religious organizations are underrepresented compared with the New Jersey’s non-profit community overall.

Budget Size
(Chart 2)
Although a wide range of budget sizes are present, organizations with budgets of less than $200,000, which make up the majority of New Jersey’s non-profits, are underrepresented, while organizations with budgets of $5 million or more are somewhat overrepresented.

Geographic Location
All regions of New Jersey were represented among survey respondents. Organizations from North Jersey (Bergen, Essex, Hudson, Morris, Passaic, Sussex, Union and Warren Counties) comprised 49% of the respondents, Central Jersey (Hunterdon, Mercer, Middlesex, Monmouth and Somerset) made up 29%, 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 2014
Organizations were asked whether demand for core services increased or decreased during 2014 as compared to 2013 (Table 1). Consistent with prior surveys, an overwhelming majority (78%) of responding organizations reported that demand for services had grown. Only 4% reported a lower demand for services in 2014. Rising demand was reported by large margins among all types of organizations, and most acutely among human services and environmental non-profits.

| Demand for Core Services in 2014 vs. 2013 (N=170) |
|-----------------|-----------|
| Increase        | 78%       |
| Decrease        | 4%        |
| No significant change | 16% |
| Unknown         | 2%        |

Table 1

Changes in Number of People Served in 2014
Although not all non-profits’ missions involve direct service to individuals, it can be helpful to compare the percentage of organizations reporting increased demand over the past year to the percentage that served more people during the same period (Tables 1 and 2). Among this year’s survey respondents overall, the two percentages were close to comparable, but among certain types of organizations – particularly human service and public/societal benefit organizations – the gap between demand and people served was wider.

| Changes in Number of People Served in 2014 (N=168) |
|-----------------|-----------|
| Increase        | 75%       |
| Decrease        | 5%        |
| Remained the same | 17% |
| Unknown         | 2%        |

Table 2

Predictions for 2015
Four-fifths of organizations (80%) predicted that demand for their services would continue to increase in 2015. Sixteen percent felt that demand for services would remain about the same, and only 1% predicted a decrease in demand (Table 3). Public/societal benefit, health, and human service organizations were most likely to predict increased demand, although rising demand was expected in all groups.

| Projected Demand for Core Services in 2015 vs. 2014 (N=170) |
|-----------------|-----------|
| Increase        | 80%       |
| Decrease        | 1%        |
| No significant change | 16% |
| Unknown         | 3%        |

Table 3

Expenses

In 2014
Organizations were asked whether overall expenses in 2014 increased or decreased compared with 2013. Nearly two-thirds (64%) reported that expenses increased by at least 5% in 2014 (Table 4). Thirty percent reported expense increases of 10% or more. One-fifth (22%) reported relatively unchanged expenses. This breakdown is consistent with one year ago, and higher than in 2012, when some of the austerity measures implemented by many organizations in previous years were apparently at their highest.

| Total Expenses Most Recent Year vs. Previous Year |
|-----------------|-----------|-----------|
| Increase of 5% or more | 64% | 61% | 48% |
| Decrease of 5% or more | 9% | 10% | 15% |
| No significant change (+/- 5% or less change) | 22% | 25% | 35% |
| Unknown         | 5%        | 5%        | 2%   |

Table 4
Expense Predictions for 2015
Seven in ten (72%) of respondents expected expenses to rise in 2015 (Table 5). This proportion is consistent with one year ago, and slightly more than in previous years. Findings can relate to additional staffing expenses (hiring, salaries, benefits) and certain purchases, such as technology or facility maintenance, that had been delayed during the height of the economic downturn. Significantly, however, only 57% of organizations expected their total funding to rise in 2015 (see page 6).

Revenue/Expense Comparisons
One-third (33%) of responding organizations reported spending more money than they took in during their most recent fiscal year, while 26% reported that revenues had exceeded expenses. (Table 6) Compared with one year ago, there were more reported surpluses and fewer deficits (23% and 31% respectively). However, the combination of rising demand for services, coupled with lagging funding remains a cause for considerable concern.

Cash Reserves/Lines of Credit
Two-thirds (69%) 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 38% reported having a line of credit.

Among organizations with cash reserves, 26% reported having a reserve of 1-3 months of operating funds; 32% reported 3-6 months’ worth; and 38% reported over six months of operating funds. Forty-four percent indicated that their cash reserve remained relatively constant over the past year, while 17% said it was smaller than one year ago and 32% said that their reserve was larger.

Over half (56%) of organizations with lines of credit reported having to borrow against the line of credit in 2014; 29% reported that they had to borrow more in 2014 than in the previous year, and 34% reported borrowing less. By comparison, in last year’s survey, 29% of respondents had borrowed less against their line of credit than the year before. 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 2014 vs. 2013
Half (50%) of our respondents reported that funding had increased in 2014 compared with the previous year, with 29% reporting that funding had held steady and 15% reporting decreases (Table 7). The declining percentage of reported funding decreases is somewhat encouraging, although the broader context of rising demand and increasing expenses is still problematic.
Comparing 2014 funding with the previous year, the combination of increased or level funding far outweighed reported decreases in most major categories. Increased funding from individual donations and special events outpaced decreases or level funding in those categories. (Chart 3)
Denials/Reductions by Previous Funders

Forty-five percent of survey respondents reported that a previous funding source had informed them in 2014 that they either would not be giving to their organization or that they would be giving less. This is consistent with our 2014 survey, when 43% of organizations reported funding denials or reductions, and a vast improvement from 2010 (65%). Among those who had funding denied or reduced, private foundations (49%) were cited most frequently, followed by corporations (40%) and individuals (35%). (Chart 4)

The economic downturn continued to be a frequently given reason for reducing or denying grants, (45% of those reporting denials/reductions), with shifts in giving priorities also commonly cited (35%). (Chart 5)
Funding Outlook for 2015
Survey respondents’ projections for funding in the coming year were consistent with the prior year, and still more optimistic than 2013 and 2012. Nearly three-fifths (57%) predicted funding increases in 2015, while only 9% predicted decreases. (Table 8)

<table>
<thead>
<tr>
<th>Projected Funding - Upcoming vs. Previous Year</th>
</tr>
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<tbody>
<tr>
<td></td>
</tr>
<tr>
<td>2015</td>
</tr>
<tr>
<td>-------</td>
</tr>
<tr>
<td>Increase</td>
</tr>
<tr>
<td>Decrease</td>
</tr>
<tr>
<td>Remain the same</td>
</tr>
<tr>
<td>Unknown/not reported</td>
</tr>
</tbody>
</table>

Table 8

Projected Funding from Specific Sources in 2015
Respondents’ overall optimism regarding funding also carried over into several major funding categories, particularly donations from individuals; foundation grants; and special events. For many other major funding levels, such as government and fees for service, respondents were more cautious in their outlook, but only a small percentage of respondents predicted decreased funding in any particular category (Chart 6, next page).
Chart 6: Predicted Funding 2015 vs 2014

% responses reporting funding change per category
(N=139)

- **Increase**
- **Decrease**
- **No significant change**

<table>
<thead>
<tr>
<th>Category</th>
<th>Increase</th>
<th>Decrease</th>
<th>No significant change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private foundations</td>
<td>42%</td>
<td>6%</td>
<td>29%</td>
</tr>
<tr>
<td>Corporate donations</td>
<td>39%</td>
<td>4%</td>
<td>32%</td>
</tr>
<tr>
<td>Donations from individuals</td>
<td>56%</td>
<td>2%</td>
<td>29%</td>
</tr>
<tr>
<td>Fees for service</td>
<td>35%</td>
<td>1%</td>
<td>25%</td>
</tr>
<tr>
<td>Membership dues</td>
<td>16%</td>
<td>6%</td>
<td></td>
</tr>
<tr>
<td>Investment Income</td>
<td>14%</td>
<td>36%</td>
<td></td>
</tr>
<tr>
<td>Special events</td>
<td>36%</td>
<td>6%</td>
<td>31%</td>
</tr>
<tr>
<td>Planned giving</td>
<td>12%</td>
<td>22%</td>
<td></td>
</tr>
<tr>
<td>Endowment</td>
<td>9%</td>
<td>4%</td>
<td></td>
</tr>
<tr>
<td>United Way</td>
<td>4%</td>
<td>14%</td>
<td></td>
</tr>
<tr>
<td>Federal government</td>
<td>11%</td>
<td>27%</td>
<td></td>
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<tr>
<td>State government</td>
<td>15%</td>
<td>9%</td>
<td>29%</td>
</tr>
<tr>
<td>County government</td>
<td>12%</td>
<td>6%</td>
<td>23%</td>
</tr>
<tr>
<td>Local government</td>
<td>6%</td>
<td>19%</td>
<td></td>
</tr>
<tr>
<td>Business venture/commercial activity</td>
<td>14%</td>
<td>7%</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>2%</td>
<td></td>
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</tr>
</tbody>
</table>
Organization Reactions to Emerging Trends

Consistent with one year ago, organizations continued to seek additional sources of revenue to support their work. A sizeable percentage also reported that they had added new programs or were considering doing so, and a significant number indicated that they had launched, or were contemplating new collaborative efforts. Program and staff cuts were in the mix for a smaller percentage of respondents, suggesting modest improvement over two years ago, although the percentage of organizations that said they would definitely add staff, or had already done so, also remained relatively low. Nearly 20% said that they might explore a merger in 2015 and 9% said that they might complete one this year. (Chart 7)
Partnerships/Collaborations
Partnerships are commonly reported by our survey respondents, and this year was no exception. More than half (56%) of respondents reported launching new partnerships or collaborations in 2014, most commonly with other non-profit organizations, although partnerships with government and business were also reported. Sample activities included a wellness collaborative with a local government; establishing arts programs for people with disabilities; a joint project to encourage municipalities to reduce sources of pollution; joint marketing, fundraising and programming; and collaborations for Superstorm Sandy recovery.

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. Sample responses included technological improvements to boost efficiencies; organizational restructuring, program or needs assessments; adjustments in programs to serve more diverse populations; increased advocacy efforts; and new programming to assist newly unemployed people in the Atlantic City region.

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
The most frequently identified challenge for individual organizations was the need for better branding/communications, selected by more than half of survey respondents (54%), and significantly more than any other issue. This was followed by financial uncertainty (44%), the need for a stronger board (40%), inability to afford enough staff (34%) and benefits/insurance costs (31%). The need for increased advocacy, the desire for improved partnerships with non-profits, and increased demand for services were also identified frequently. (Chart 8)
Non-Profit Sector Issues
Similar to last year, the primary concerns regarding the non-profit community overall were focused on governance, infrastructure, and funding. In fact, attracting capable, committed board members was identified as one of the top issues by three-fifths (59%) of respondents, followed by foundation/corporate funding (52%) and non-profit infrastructure/capacity building (51%). Improving understanding about non-profits (40%) and attracting/retaining qualified workers (36%) were also commonly cited. State and federal budget/funding issues and giving/volunteering incentives were each identified by one-fourth to one-third of respondents (Chart 9).

Chart 9: Most Important Issues in Maintaining and Improving the Non-Profit Sector in the Next Decade

- Charitable registration/solicitation laws and regulations: 6%
- Contracting: 10%
- Civil society/civic engagement: 15%
- Giving and volunteering incentives: 28%
- Federal funding/federal budget: 29%
- Foundation/corporate funding: 52%
- State fiscal policy/state budget: 31%
- Insurance and liability: 12%
- Access to technology: 24%
- Non-profit infrastructure/capacity building: 51%
- Non-Profit advocacy/lobbying rights: 23%
- Paperwork reduction (reducing red tape): 19%
- Privatization: 2%
- Ensuring non-profit accountability/effectiveness: 23%
- Improving public understanding about non-profits: 40%
- Restoring public trust in non-profits: 6%
- Taxation/tax reform: 3%
- Reducing competition from for-profits: 6%
- Reducing competition between non-profits: 22%
- Attracting/retaining qualified workers: 36%
- Attracting/retaining capable, committed board members: 59%
- Other: 6%
Overall Circumstances and Outlook

Comparison with One Year Ago
Respondents’ assessment of their organizations’ overall circumstances compared with one year ago remained more positive than during the worst of the recession. Fifty-seven percent reported that their organization’s circumstances had improved over the past year, while only 13% said that their situation was worse and 31% said it was no different (Table 9).

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<tbody>
<tr>
<td>Better</td>
<td>57%</td>
<td>58%</td>
<td>43%</td>
<td>38%</td>
<td>32%</td>
<td>30%</td>
<td>31%</td>
<td>51%</td>
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<tr>
<td>Worse</td>
<td>13%</td>
<td>12%</td>
<td>22%</td>
<td>23%</td>
<td>29%</td>
<td>36%</td>
<td>34%</td>
<td>15%</td>
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<tr>
<td>No different</td>
<td>31%</td>
<td>30%</td>
<td>35%</td>
<td>40%</td>
<td>38%</td>
<td>34%</td>
<td>36%</td>
<td>35%</td>
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Table 9

Overall, would you describe your organization’s circumstances as better, worse, or no different than the same time a year ago?

Outlook for 2015
Similarly, predictions by survey respondents regarding whether their overall circumstances in one year would be better, worse, no different or “unknown/too early to tell” were equally optimistic as one year ago, and markedly better than prior years. Although a significant proportion remained cautious in their outlook, over 64% expected their organization’s circumstances to improve and only 6% predicted that it would worsen. (Table 10)

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<tbody>
<tr>
<td>Better</td>
<td>64%</td>
<td>62%</td>
<td>46%</td>
<td>44%</td>
<td>45%</td>
<td>43%</td>
<td>41%</td>
<td>68%</td>
</tr>
<tr>
<td>Worse</td>
<td>6%</td>
<td>3%</td>
<td>7%</td>
<td>8%</td>
<td>10%</td>
<td>14%</td>
<td>33%</td>
<td>8%</td>
</tr>
<tr>
<td>No different</td>
<td>7%</td>
<td>11%</td>
<td>15%</td>
<td>16%</td>
<td>11%</td>
<td>9%</td>
<td>26%</td>
<td>24%</td>
</tr>
<tr>
<td>Unknown/Too early to tell</td>
<td>23%</td>
<td>25%</td>
<td>32%</td>
<td>32%</td>
<td>34%</td>
<td>34%</td>
<td>n/a</td>
<td>n/a</td>
</tr>
</tbody>
</table>

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?

Interpretation/Implications
The modest signs of encouragement from a year ago continued in this year’s survey. Respondents overall were more likely than two years ago to have experienced a better year than the one before, and to expect improvement in the year to come. Fewer organizations reported decreased funding, and growth was anticipated by many in certain key areas.

Amid these hopeful signs, however, a number of important causes for concern persist. Chief among these is the steadily rising demand for services, which continues to outpace capacity and funding in many quarters. The capacity of organizations to meet these demands, as well as to shore up areas of capacity and infrastructure, are pressing issues. Organizations are being challenged to tell their story and stand out in an increasingly frenetic and crowded environment, and uncertainty regarding the impact government budgets and institutional philanthropy remains acute.

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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 Center strengthens non-profits, individually and collectively, by:

- **Championing and Protecting** the non-profit community as an indispensable part of the social and economic well-being of New Jersey and its residents.
- **Advancing Knowledge** and promoting best practices to foster effective, ethical organizations in furtherance of the public good.
- **Convening and Fostering Connections** between and among non-profit organizations, their champions, and partners in government and for-profit business, in order to enhance collective strength.

Our major programs include:

**Advocacy/Public Education**
- Policy Analysis, Issue Advocacy, Lobbying on non-profit issues
- Promoting non-profits as a community to media, government, business, and non-profits themselves

**Technical Assistance/Capacity Building**
- Non-Profit Central – a comprehensive online clearinghouse, resource directory, documents, job postings, events (Coming soon!)
- Non-Profit HelpDesk phone/email assistance
- Website, enhanced communications and heightened engagement with our allies
- Workshops, webinars and customized consulting, with strategic partners

**Convening/Strengthening the Non-Profit Community**
- Annual New Jersey Non-Profit Conference
- Issue briefings/town halls/local or regional strategic convenings around common issues
- Issue-specific task forces

The Center also provides value-added benefits and cost-saving opportunities to help our members stretch scarce resources.

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 732-227-0800.

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