

# NEW JERSEY Non-Profits 2017

## Trends and Outlook

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# New Jersey Non-Profits 2017

## *Trends and Outlook*

### Executive 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 mid-March 2017 to assess how non-profits fared in 2016 and to determine their outlook for the coming year. This analysis is based on the 301 responses from 501(c)(3) organizations submitted during the survey period.

Among the key findings:

- **Continuing, Rising Demand:** Three-fourths (75%) of responding organizations reported that demand for services had increased during the past year, and a similar proportion (76%) expected demand to continue rising in 2017.
- **Funding Gap:**
  - Two-fifths (40%) reported receiving more total funding in 2016 vs. 2015, but more than half (51%) reported that their expenses were higher than in the previous year, and 29% indicated that expenses had exceeded support and revenue during their most recently completed fiscal year.
  - Nearly two-thirds (64%) expected their total expenses to increase in 2017, but only 50% expected total 2017 funding to increase. About one-third (31%) expected total funding to remain the same as 2016, and 14% anticipated a decrease. Only a small percentage predicted decreased funding from a particular type of funder, but in most categories projections of flat funding were at least as prevalent as expected increases. Respondents were most optimistic about donations from individuals and most uncertain about funding from government.
- **Actions Taken:** Organizations continued to seek additional resources such as funding and volunteers to support their work. New partnerships or collaborations had been launched or were under consideration by a sizeable percentage of respondents. Efforts to increase organizational advocacy and recruit new volunteers were also frequently reported. While significant numbers reported that program and staff additions might occur in 2017 (40% and 33% respectively), far fewer indicated that these actions would definitely occur or had already happened. At the same time, program or staff cuts were under consideration by 27% and 22% of respondents – an indicator of the significant uncertainty of the current economic and funding landscape.
- **Partnerships and Collaborations:** Consistent with previous surveys, half of respondents (51%) reported launching new partnerships or collaborations, most commonly with other non-profit organizations, although partnerships with government and business were also reported. Thirteen percent said that they might, or definitely would, explore a merger in 2017 and 5% said that they definitely would or might complete one.
- **Challenges Faced by Individual Organizations:** Asked to identify the issues presenting the greatest challenges to the viability of *their own organizations*, non-profits most frequently mentioned:
  - financial uncertainty (60%)
  - the need for better branding/communications (50%)
  - the need for a stronger board (44%)
  - the inability to afford enough good staff (33%)
  - increased demand for program services (32%)
  - increased benefits/insurance costs (31%)

- **Non-Profit Sector Issues:** Similar to prior surveys, issues related to infrastructure, governance and funding dominated the concerns about the non-profit community overall. Regarding the issues most important to maintaining and improving the viability of the **non-profit sector** in the coming decade, non-profits most frequently selected:
  - foundation/corporate funding (54%)
  - non-profit infrastructure/capacity building (51%)
  - attracting/retaining capable, committed board members (51%)
  - federal funding/federal budget (39%)
  - attracting/retaining qualified workers (37%)
  - state fiscal policy/budget (34%)
- **Overall Outlook:** Roughly half (48%) of non-profits indicated that their overall circumstances had improved over the past year, a proportion comparable to our 2016 survey, but notably less than 2015. Their outlook for the coming year was also markedly less positive than two years ago. About half (53%) expected their organization's circumstances to improve in the coming year (down from 64% two years ago), while 10% predicted that it would worsen, and 28% said they did not know or it was too early to tell.

### Implications

This year's survey findings underscore the resiliency and perseverance of New Jersey's non-profit community as well as the acute need for the programs and services non-profits provide. While numerous organizations report important organizational successes and significant program impact, public policy and funding uncertainties, both public and private, are weighing heavily on the minds of many. The modest post-recession improvements reported in 2014 and 2015 have slowed over the past two years, and ***the gap between escalating demand for non-profit services and lagging resources remains a continuing and deeply concerning trend.***

Supporting the ability of non-profits to pursue their missions is more important than ever to addressing the short- and long-term needs that our society is facing. Financial investments, vigorous advocacy for sound public policies, and strong partnerships among stakeholders will all be essential, now and for the future.

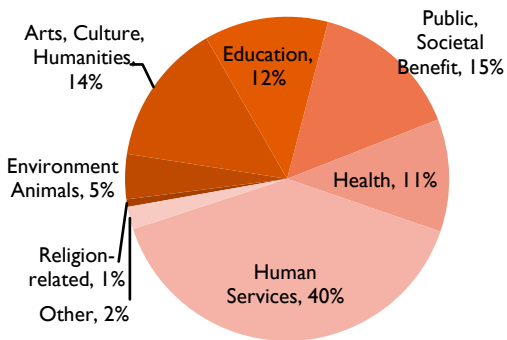
The Center for Non-Profits will continue to share the latest information about the economic, social and policy environment for non-profits, and will work cooperatively to help tackle the collective challenges we face.

## 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 mid-March 2017 to assess how non-profits fared in 2016 and to determine their outlook for the coming year. An email announcement with a link to the survey was sent to approximately 4,500 subscribers of the Center's email list, and additional outreach was made via social media (Facebook, Twitter and LinkedIn), non-profit listserves 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 301 responses from New Jersey 501(c)(3) organizations that were submitted as of March 20, 2017, were included in this analysis.

**Chart 1: Primary Service Focus**  
(N=267)



## Responding Organizations

### Primary Purpose

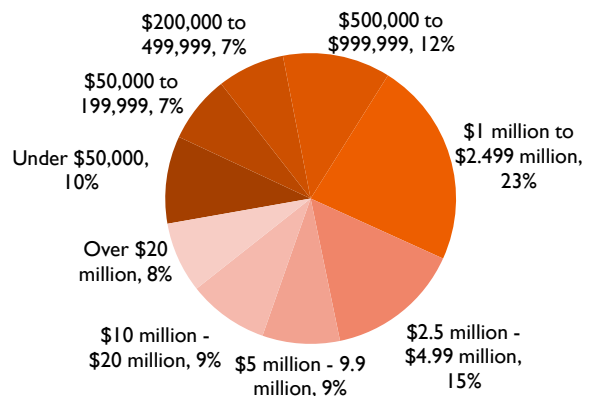
Respondents were asked to select their organization's primary purpose from a list of 8 classifications (Chart 1). Although survey respondents represent the broad diversity of non-profit organizations, human services organizations are overrepresented in our survey compared with the New Jersey's non-profit community overall, while religious and educational organizations are underrepresented.

### Budget Size

(Chart 2)

Although a wide range of budget sizes are present in the respondent profiles, organizations with budgets of less than \$500,000, which make up the vast majority of New Jersey's non-profits, are underrepresented in our survey, while organizations with budgets of \$5 million or more are overrepresented.

**Chart 2: Annual Operating Budget**  
(N=267)



### Geographic Location

Organizations from North Jersey (Bergen, Essex, Hudson, Morris, Passaic, Sussex, Union and Warren Counties) comprised 44% of the survey respondents, Central Jersey (Hunterdon, Mercer, Middlesex, Monmouth and Somerset) made up 35%, 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 2016

Consistent with prior surveys, an overwhelming majority (75%) of responding organizations reported that demand for services had grown in 2016 compared with the previous year. Only 4% reported a lower demand for services in 2016 (Table 1). Rising demand was reported by large margins among all types of non-profits, and most acutely among human services, education and public/societal benefit organizations.

Demand for Core Services in 2016 vs. 2015 (N=266)	
Increase	75%
Decrease	4%
No significant change	17%
Unknown	4%

Table 1

### Changes in Number of People Served in 2016

Not all non-profits' missions involve direct service to individuals, but it is still informative 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). Although 75% of respondents overall reported rising demand during the past year, only 68% reported serving more people. This gap was especially pronounced in health, human services and public/societal benefit organizations.

Changes in Number of People Served in 2016 (N=266)	
Increase	68%
Decrease	7%
Remained the same	23%
Unknown	3%

Table 2

### Predictions for 2017

Three-quarters of organizations (76%) predicted that demand for their services would continue to increase in 2017. Eighteen percent felt that demand for services would remain about the same, and only 2% predicted a decrease (Table 3). Health, public/societal benefit and human services organizations were most likely to predict increased demand, although such growth was expected across all categories.

Projected Demand for Core Services in 2017 vs. 2016 (N=256)	
Increase	76%
Decrease	2%
No significant change	18%
Unknown	5%

Table 3

## Expenses

### In 2016

Half (51%) of organizations reported that their overall expenses had increased by at least 5% in 2016, while one-third (34%) reported relatively unchanged expenses (Table 4). After three years (2013-2015) in which nearly two-thirds of organizations reported expense increases, the 2016 breakdown is more consistent with that of 2012. It's possible that some expenses stabilized after some post-recession investments, or that hiring or salary restorations have slowed post-recession. However, it's also important to note that only 40% of organizations reported **funding** increases in 2016.

Total Expenses Most Recent Year vs. Previous Year					
	2016	2015	2014	2013	2012
Increase of 5% or more	51%	65%	64%	61%	48%
Decrease of 5% or more	8%	9%	9%	10%	15%
No significant change (+/- 5% or less change)	34%	24%	22%	25%	35%
Unknown	6%	3%	5%	5%	2%

Table 4

### Expense Predictions for 2017

Nearly two-thirds (64%) of respondents expected **expenses** to rise in 2017 (Table 5), with staffing expenses (hiring, salaries, benefits), likely the main driver. It's important to note that only half (50%) of organizations expected their total **funding** to rise in 2017 (see Table 8, page 7).

Projected Expenses in 2017 vs. 2016 (N=249)	
Increase	64%
Decrease	7%
Remain the same	27%
Unknown	3%

Table 5

### Revenue/Expense Comparisons

One-third of organizations (34%) reported that revenues had exceeded expenses in their most recent fiscal year, a slight uptick compared with our survey of a year ago (27%). However, more than one-quarter (29%) reported spending more money than they took in. (Table 6)

Total Income vs. Expenses for Most Recent Fiscal Year-End (N=248)	
Surplus	34%
Break-even	37%
Deficit	29%

Table 6

## Cash Reserves/Lines of Credit

Cash reserves or lines of credit can help organizations stabilize cash flow fluctuations and meet expenses when funding payments are late or when other unexpected shortages occur. Two-thirds (67%) of survey 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, 34% reported having a reserve of 1-3 months of operating funds; 27% reported 3-6 months' worth; and 35% reported over six months of operating funds. Nearly half (49%) indicated that their cash reserve remained relatively constant over the past year, while 24% said it was smaller than one year ago and 27% said that their reserve was larger.

Among organizations with lines of credit, 48% reported having to borrow against the line of credit in 2016; 17% reported that they had to borrow more in 2016 than in the previous year, and 32% reported borrowing less. By comparison, in last year's survey, 22% 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

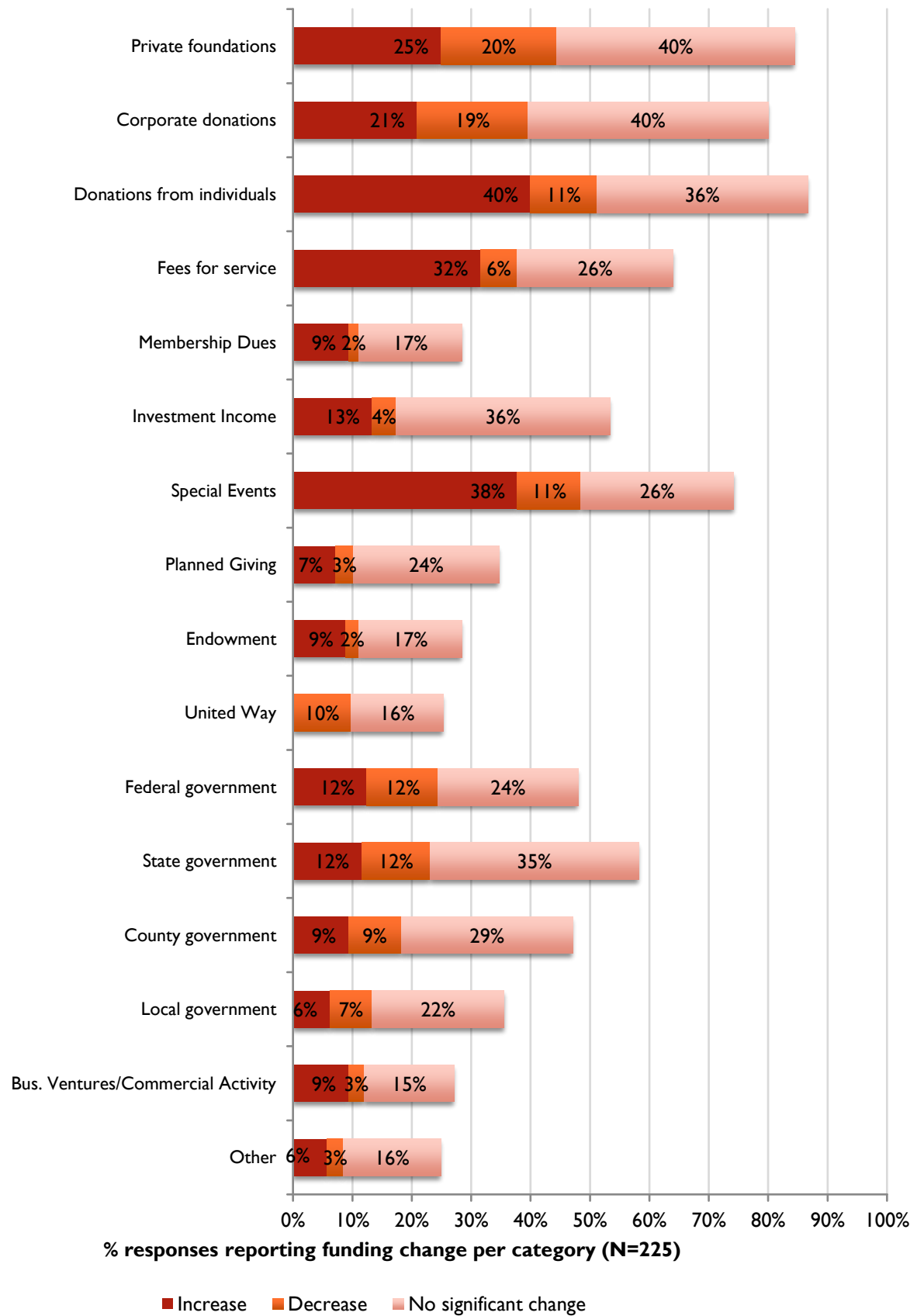
### Total Funding 2016 vs. 2015

For 40% of our respondents, overall funding increased in 2016 compared with the previous year, with 36% reporting that funding had held steady and 24% reporting decreases (Table 7).

Breaking down these trends by type of funding source, organizations reported the biggest successes with donations from individuals and special events. Foundation and corporate contributions remained level for the biggest proportion of respondents. (Chart 3, next page)

Funding in Most Recent Year vs. Previous Year					
	2016	2015	2014	2013	2012
Increase of 5% or more	40%	42%	50%	52%	33%
Decrease of 5% or more	24%	20%	15%	20%	24%
No significant change (+/- 5% or less change)	36%	33%	29%	24%	40%
Unknown	3%	4%	5%	3%	2%

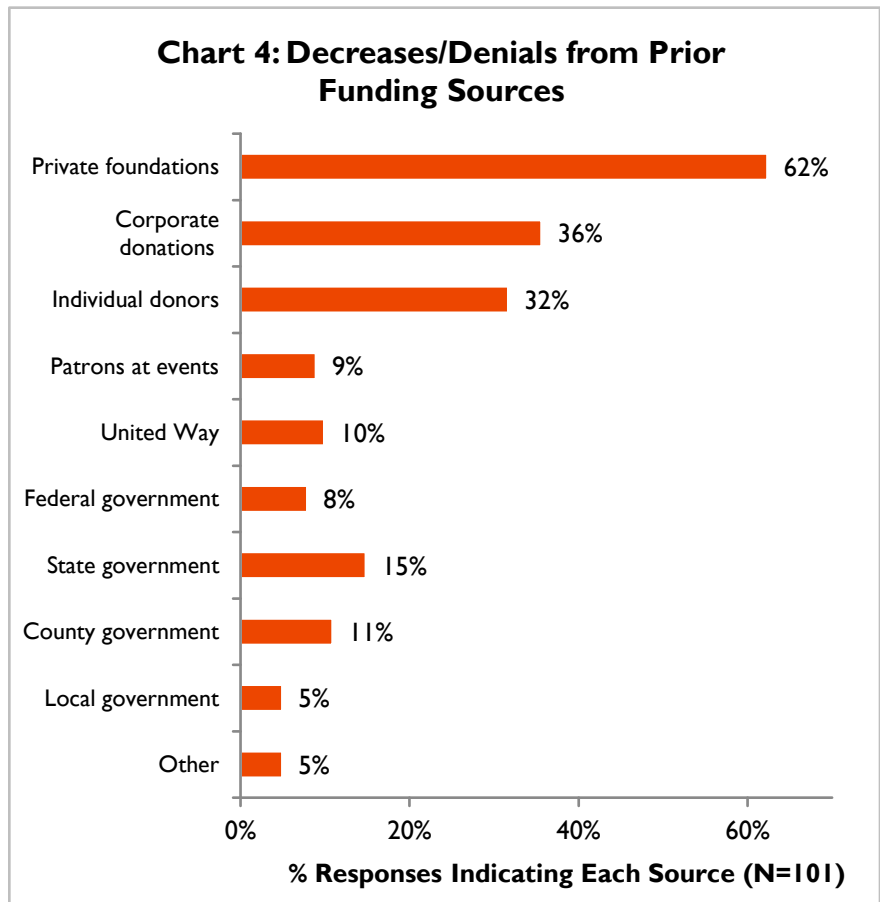
Table 7

**Chart 3: Funding Changes 2016 vs 2015**

### Denials/Reductions by Previous Funders

Forty-three percent of respondents reported that a previous funding source had informed them in 2016 that they either would not be giving to their organization or that they would be giving less, a proportion consistent with the past three years. Among those who had funding denied or reduced, private foundations (62%) were cited most frequently, followed by corporations (36%) and individuals (32%). (Chart 4)

The most frequent reason given for a denial was a shift in giving priorities (55% of those reporting denials/reductions), followed by general cutbacks (30%). Changes in government leadership or administrations (6%) or other reasons (12%) were also cited.



### Funding Outlook for 2017

Non-profits' projections for their overall levels of funding in the coming year were roughly the same as one year ago, with 50% predicting that their funding would increase, 31% predicting steady funding and 14% projecting decreases. (Table 8)

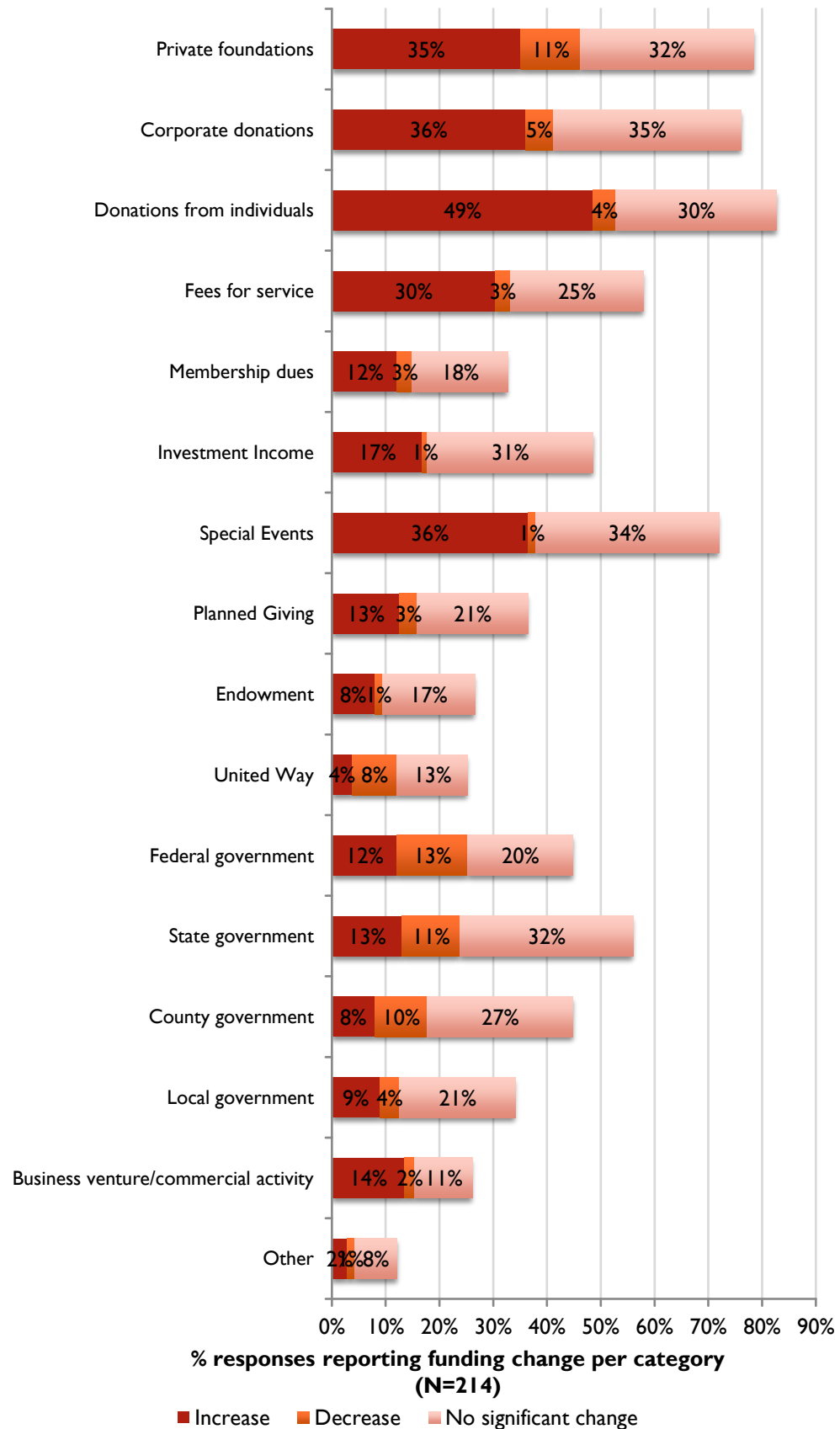
Projected Funding - Upcoming vs. Previous Year					
	2017	2016	2015	2014	2013
Increase	50%	47%	57%	58%	42%
Decrease	14%	14%	9%	8%	19%
Remain the same	31%	32%	26%	28%	34%
Unknown/not reported	5%	7%	8%	6%	5%

Table 8

### Projected Funding from Specific Sources in 2017

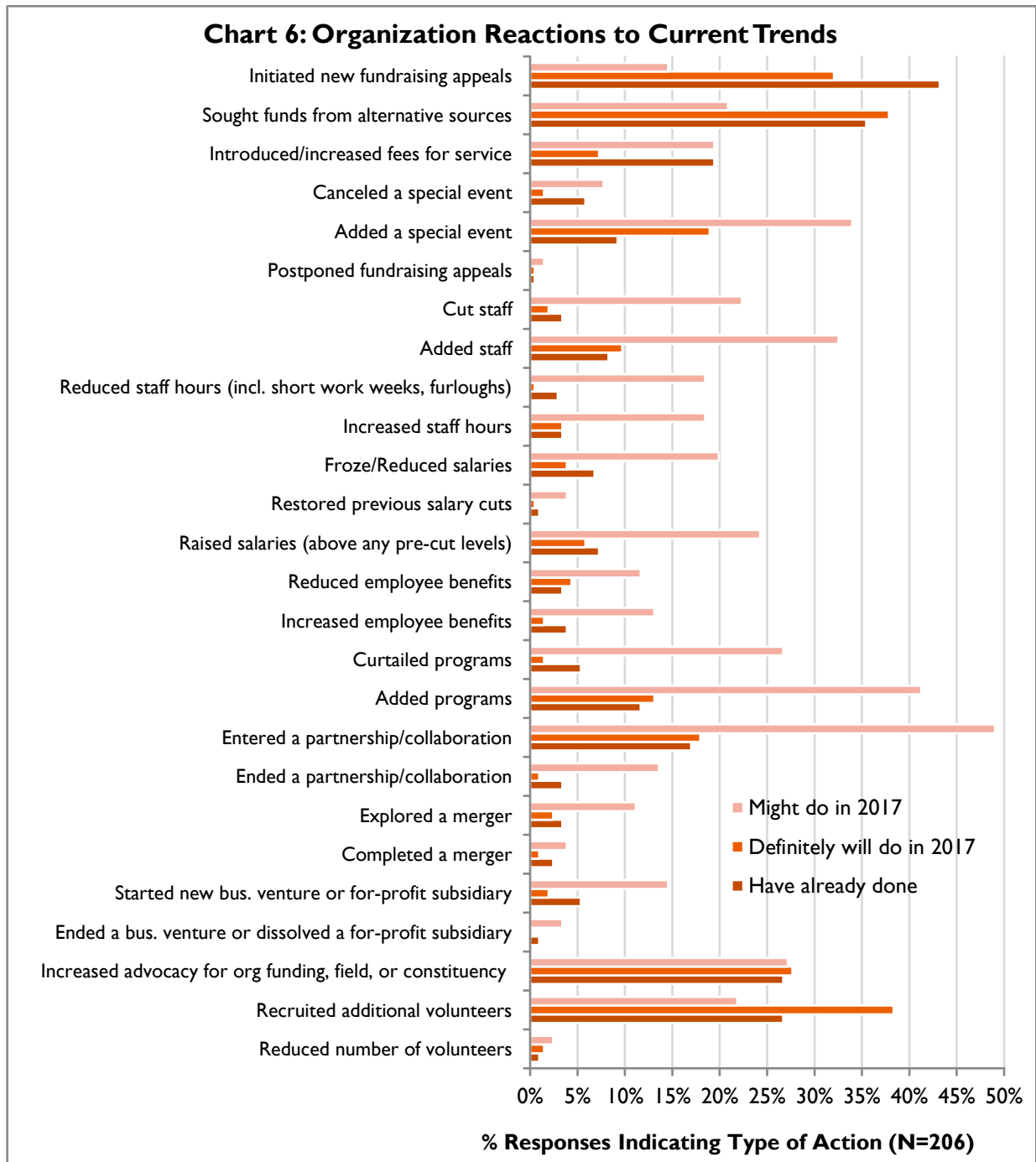
Asked about their likely funding prospects from a variety of specific sources, respondents were most optimistic that projected donations from individuals would increase in the coming year. They tended to split between predicted increases and level funding from foundations and corporations. Organizations receiving government funds were the least optimistic about those sources for 2017. However, many expressed uncertainty about specific sources, especially federal and state government, the budgets of which have yet to be determined. (Chart 5, next page)



**Chart 5: Predicted Funding 2017 vs 2016**

## Organization Reactions to Emerging Trends

Consistent with prior surveys, a large percentage of organizations continued to seek additional sources of revenue to support their work, whether through new fundraising appeals, or seeking funding from alternative sources. New partnerships or collaborations had been launched or were under consideration by a sizeable percentage of respondents. Efforts to increase organizational advocacy and recruit new volunteers were also frequently reported. While significant numbers reported that program and staff additions might occur in 2017 (40% and 33% respectively), far fewer indicated that these actions would definitely occur or had already happened. At the same time, program or staff cuts were under consideration by 27% and 22% of respondents – an indicator of the significant uncertainty of the current economic and funding landscape. (Chart 6)



## Partnerships/Collaborations

Partnerships are commonly reported by our survey respondents and in the non-profit community generally, and this year was no exception. Half (51%) reported launching new partnerships or collaborations in 2016, mostly with other non-profits, although partnerships with government and business were also reported. Examples included partnerships among parks and health/wellness interests; school-based programs to address behavioral health needs; shared space and shared personnel; a non-profit/city partnership to provide food service for seniors and healthy cooking classes for youth; a foundation-convened, multi-organization collaborative to provide whole family services in South Jersey; partnerships between arts and health organizations; and many others.

## Changes in Program/Service Focus

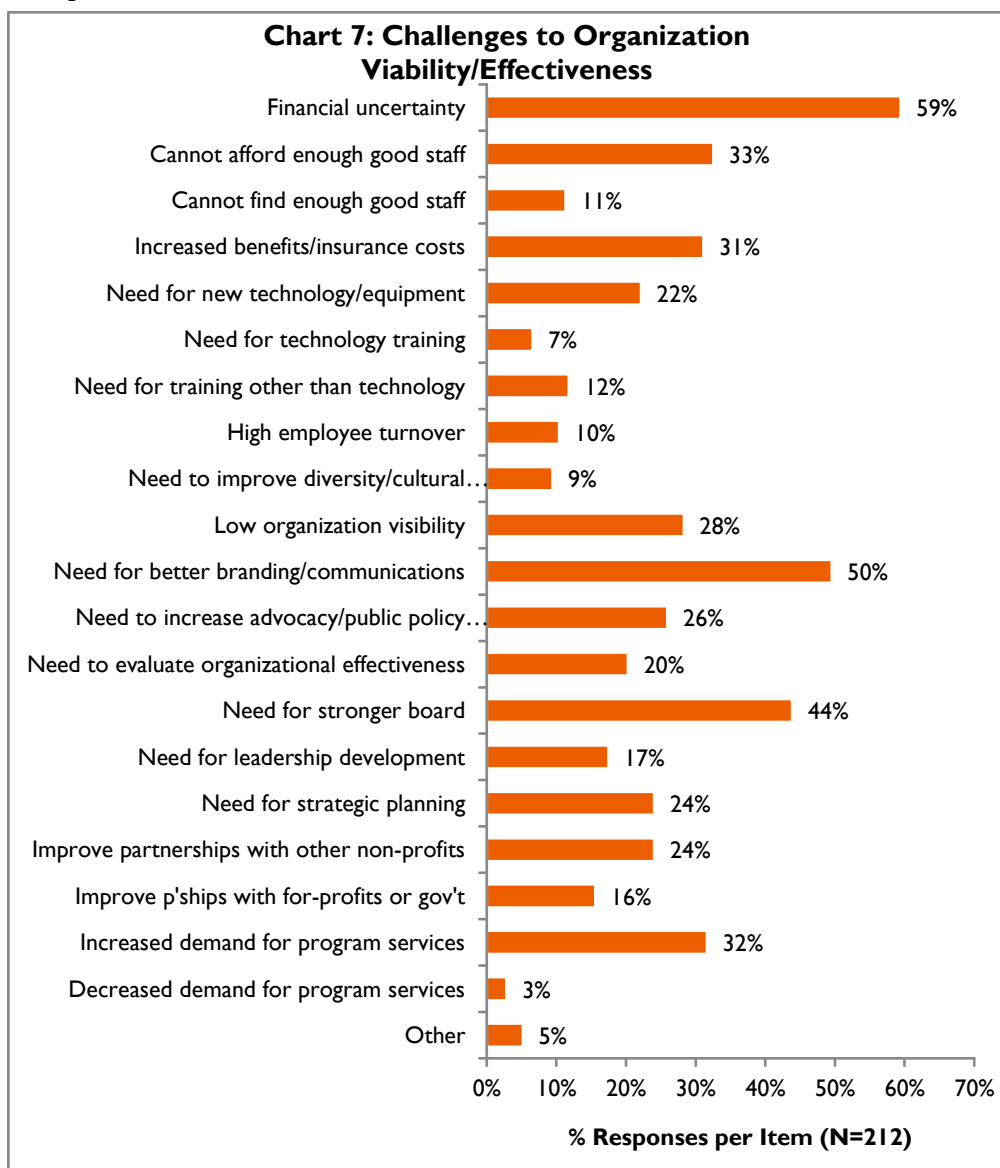
Respondents reported making a wide array of changes in program or service focus made in response to the trends they had experienced. Examples included increased investment in diversity and cultural competence training; launching mission-based revenue-generating ventures; increased oral health services to uninsured children and perinatal women; expansion of mental health services; various program adjustments, expansions or curtailments in response to funding changes; and many others.

## 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**, and to select the five issues that they felt were most important to improving the viability of the **non-profit sector** in the coming decade.

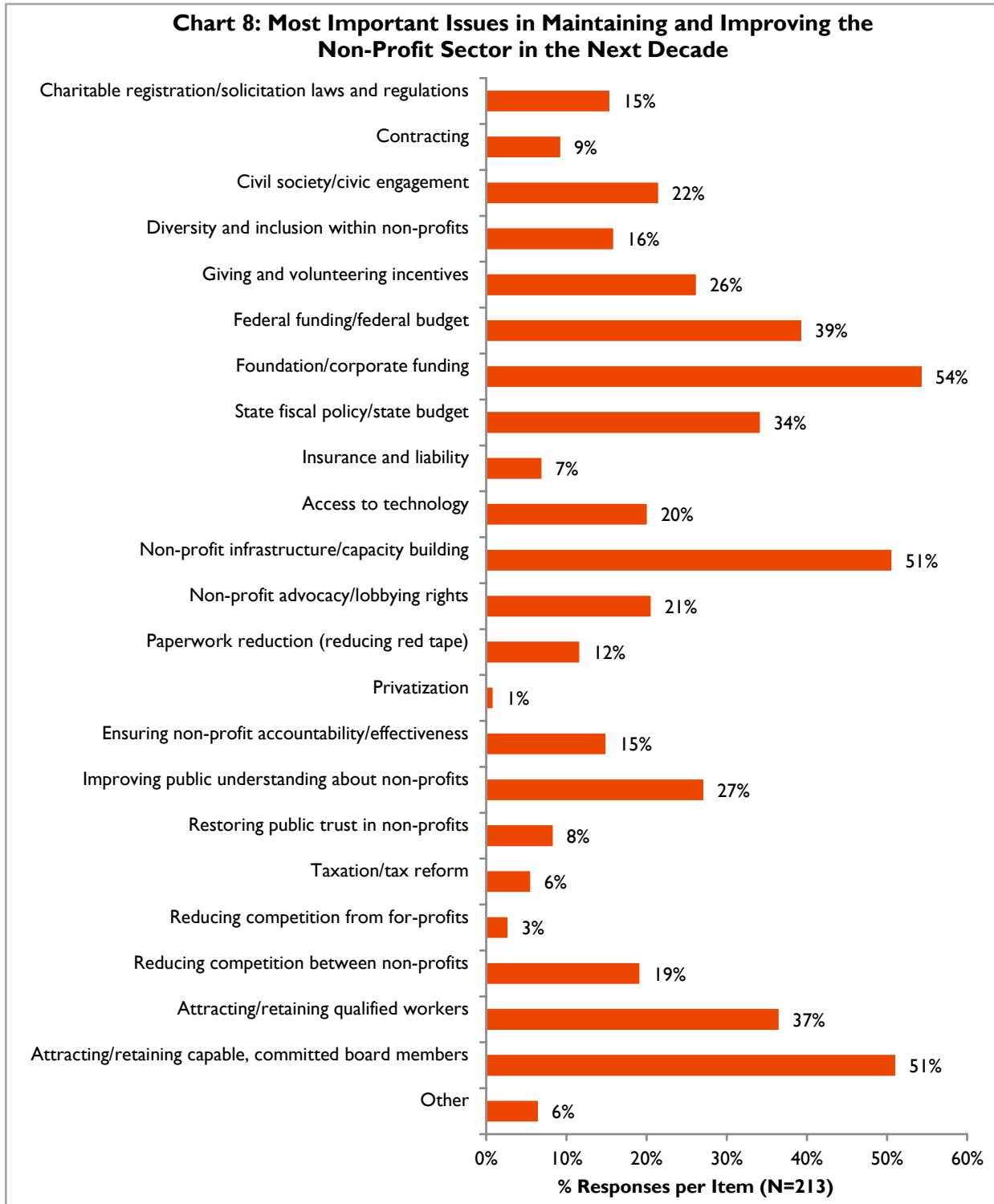
### Challenges Faced by Individual Organizations

Financial uncertainty, selected by nearly 60% of respondents, was the most frequently identified challenge for individual organizations, as it was in our 2016 survey. This was followed by the need for better branding/communications (50%), and the need for a stronger board (44%). The inability to afford enough good staff (33%), increased demand for program services (32%), and increased benefits/ insurance costs (31%) were also cited frequently. (Chart 7)



### Non-Profit Sector Issues

Similar to the past couple of years, issues related to infrastructure, governance and funding dominated the concerns about the non-profit community overall. Foundation/corporate funding was named by more than half of the respondents (54%), followed by non-profit infrastructure/capacity building and attracting/retaining capable, committed board members (51% each). Federal funding/federal budget (39%), attracting/retaining qualified workers (37%), and state fiscal policy/budget (34%) were also cited frequently. (Chart 8)



## Overall Circumstances and Outlook

### Comparison with One Year Ago

Respondents' assessments of their organizations' overall circumstances over the past year were comparable to our 2016 survey and less positive than two years ago. Fewer than half (48%) reported that their organization's circumstances had improved over the past year (down from 57% two years ago), while 15% said that their situation was worse and 37% said it was no different. (Table 9)

<b>Overall, would you describe your organization's circumstances as better, worse, or no different than the same time a year ago?</b>										
Response	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Better	48%	49%	57%	58%	43%	38%	32%	30%	31%	51%
Worse	15%	15%	13%	12%	22%	23%	29%	36%	34%	15%
No different	37%	36%	31%	30%	35%	40%	38%	34%	36%	35%

Table 9

### Outlook for 2017

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 slightly less optimistic as one year ago, and markedly less optimistic than the previous two years. Although a significant proportion remained uncertain in their outlook, 53% expected their organization's circumstances to improve (down from 64% two years ago) and 10% predicted that it would worsen. (Table 10)

<b>Overall, one year from now, do you think your organization's circumstances will be better, worse or no different than they are currently?</b>										
Response	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Better	53%	57%	64%	62%	46%	44%	45%	43%	41%	68%
Worse	10%	9%	6%	3%	7%	8%	10%	14%	33%	8%
No different	9%	6%	7%	11%	15%	16%	11%	9%	26%	24%
Unknown/Too early to tell	28%	28%	23%	25%	32%	32%	34%	34%	n/a	n/a

Table 10

## Other Trends/Observations by Respondents

Throughout the survey, non-profits were provided with opportunities to share experiences and opinions not otherwise covered in the questionnaire. Among the many observations volunteered by our respondents:

- A high degree of uncertainty about proposed government budget cuts and public policies and their impact on non-profit programs in communities
- The need to shore up non-profit infrastructure and the importance of adequate funding for non-profit overhead
- The need to simplify the government contracting system and provide for payments that cover the costs of providing services
- Concern about federal proposals to weaken the existing ban on partisan political activity by 501(c)(3) organizations
- Concerns about the possible curtailing of federal tax incentives for charitable giving as part of future tax reform efforts in Washington
- Desire to diversify organization funding
- Shifts in organizational leadership, leadership development, adaptability to the changing environment

## Interpretation/Implications

This year's survey findings underscore the resiliency and perseverance of New Jersey's non-profit community as well as the acute need for the programs and services non-profits provide. While numerous organizations report important organizational successes and significant program impact, public policy and funding uncertainties, both public and private, are weighing heavily on the minds of many. The modest post-recession improvements reported in 2014 and 2015 have slowed over the past two years, and ***the gap between escalating demand for non-profit services and lagging resources remains a continuing and deeply concerning trend.***

Supporting the ability of non-profits to pursue their missions is more important than ever to addressing the short- and long-term needs that our society is facing. Financial investments, vigorous advocacy for sound public policies, and strong partnerships among stakeholders will all be essential, now and for the future.

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.

## About the Center for Non-Profits

The Center for Non-Profits is New Jersey's statewide umbrella organization for the charitable community. Our mission is to build the power of New Jersey's non-profit community to improve the quality of life for the people of our state.

Since its founding in 1982, the Center has been, and remains, New Jersey's only umbrella organization for all charities in the state. Through public policy, capacity building, education, and training programs the Center gives non-profits the information and tools they need to pursue their missions more effectively, strengthening non-profits as individual organizations and as a community.

### What We Do

#### ADVANCING KNOWLEDGE

- Promoting best practices and effective, ethical organizations for the public good.
- High-quality management and compliance information
- Expert phone and email consultation - priority access for members
- Free or discounted compliance publications
- Timely non-profit news and alerts
- Affordable workshops and webinars
- Our blog, Front and Center, with insights into current and emerging issues

#### CHAMPIONING and PROTECTING

- The most comprehensive information source about New Jersey non-profits
- Communicating non-profits' importance through research and public education
- Advocating for non-profits in Trenton and Washington
- Helping non-profits to strengthen their own public policy voice
- Uniting our state's non-profits around common goals
- Galvanizing non-profits and their allies at our annual conference

#### STRETCHING SCARCE RESOURCES

- Cost-saving member services: insurance, unemployment, payroll and more
- Discounts on workshops and publications
- Free job-opening postings for members
- Exclusive access to select cost-saving offerings
- Leveraging non-profits' dollars as the first-stop resource for expertise, services and referrals
- Non-Profit Central online clearinghouse - resource directory, job postings, events (*Coming soon!*)

For more information about the Center, our programs, membership, or supporting our work, visit [www.njnonprofits.org](http://www.njnonprofits.org), or call 732-227-0800.

### Center for Non-Profits

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