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FOR NON-PROFITS



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NEW JERSEY NON-PROFITS

Trends and Outlook

February 2020

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New Jersey Non-Profits 2020

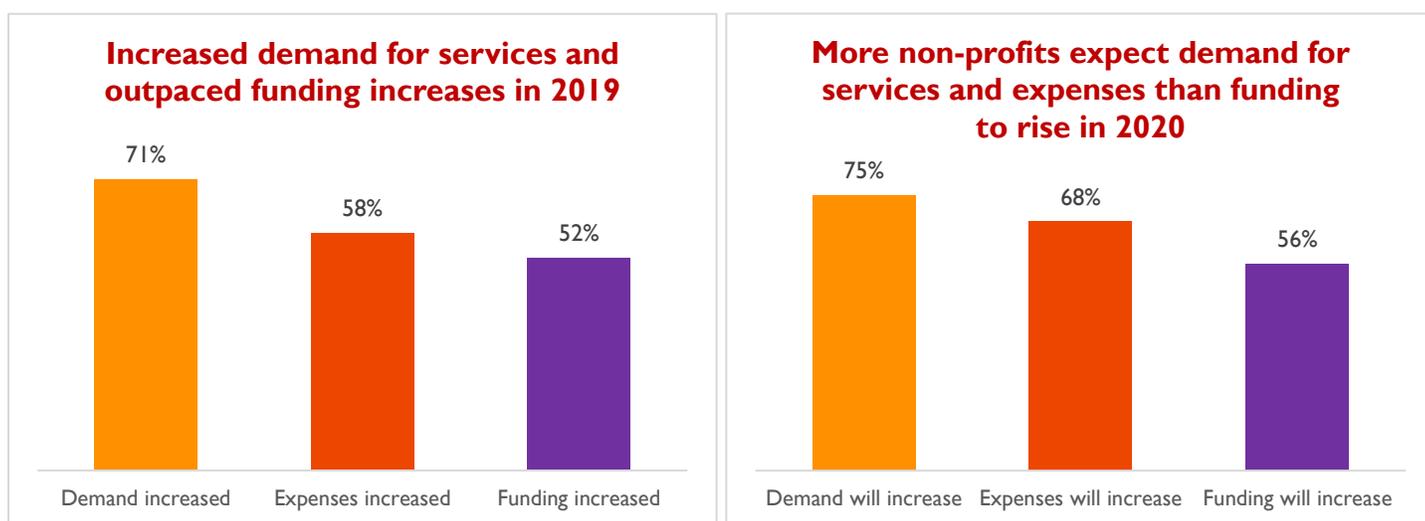
Trends and Outlook

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 January and early February 2020 to assess how non-profits fared in 2019 and to determine their outlook for the coming year. This analysis is based on the 229 responses from 501(c)(3) organizations submitted during the survey period.

Continued Gap Between Rising Demand for Services and Funding

Consistent with prior trends, significantly more respondents reported that demand for services and expenses had risen in 2019 than those reporting that funding had increased.



- Seventy-one percent of responding organizations reported that demand for services had increased during the past year, but only half (52%) reported receiving more funding in 2019 than 2018.
- Only 37% indicated that support and revenue had exceeded expenses during their last fiscal year.
- Three-quarters (75%) expected demand to continue rising in 2020 and 68% predicted higher expenses, but only 56% predicted that their funding would increase.
- Regarding specific types of funding, respondents were most optimistic about donations from individuals and most uncertain about funding from government. Respondents were more likely to predict flat funding than either increases or decreases in most other funding categories.

Actions Taken

- Organizations continued to seek additional resources to support their work, whether through new fundraising appeals, pursuing funding from alternative sources, adding special events or recruiting volunteers.
- Increased advocacy activities were under active consideration or definitely planned by 59% of respondents.
- A number of actions reflected ongoing uncertainty regarding the current economic and funding environment. For example, 39% indicated that they might add programs in 2020 and 34% said they might add staff, but less than 20% definitely planned to take either of these steps.

Partnerships and Collaborations

Half (51%) of respondents reported launching new partnerships or collaborations in 2019, mostly with other non-profits, although partnerships with government and business were also reported. Forty-five percent indicated that they were considering new partnerships for 2020. Fourteen percent said that they might, or definitely would, explore a merger in 2020 and 6% 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:

- the need for better branding or communications (49%)
- the need for a stronger board (46%)
- financial uncertainty (43%)
- increased benefits/insurance costs (34%)
- increased demand for program services (34%)
- inability to afford enough good staff (33%)
- low organization visibility (27%)
- the need to improve diversity/equity/cultural competence (23%)
- the need for leadership development (23%)

Non-Profit Sector Issues

Similar to the past several years, issues related to infrastructure, governance and funding dominated the concerns about the non-profit community overall. Asked about the issues most important to maintaining and improving the viability of the *non-profit sector* in the coming decade, non-profits most frequently selected:

- non-profit infrastructure/capacity building (59%)
- foundation/corporate funding (51%)
- attracting/retaining capable, committed board members (51%)
- attracting/retaining qualified workers (41%)
- giving and volunteering incentives (33%)
- diversity/inclusion/equity within non-profits (31%)

Overall Outlook

Respondents' assessments of their organizations' overall circumstances over the past year were markedly more positive than our 2019 survey, with improved circumstances reported by 61% (up from 49% a year ago and 53% in 2018), while 11% said that their situation was worse and 28% said it was no different. Survey respondents were also more optimistic in predicting their circumstances in one year than they were in our last several surveys. Although a significant proportion remained uncertain about their prospects, 61% expected their organization's circumstances to improve, 4% predicted that it would worsen, and 13% projected no change.

Implications

Although fluctuation and uncertainty in the economic, social, and public policy landscape continued as prevailing trends, this year's survey also presented a few hopeful signs. More respondents were positive regarding their organization's overall circumstances and more optimistic for the coming year compared with our past few surveys. Individual donations, where reported increases outweighed rather than flat or declined giving, was something of a bright spot, although a number of respondents indicated that the federal tax law had adversely affected their donations and its impact is still being determined.

Above all, however, this survey again underscores what has been a recurring and disturbing theme: **the concerning and prolonged gap between rising demand for non-profits' programs while resources fail to keep pace**. This persistent gap is present across organization sizes and purposes, and left unaddressed, compromises the availability of vital programs and services that our communities need.

Non-profits are an integral part of our social, economic and community fabric whose significance is often under-recognized. Their resilience, resourcefulness and creativity have been demonstrated again through program adjustments, innovative partnerships and persistent, determined pursuit of mission.

But even with the most creative and dedicated actions, prolonged resource deprivation has consequences that our communities can ill afford. The Center for Non-Profits will continue to provide the information and advocacy to foster constructive public policies and solutions.

Background and Methodology

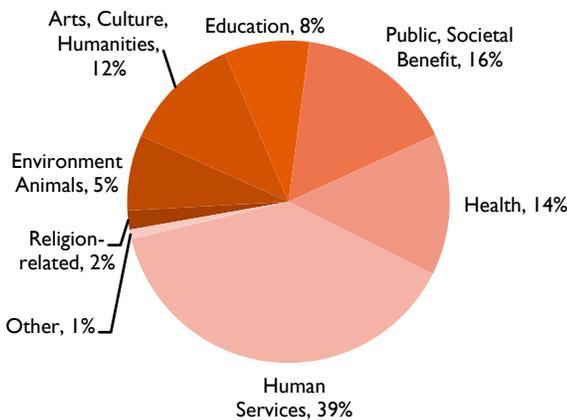
The **New Jersey Non-Profit Issues and Trends Survey** is conducted annually by the Center for Non-Profits in order to gauge trends, experiences and views of our state’s non-profit community.

The Center conducted this year’s survey online in January and early February 2020 to assess how non-profits fared in 2019 and to determine their outlook for the coming year. An email announcement with a link to the survey was sent to approximately 5,000 subscribers of the Center’s email list, and additional outreach was made via social media (Facebook, Twitter, LinkedIn and Instagram), non-profit listservs, 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 229 responses from New Jersey 501(c)(3) organizations that were submitted as of February 4, 2020, were included in this analysis.

Responding Organizations

Chart 1: Primary Service Focus

(N=211)



Primary Purpose (Chart 1)

Survey respondents represent the broad diversity of non-profit organizations, although the proportion of human services organizations in our survey is somewhat higher than in New Jersey’s non-profit community overall.

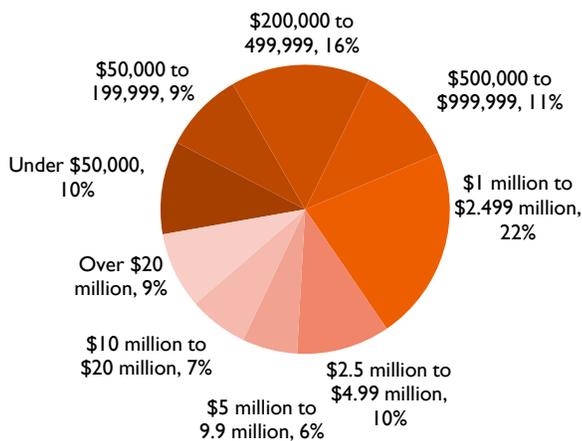
Budget Size

(Chart 2)

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 charitable non-profits, are somewhat less prevalent in our survey respondents, while the proportion of respondents with budgets of \$5 million or more is higher in this survey than in the non-profit community.

Chart 2: Annual Operating Budget

(N=211)



Geographic Location

Organizations from North Jersey (Bergen, Essex, Hudson, Morris, Passaic, Sussex, Union and Warren Counties) comprised 47% of the survey respondents, Central Jersey (Hunterdon, Mercer, Middlesex, Monmouth and Somerset) made up 35%, while approximately 17% were located in the Southern region (Atlantic, Burlington, Camden, Cape May, Cumberland, Gloucester, Ocean and Salem).

Demand for Services

Change in Demand in 2019

Consistent with prior surveys, a significant majority (71%) of responding organizations reported that demand for services had grown in 2019 compared with the previous year. Only 3% reported a lower demand for services in 2019 (Table 1). Rising demand was reported by large margins among all types of non-profits, and was most acute in human services organizations, where 85% reported a growth in demand.

Changes in Number of People Served in 2019

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 71% of respondents overall reported rising demand during the past year, fewer (65%) reported serving more people.

| Demand for Core Services in 2019 vs. 2018 (N=193) | |
|--|-----|
| Increase | 71% |
| Decrease | 3% |
| No significant change | 24% |
| Unknown | 2% |

Table 1

| Changes in Number of People Served in 2019 (N=193) | |
|---|-----|
| Increase | 65% |
| Decrease | 6% |
| Remained the same | 25% |
| Unknown | 3% |

Table 2

Predictions for 2020

Three-quarters of organizations (75%) predicted that demand for their services would continue to increase in 2020. Twenty-four percent felt that demand for services would remain about the same, and only 1% predicted a decrease (Table 3). Health and human services organizations were most likely to predict increased demand, although growth was expected by all types of non-profits.

| Projected Demand for Core Services in 2020 vs. 2019 (N=192) | |
|--|-----|
| Increase | 75% |
| Decrease | 1% |
| No significant change | 24% |

Table 3

Expenses

In 2019

Nearly three-fifths (58%) of organizations reported that their overall expenses had increased by at least 5% in 2019, while 30% reported relatively unchanged expenses (Table 4). However, only 52% of respondents reported **funding** increases in 2019 (Table 7, page 6).

| | Total Expenses Most Recent Year vs. Previous Year | | | | | |
|---|---|------|------|------|------|------|
| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
| Increase of 5% or more | 58% | 59% | 56% | 51% | 65% | 64% |
| Decrease of 5% or more | 7% | 9% | 5% | 8% | 9% | 9% |
| No significant change (+/- 5% or less change) | 30% | 27% | 33% | 34% | 24% | 22% |
| Unknown | 5% | 5% | 5% | 6% | 3% | 5% |

Expense Predictions for 2020

Two-thirds (68%) of respondents expected **expenses** to rise in 2020 (Table 5), with staffing expenses (hiring, salaries, benefits), likely a main factor. Fewer organizations (58%) expected their total **funding** to rise in 2019 (Table 8, page 8).

Revenue/Expense Comparisons

Thirty-seven percent of respondents reported that revenues had exceeded expenses in their most recent fiscal year, and a similar portion (38%) reported roughly equal revenues vs. expenses in their most recent fiscal year. This is a slight improvement over last year's survey, when one-third (32%) reported surpluses and 42% indicated a break-even outcome. Similar to a year ago, approximately one-quarter (25%) reported spending more money than they took in (Table 6).

| Projected Expenses in 2020 vs. 2019 (N=193) | |
|--|-----|
| Increase | 68% |
| Decrease | 5% |
| Remain the same | 23% |
| Unknown | 4% |

Table 5

| Total Income vs. Expenses for Most Recent Fiscal Year-End (N=191) | |
|--|-----|
| Surplus | 37% |
| Break-even | 38% |
| Deficit | 25% |

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. Seventy-four percent 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 32% reported a line of credit.

Among organizations with cash reserves, 27% reported having a reserve of 1-3 months of operating funds; 29% reported 3-6 months' worth; and 43% reported over six months of operating funds. Nearly half (47%) indicated that their cash reserve remained relatively constant over the past year, while 16% said it was smaller at the end of 2019 and 37% said that their reserve was larger.

Among organizations with lines of credit, 22% reported having to borrow against the line of credit in 2019; by comparison, in last year's survey, 31% reported borrowing against their line of credit. In our current survey, 10% reported that they had to borrow more in 2019 than in the previous year, and 13% reported borrowing less. Fifty-five 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 2019 vs. 2018

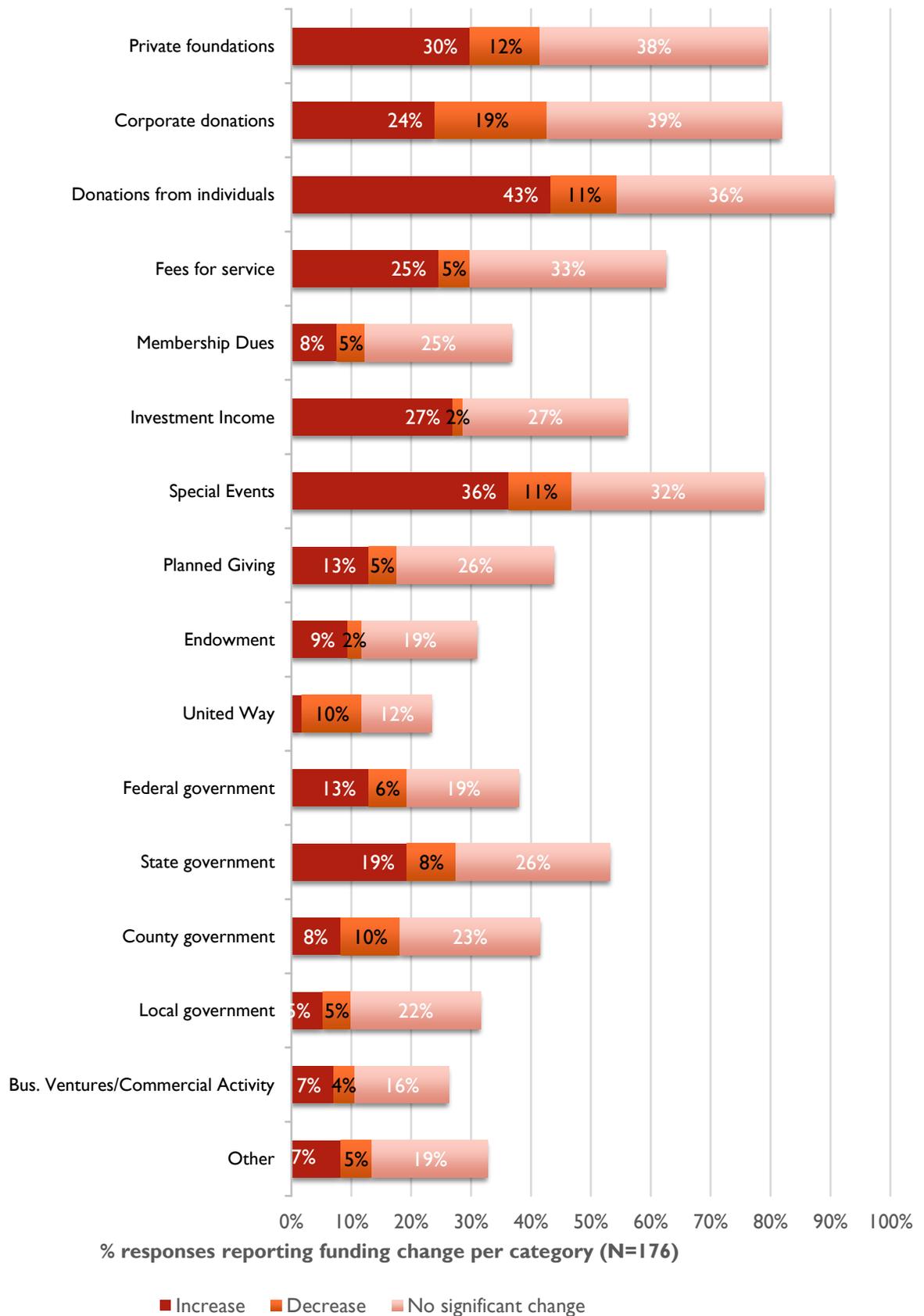
Fifty-two percent of our respondents reported that overall funding had increased in 2019 compared with the year before – a significant jump from last year's survey (Table 7) but still less than the 71% reporting growth in demand for services.

Breaking down these trends by type of funding source, funding increases were reported most frequently from individual donations and special events, the only sources in which reported increases outpaced flat or reduced funding. Foundation and corporate contributions remained level for the biggest proportion of respondents (Chart 3, next page).

| | Funding in Most Recent Year vs. Previous Year | | | | | |
|---|---|------|------|------|------|------|
| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
| Increase of 5% or more | 52% | 38% | 42% | 40% | 42% | 50% |
| Decrease of 5% or more | 16% | 21% | 21% | 24% | 20% | 15% |
| No significant change (+/- 5% or less change) | 28% | 37% | 32% | 36% | 33% | 29% |
| Unknown | 4% | 3% | 5% | 3% | 4% | 5% |

Table 7

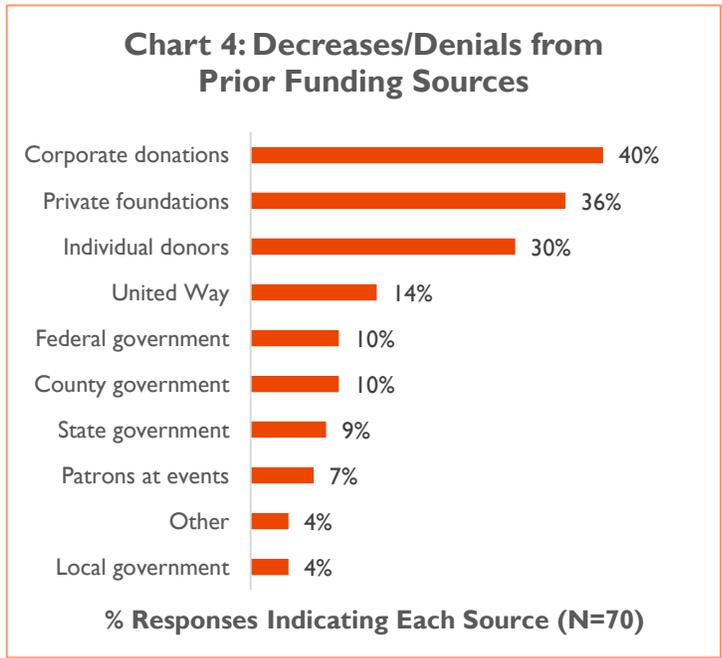
Chart 3: Funding Changes 2019 vs 2018



Denials/Reductions by Previous Funders

Forty percent of respondents reported that a previous funding source had informed them in 2019 that they either would not be giving to their organization or that they would be giving less. Within this group, corporations (40%) were cited most frequently as having denied or reduced funding, followed by private foundations (36%) and individuals (30%) (Chart 4).

Shifts in giving priorities were cited most frequently as the reasons behind the denials/reductions, followed by general cutbacks/economic hardship. Some organizations specifically mentioned the 2017 federal tax law as a cause for declined or decreased in giving.



Funding Outlook for 2020

Non-profits' projections for overall funding in the coming year were somewhat more optimistic than the prior three surveys, with slightly 56% predicting that their funding would increase, 31% projecting steady funding and 8% predicting decreases. (Table 8)

As a reminder, 75% of survey respondents expected demand for services to rise in 2020.

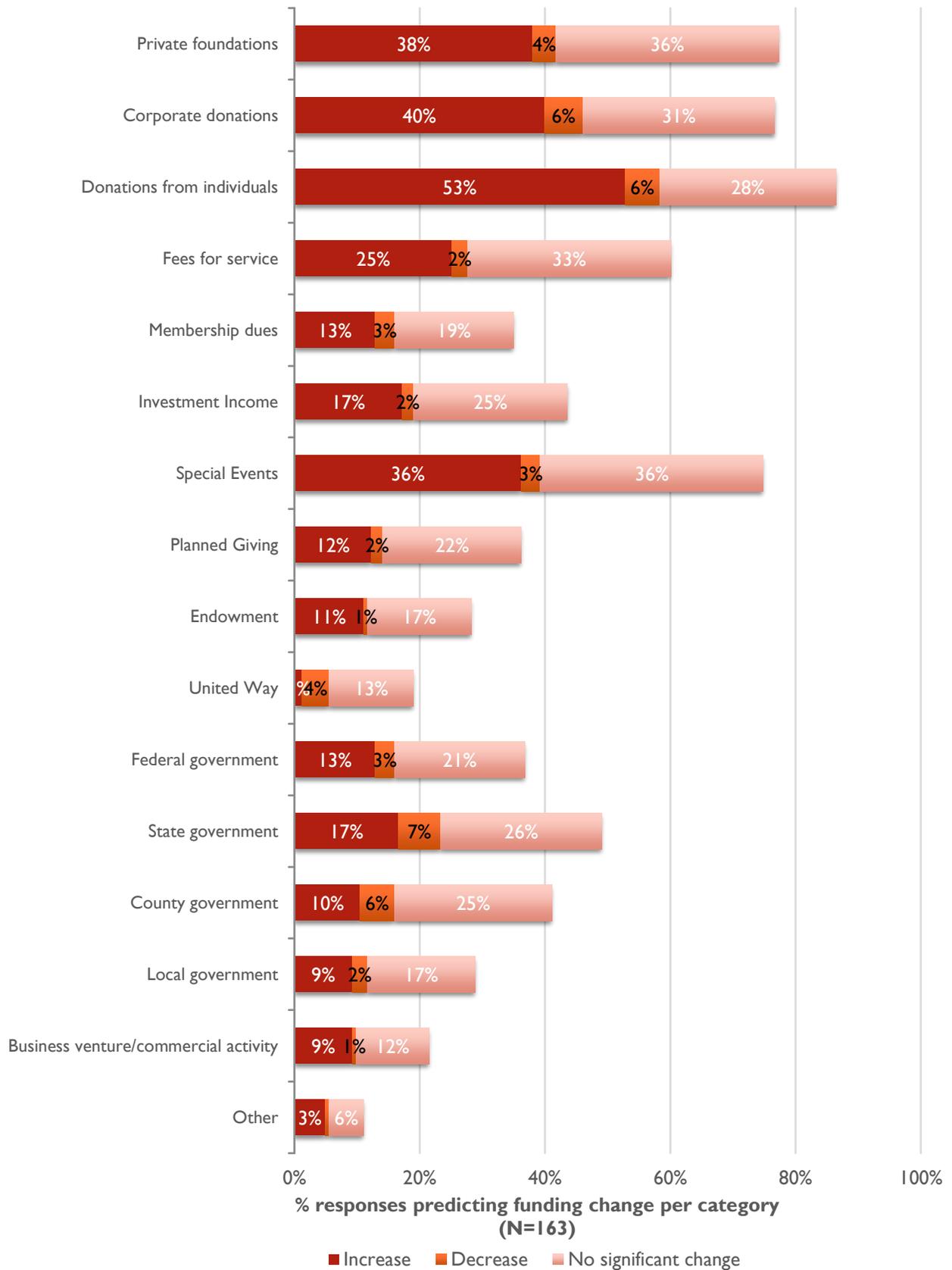
| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|----------------------|------|------|------|------|------|------|
| Increase | 56% | 49% | 48% | 50% | 47% | 57% |
| Decrease | 8% | 13% | 13% | 14% | 14% | 9% |
| Remain the same | 31% | 30% | 30% | 31% | 32% | 26% |
| Unknown/not reported | 5% | 8% | 9% | 5% | 7% | 8% |

Table 8

Projected Funding from Specific Sources in 2020 vs. 2019

Non-profits were significantly more optimistic that donations from individuals would increase in 2020 than they were about funding from any other funding source. Indeed, 53% of respondents predicted that individual giving would rise in 2020, while 28% predicted level individual gifts and 6% predicted decreases. Respondents were also more inclined to predict that corporate funding would rise in 2020 (40% vs. 31% predicting level support). Non-profits were more evenly split in predicting increased vs. level funding from foundations and special events. Consistent with prior years, organizations receiving government funds were the least likely to predict increases from these sources in 2020. Many also expressed uncertainty about their predictions. (Chart 5, next page)

Chart 5: Predicted Funding 2020 vs 2019



Organization Reactions to Emerging Trends

Seeking additional financial or human resources, such as seeking funds from new sources, launching new appeals or recruiting volunteers, remained the most commonly reported actions non-profits had taken or were planning in 2020. Forty-five percent reported that they were considering new partnerships or collaborations, and 44% were considering adding a special event; however, in a likely reflection of financial uncertainty, only 17% and 14% said that they would definitely undertake these activities. Similarly, 39% indicated that they might add programs in 2020 and 34% said they might add staff, but less than 20% definitely planned to take either of these steps. Nearly one-third (32%) were considering boosting their advocacy activities, and 27% definitely planned to do so. (Chart 6)

Chart 6: Organization Reactions to Current Trends



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 2019, mostly with other non-profits, although partnerships with government and business were also reported. Examples included Green Acres acquisitions; advocacy partnerships; a partnership to provide supportive services to affordable housing residents; a partnership to provide telemedicine services to people with disabilities; joint fundraising and events; and many others.

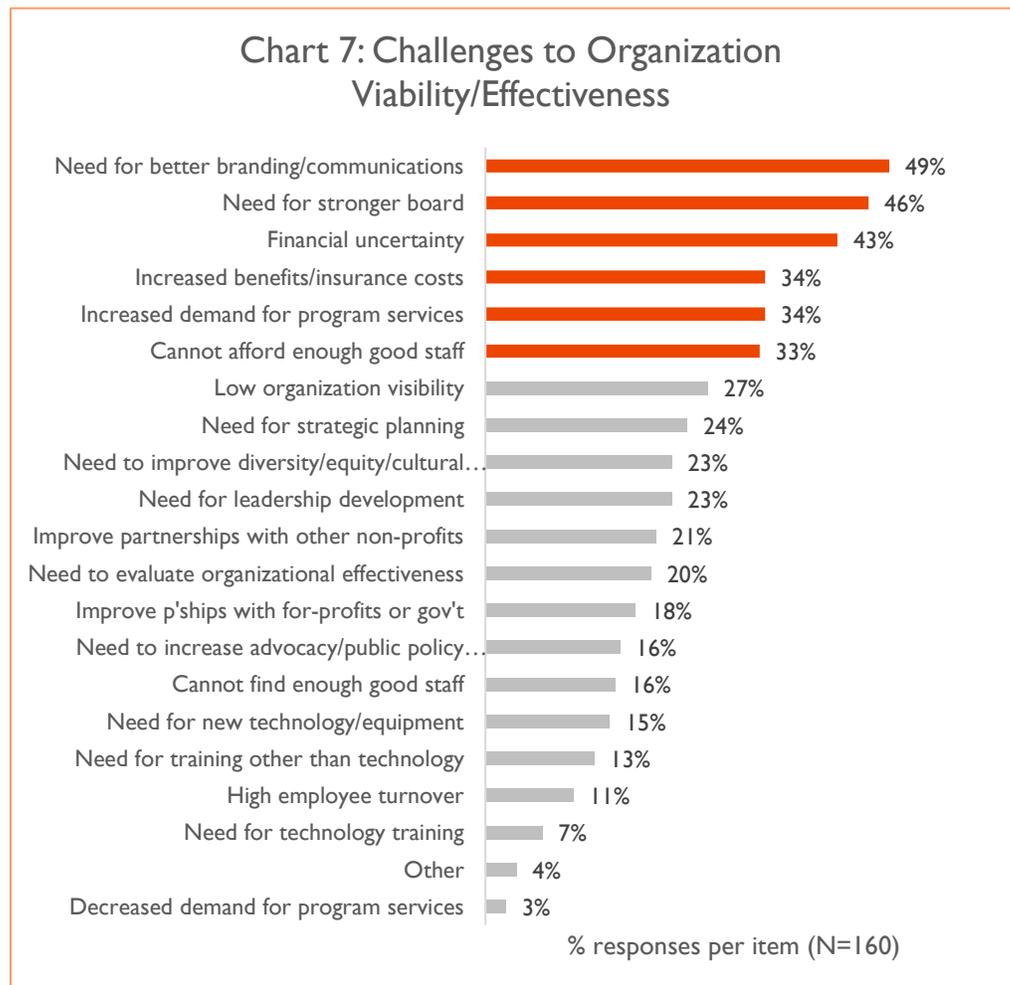
Changes in Program/Service Focus

Non-profits reported making a wide variety of adjustments in response to the trends they had experienced. Examples included broadening geographic focus; adapting programs to changing client populations; streamlining of program schedules or offerings to reduce costs; expanding to serve different age groups or address longer-term needs; increasing operations and programmatic focus on diversity, equity and justice; 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.

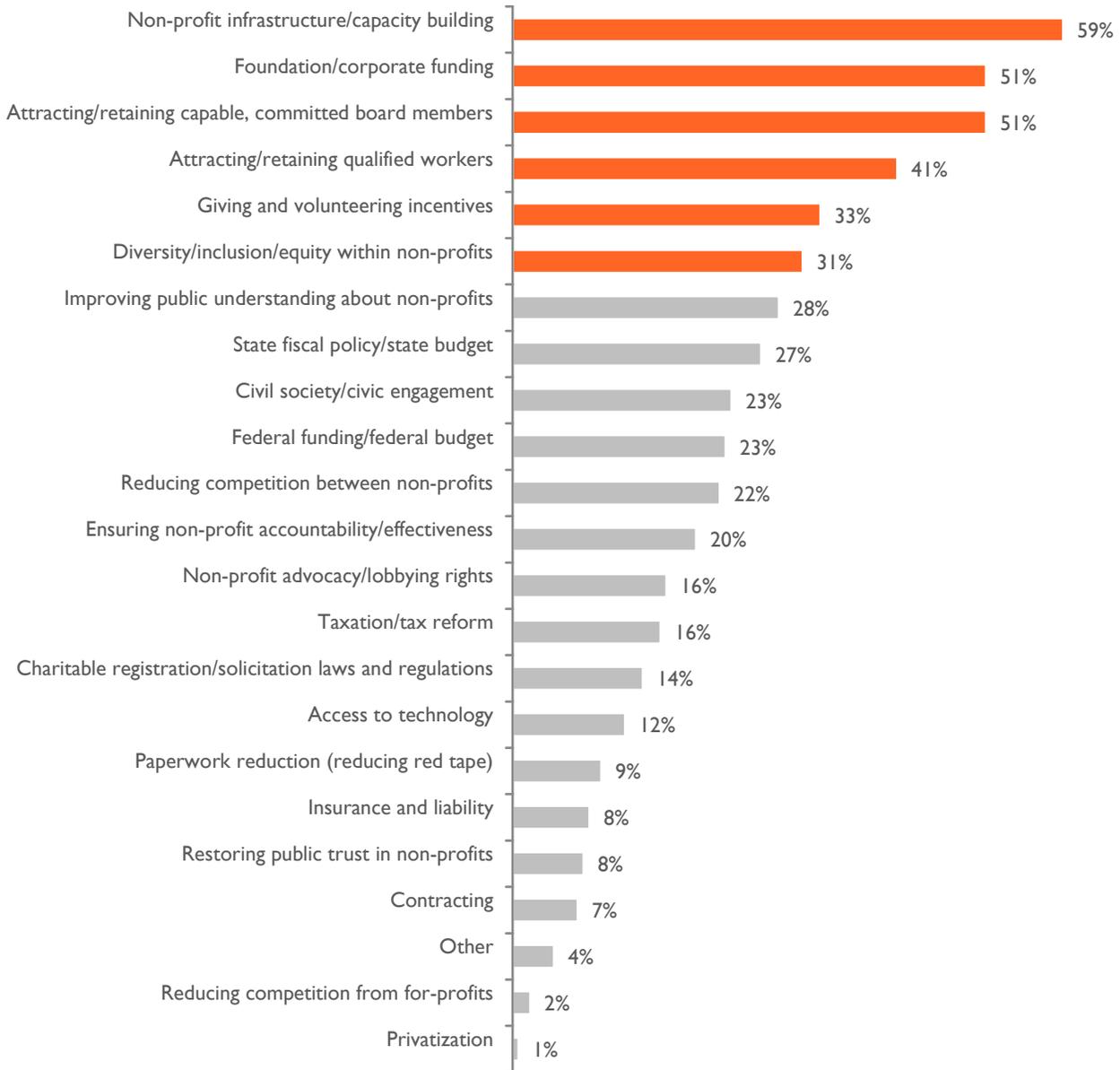
Individual Organizations
Need for better branding or communications selected by 49% of respondents, was the most frequently identified challenge for individual organizations. This was followed by the need for a stronger board (46%) and financial uncertainty (43%). Increased benefits/insurance costs (34%), increased demand for program services (34%), inability to afford enough good staff (33%), low organization visibility (27%), the need to improve diversity/equity/cultural competence, and the need for leadership development (23% each) 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. Non-profit infrastructure/capacity building was named by nearly three-fifths of the respondents (59%), followed by foundation/ corporate funding and attracting/retaining capable, committed board members (51% each). Attracting and retaining qualified workers was fourth at 41%. Giving and volunteering incentives were cited by one-third of respondents, and nearly as many (31%) identified diversity/inclusion/equity within non-profits as a top issue. (Chart 8)

Chart 8: Most Important Issues in Maintaining and Improving the Non-Profit Sector in the Next Decade

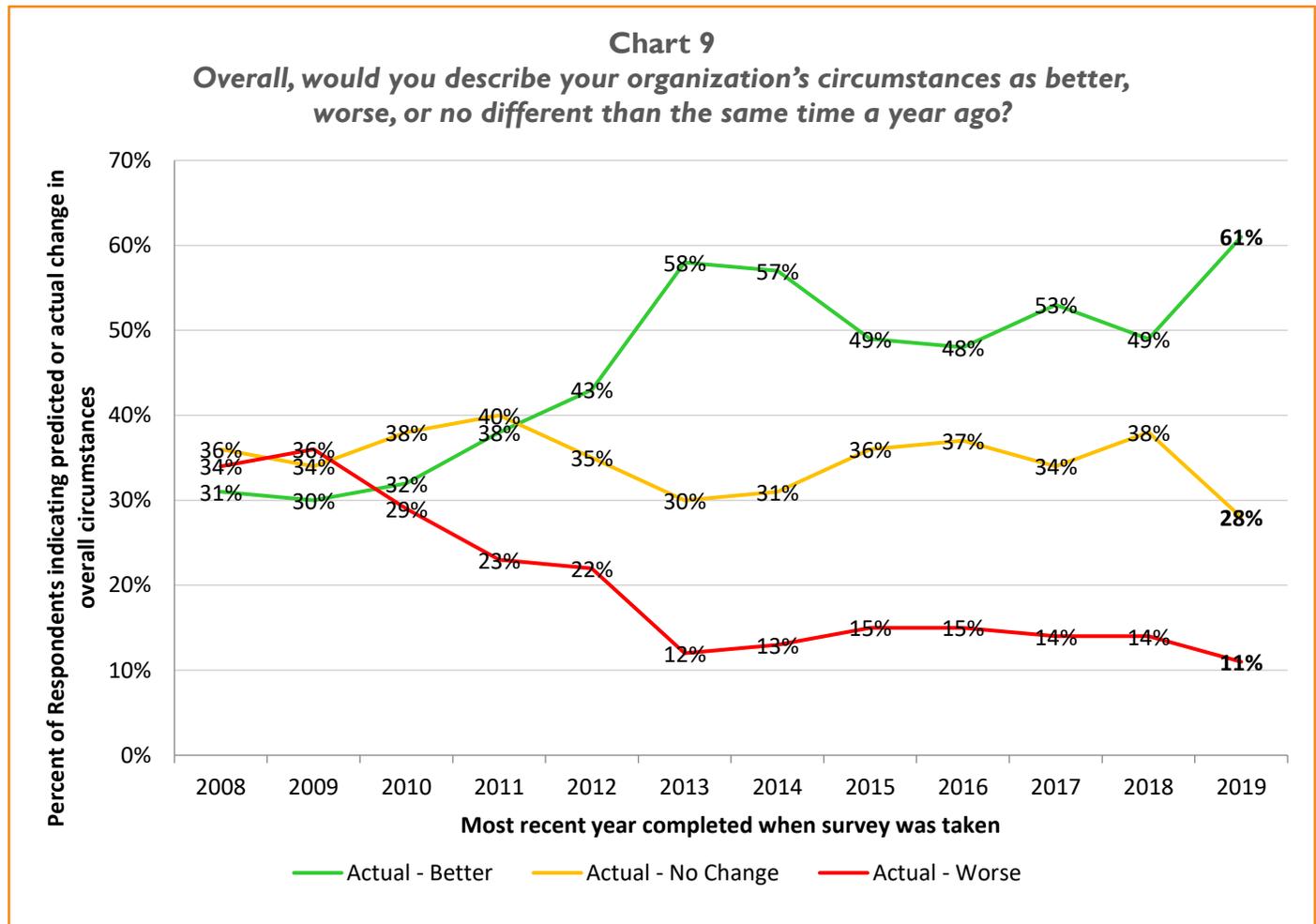


% Responses per Item (N=158)

Overall Circumstances and Outlook

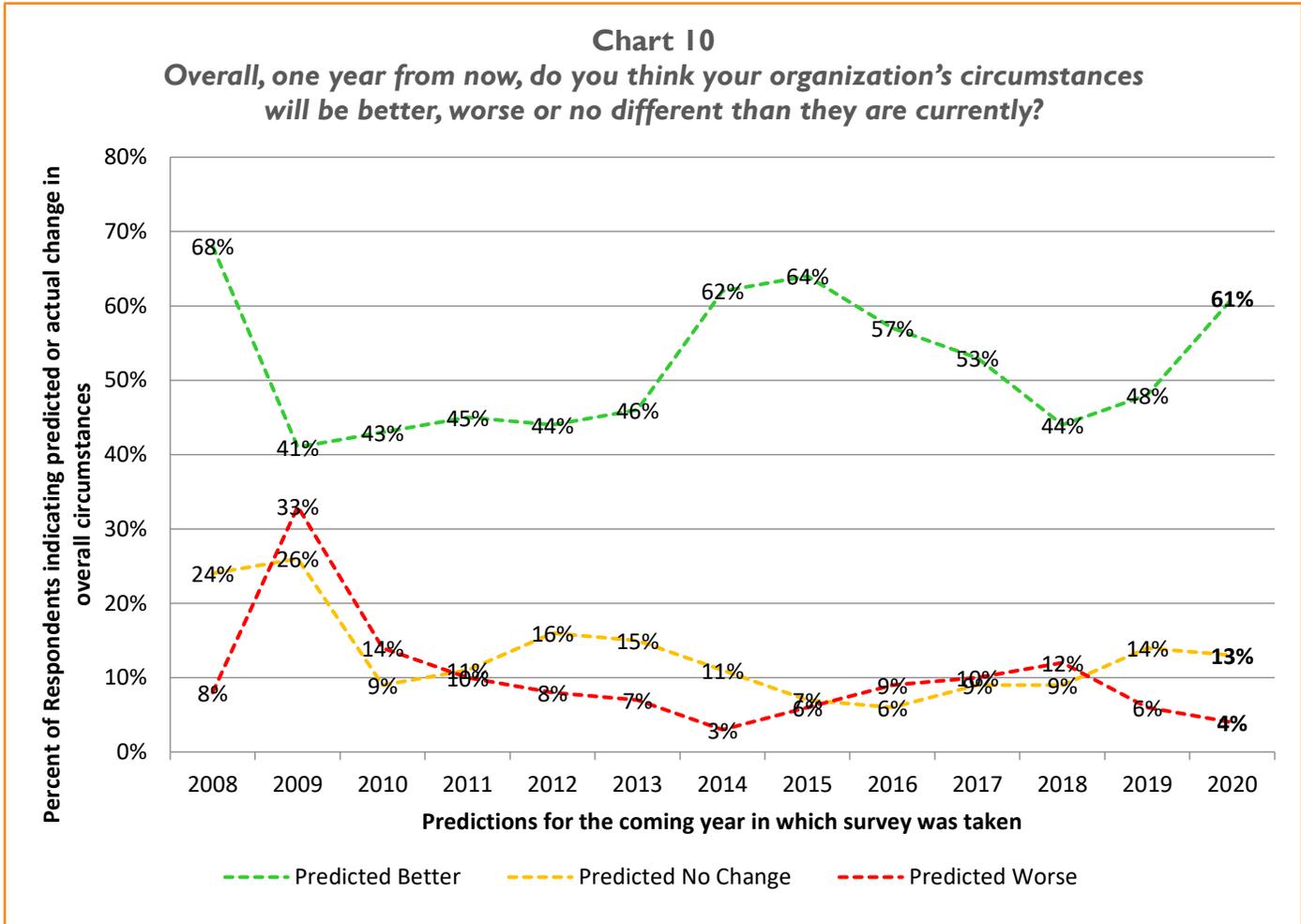
Comparison with One Year Ago

Respondents' assessments of their organizations' overall circumstances over the past year were markedly more positive than our 2019 survey, with improved circumstances reported by 61% (up from 49% a year ago and 53% in 2018), while 11% said that their situation was worse and 28% said it was no different. (Chart 9)



Outlook for 2020

Survey respondents were also more optimistic in predicting their circumstances in one year than they were in our last several surveys. Although a significant proportion remained uncertain about their prospects, 61% expected their organization’s circumstances to improve, 4% predicted that it would worsen, and 13% projected no change. (Chart 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:

- Continued concern about the federal tax law and its impact on charitable giving, the state's non-profits, and New Jersey in general
- Escalating costs associated with government grants and contracts, and sometimes contentious relations between the organizations and government agencies
- Concerns about growing administrative costs associated with some foundation or corporate grants
- Difficulty recruiting and retaining staff due to higher costs, stagnant funding or government contract restrictions
- The need for increased funding to cover the costs of employment law changes and benefits in New Jersey
- Impact of federal policies on vulnerable people
- The need to continue to strengthen relationships with policy makers at all levels of government

Interpretation/Implications

Although fluctuation and uncertainty in the economic, social, and public policy landscape continued as prevailing trends, this year's survey presented a few hopeful signs. More respondents were positive regarding their organization's overall circumstances and more optimistic for the coming year compared with our past few surveys. Individual donations, where reported increases outweighed rather than flat or declined giving, was something of a bright spot, although a number of respondents indicated that the federal tax law had adversely affected their donations and its impact is still being determined.

Above all, however, this survey again underscores what has been a recurring and disturbing theme: **the concerning and prolonged gap between rising demand for non-profits' programs while resources fail to keep pace.** This persistent gap is present across organization sizes and purposes, and left unaddressed, compromises the availability of vital programs and services that our communities need.

Non-profits are an integral part of our social, economic and community fabric whose significance is often under-recognized. Non-profits are known for being resilient, resourceful and creative, and these traits have been demonstrated again in non-profits' program adjustments, innovative partnerships and persistent, determined pursuit of mission.

But even with the most creative and dedicated actions, prolonged resource deprivation has consequences that our communities can ill afford. The Center for Non-Profits will continue to provide the information and advocacy to foster constructive public policies and solutions.

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 our founding in 1982, the Center has been, and remains, New Jersey's only umbrella organization for all charities in the state, providing professional education, advocacy, resources, training and information to strengthen non-profits individually 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 or call 732-227-0800.

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