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FOR NON-PROFITS



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NEW JERSEY NON-PROFITS

Trends and Outlook

February 2019

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New Jersey Non-Profits 2019

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 2019 to assess how non-profits fared in 2018 and to determine their outlook for the coming year. This analysis is based on the 220 responses from 501(c)(3) organizations submitted during the survey period.

Among the key findings:

Continuing, Rising Demand for Services

Two-thirds (66%) of responding organizations reported that demand for services had increased during the past year, and more than three-quarters (76%) expected demand to continue rising in 2019.

Funding Gap

- Less than two-fifths (38%) reported receiving more total funding in 2018 vs. 2017, but nearly three-fifths (59%) reported that their expenses were higher than in the previous year.
- Only 32% indicated that support and revenue had exceeded expenses during their most recently completed fiscal year.
- More than two-thirds (68%) expected their total expenses to increase in 2019, but only 49% expected total 2019 funding to increase. About one-third (30%) expected total funding to remain the same as 2018, and 13% anticipated a decrease. 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 funding categories.

Actions Taken

- Organizations continued to seek additional resources to support their work, whether through new fundraising appeals, pursuing funding from alternative sources, or recruiting volunteers.
- Half reported that they were considering new partnerships or collaborations in 2019, and 45% were contemplating adding programs.
- Approximately one-third were considering adding a special event, and 30% planned to conduct more advocacy for their programs, fields or constituencies.
- Several responses reflected ongoing uncertainty regarding the current economic and funding environment. For example, 34% said that they might add staff in 2019, but only 12% definitely planned to, and only 5% had already done so when the survey was taken. Twenty-six percent indicated that they might raise salaries, while 25% said that they might freeze or cut salaries; however, the percentages of organizations that had actually undertaken either of these actions was much smaller.

Partnerships and Collaborations

Two-fifths (40%) of respondents reported launching new partnerships or collaborations in 2018, mostly with other non-profits, although partnerships with government and business were also reported. Fourteen percent said that they might, or definitely would, explore a merger in 2019 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:

- financial uncertainty (53%)
- the need for better branding or communications (48%)
- the need for a stronger board (46%)
- inability to afford enough good staff (34%)
- increased benefits/ insurance costs (33%)
- low organization visibility (29%)
- the need for strategic planning (28%)
- increased demand for program services (25%)

Non-Profit Sector Issues

Similar to prior 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 (64%)
- foundation/corporate funding (48%)
- attracting/retaining capable, committed board members (46%)
- attracting/retaining qualified workers (39%)
- state fiscal policy/budget (38%)
- giving and volunteering incentives (37%)
- federal funding/federal budget (29%)
- non-profit advocacy/lobbying rights (28%)
- diversity/inclusion/equity within non-profits (24%)

Overall Outlook

Roughly half (49%) of non-profits indicated that their overall circumstances had improved over the past year, slightly less than last year's survey but about the same as 2017 and notably less than four years ago. Looking ahead to the coming year, organizations were slightly more optimistic than they were in our 2018 survey, but still less positive than in 2017 or 2016. Although a significant proportion were uncertain about their prospects, less than half (48%) expected their organization's circumstances to improve (compared with 64% four years ago and 53% in 2017), 6% predicted that it would worsen, and 14% projected no change.

Implications

This year's mixed survey results clearly reflect today's turbulent public policy, social and economic landscape. Prolonged uncertainty and uneven circumstances continue to confront New Jersey non-profits, and once again concerns about resources, infrastructure and capacity dominated the survey findings. One year after the passage of the federal tax overhaul, its full implications on New Jersey charities remain unclear, and this is unquestionably on the minds of many respondents as well.

The key finding and concern remains the ***clear and persistent gap between rising demand for non-profits' programs and lagging resources***. This prolonged gap affects organizations of all sizes and purposes, and threatens the ability of non-profits overall to provide vital programs and services that our communities need.

Given the importance of non-profits to the social and economic well-being of our state and country, this gap deserves the urgent attention of all stakeholders, including public policy leaders.

Non-profits have focused on expanding funds and volunteer resources, fortifying relationships with donors and constituents, deepening partnerships within and across disciplines and sectors, adjusting programming to meet changing economic circumstances and population demographics, and strengthening the case for investment in their work. The resilience, commitment and creativity that have long been hallmarks of the charitable community will continue to be essential, but strategic investments, stakeholder partnerships, communications and advocacy are equally vital.

The Center for Non-Profits will continue to gather and share information about economic, social and policy trends and will work cooperatively to advance solutions.

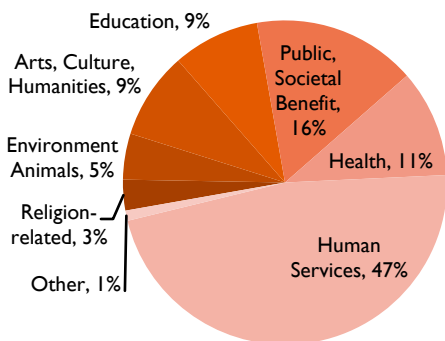
Background and Methodology

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 2019 to assess how non-profits fared in 2018 and to determine their outlook for the coming year. An email announcement with a link to the survey was sent to approximately 4,900 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 220 responses from New Jersey 501(c)(3) organizations that were submitted as of January 31, 2019, were included in this analysis.

Responding Organizations

Chart 1: Primary Service Focus
(N=196)



Primary Purpose

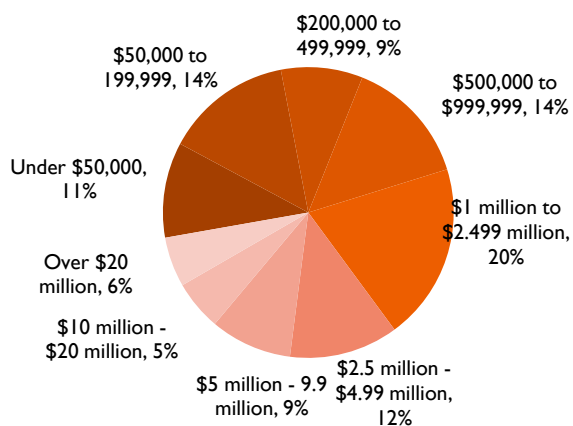
Respondents were asked to select their organization's primary purpose from a list of 8 classifications (*Chart 1*). Survey respondents represent the broad diversity of non-profit organizations, although the proportion of human services organizations in our survey is somewhat higher than in the New Jersey's 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=198)



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 36%, 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 2018

Consistent with prior surveys, a significant majority (66%) of responding organizations reported that demand for services had grown in 2018 compared with the previous year. Only 5% reported a lower demand for services in 2018 (Table 1). Rising demand was reported by large margins among all types of non-profits, and was most acute among health and human services organizations.

Demand for Core Services in 2018 vs. 2017 (N=193)	
Increase	66%
Decrease	5%
No significant change	25%
Unknown	4%

Table 1

Changes in Number of People Served in 2018

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 66% of respondents overall reported rising demand during the past year, fewer (61%) reported serving more people. This gap was the most pronounced in human services organizations, where 71% reported increased demand, but only 60% reported having served more people.

Changes in Number of People Served in 2018 (N=193)	
Increase	61%
Decrease	10%
Remained the same	24%
Unknown	5%

Table 2

Predictions for 2019

Three-quarters of organizations (76%) predicted that demand for their services would continue to increase in 2019. Eighteen percent felt that demand for services would remain about the same, and only 3% 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 2019 vs. 2018 (N=192)	
Increase	76%
Decrease	3%
No significant change	18%
Unknown	4%

Table 3

Expenses

In 2018

Nearly three-fifths (59%) of organizations reported that their overall expenses had increased by at least 5% in 2018, while one-quarter (27%) reported relatively unchanged expenses (Table 4). However, only 38% of respondents reported **funding** increases in 2018 (see Table 7, page 5).

	Total Expenses Most Recent Year vs. Previous Year						
	2018	2017	2016	2015	2014	2013	2012
Increase of 5% or more	59%	56%	51%	65%	64%	61%	48%
Decrease of 5% or more	9%	5%	8%	9%	9%	10%	15%
No significant change (+/- 5% or less change)	27%	33%	34%	24%	22%	25%	35%
Unknown	5%	5%	6%	3%	5%	5%	2%

Table 4

Expense Predictions for 2019

Two-thirds (68%) of respondents expected **expenses** to rise in 2019 (Table 5), with staffing expenses (hiring, salaries, benefits), likely a main factor. Importantly, less than half (49%) of organizations expected their total **funding** to rise in 2019 (see Table 8, page 7).

Revenue/Expense Comparisons

Consistent with last year's survey, the largest portion (42%) of respondents reported roughly equal revenues vs. expenses in their most recent fiscal year. One-third (32%) reported that revenues had exceeded expenses in their most recent fiscal year, a slight increase compared with our survey of a year ago (26%). Approximately one-quarter (26%) reported spending more money than they took in (Table 6).

Projected Expenses in 2019 vs. 2018 (N=185)	
Increase	68%
Decrease	5%
Remain the same	22%
Unknown	5%

Total Income vs. Expenses for Most Recent Fiscal Year-End (N=184)	
Surplus	32%
Break-even	42%
Deficit	26%

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. Sixty-three 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 37% reported a line of credit.

Among organizations with cash reserves, 39% reported having a reserve of 1-3 months of operating funds; 17% reported 3-6 months' worth; and 38% reported over six months of operating funds. Nearly half (47%) indicated that their cash reserve remained relatively constant over the past year, while 27% said it was smaller at the end of 2018 and 27% said that their reserve was larger.

Among organizations with lines of credit, 31% reported having to borrow against the line of credit in 2018; by comparison, in last year's survey, 40% reported borrowing against their line of credit. In our current survey, 6% reported that they had to borrow more in 2018 than in the previous year, and 29% reported borrowing less. Fifty-two 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 2018 vs. 2017

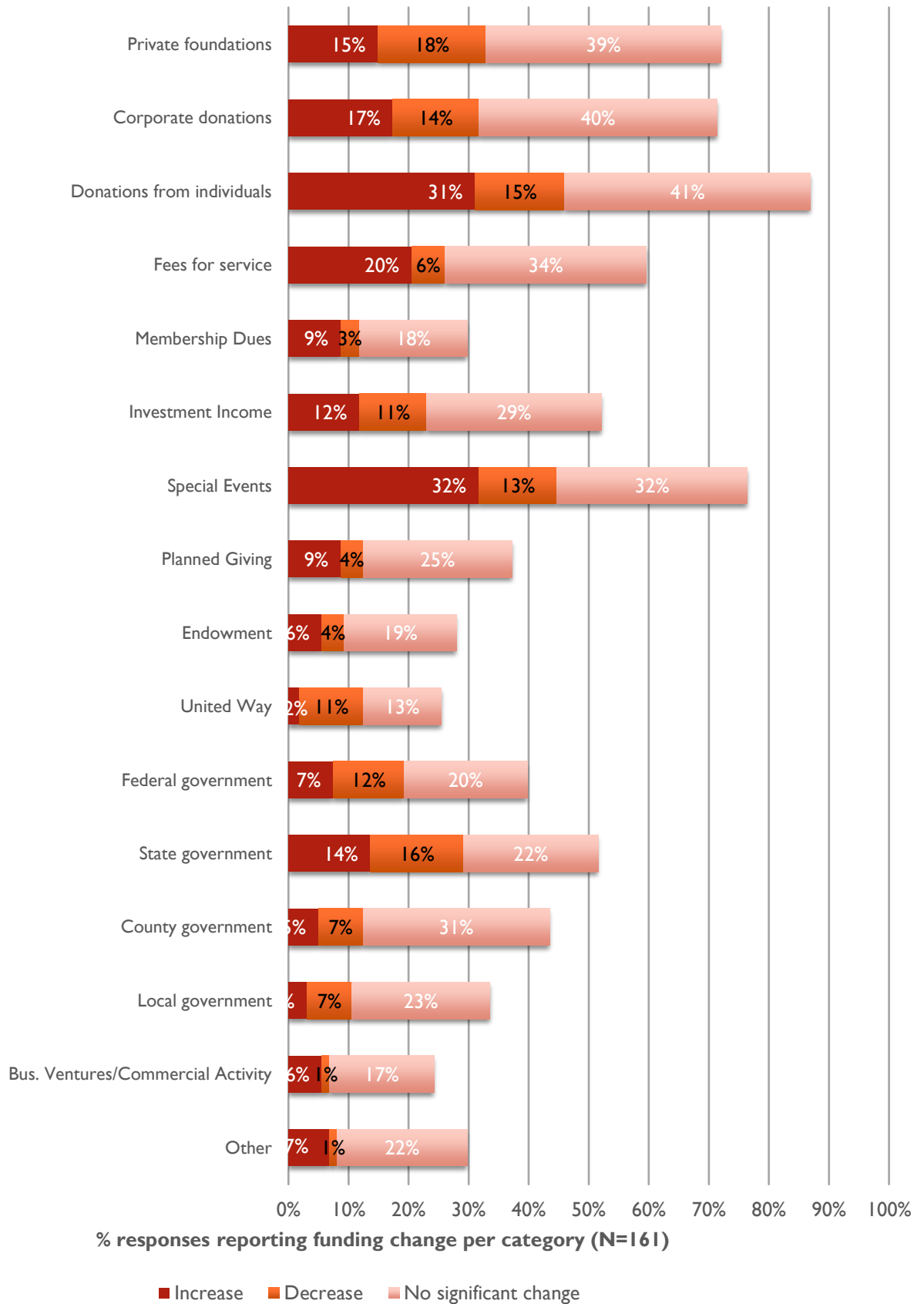
Only 38% of our respondents reported that overall funding had increased in 2018 compared with the year before, continuing a steady and disturbing slide from five years ago. 37% indicated that funding had held steady and 21% reported decreases (Table 7).

Breaking down these trends by type of funding source, funding increases were reported most frequently from special events and individual donations, though there was no source 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						
	2018	2017	2016	2015	2014	2013	2012
Increase of 5% or more	38%	42%	40%	42%	50%	52%	33%
Decrease of 5% or more	21%	21%	24%	20%	15%	20%	24%
No significant change (+/- 5% or less change)	37%	32%	36%	33%	29%	24%	40%
Unknown	3%	5%	3%	4%	5%	3%	2%

Table 7

Chart 3: Funding Changes 2018 vs 2017

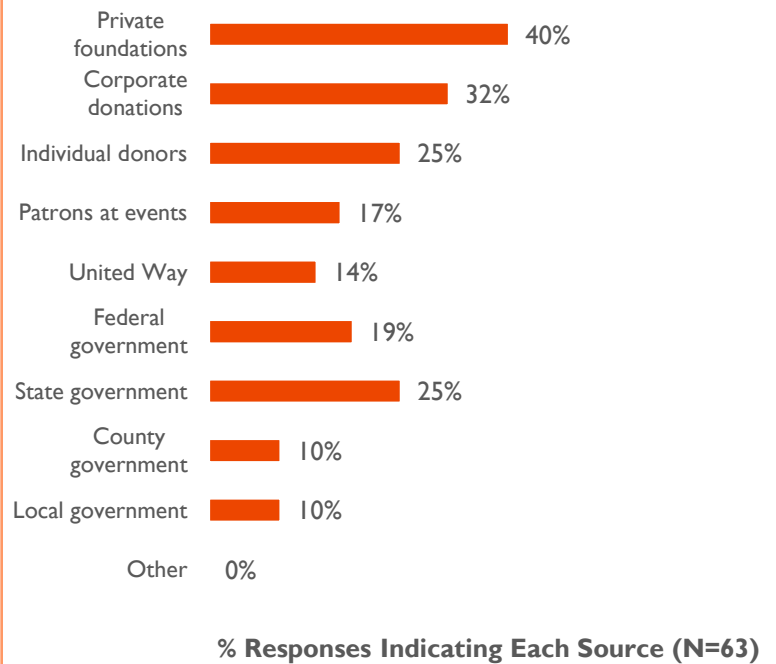


Denials/Reductions by Previous Funders

Thirty-nine percent of respondents reported that a previous funding source had informed them in 2018 that they either would not be giving to their organization or that they would be giving less. Within this group, private foundations (40%) were cited most frequently as having denied or reduced funding, followed by corporations (32%) and individuals and state government (25% each) (Chart 4).

General cutbacks/economic hardship, shifts in giving priorities, changes in government or foundation leadership, or spend-down of a foundation's resources were among the reasons cited for the declines/reductions. Specific organizations also mentioned state government's conversion to a fee-for-service funding mechanism for certain government contracts, and at least one organization cited the change in federal tax deduction laws as a cause for decreased giving from individual donors.

Chart 4: Decreases/Denials from Prior Funding Sources



Funding Outlook for 2019

Non-profits' projections for overall funding in the coming year were roughly the same as the prior three surveys, with slightly less than half predicting that their funding would increase, 30% projecting steady funding and 13% predicting decreases. (Table 8)

Projected Funding - Upcoming vs. Previous Year

	2019	2018	2017	2016	2015	2014	2013
Increase	49%	48%	50%	47%	57%	58%	42%
Decrease	13%	13%	14%	14%	9%	8%	19%
Remain the same	30%	30%	31%	32%	26%	28%	34%
Unknown/not reported	8%	9%	5%	7%	8%	6%	5%

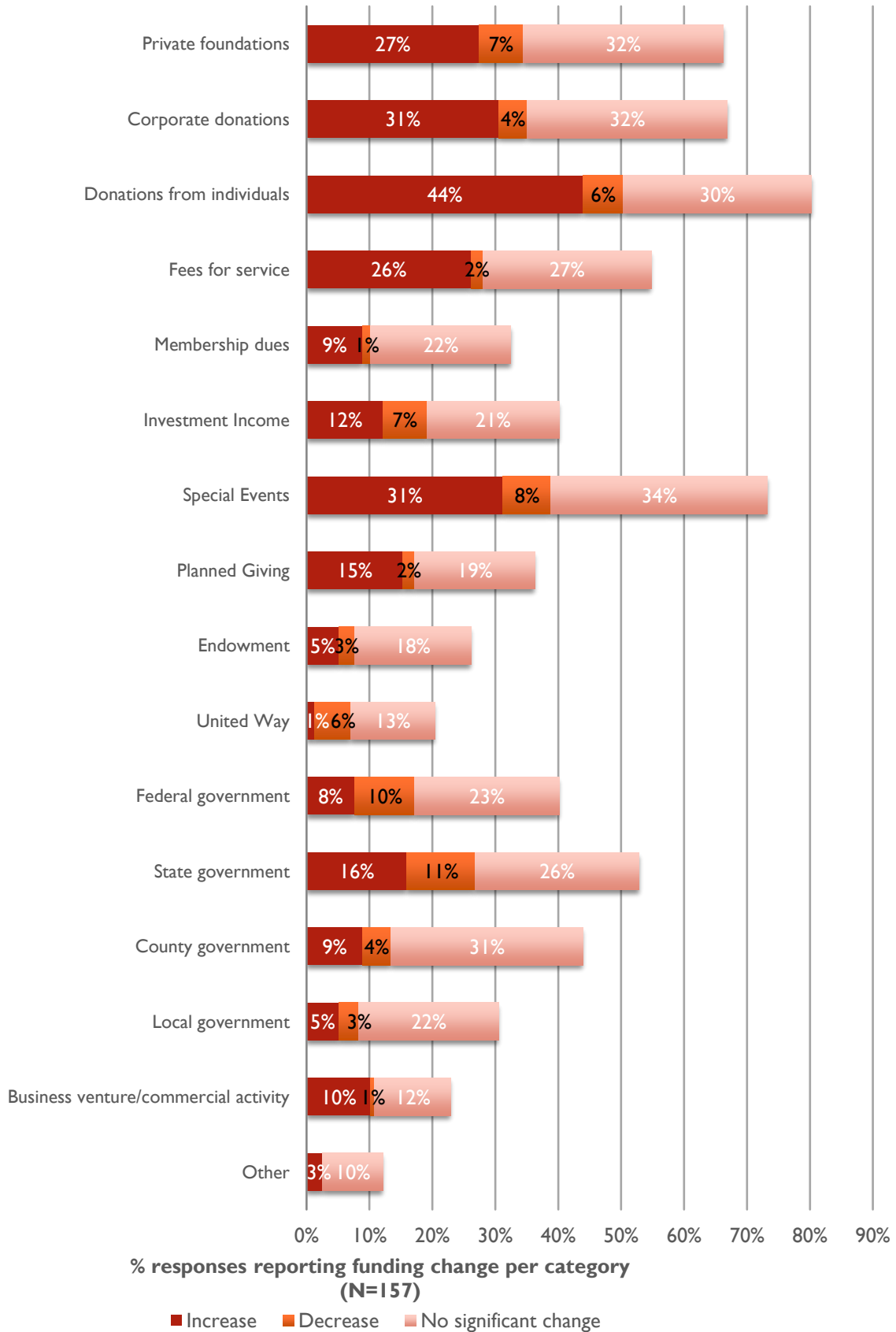
Table 8

Projected Funding from Specific Sources in 2019

Non-profits were more optimistic that projected donations from individuals would increase in 2019 than they were about funding from any other funding source. Indeed, 44% of respondents predicted that individual giving would rise in 2019, while 30% predicted level individual gifts and 6% predicted decreases. Respondents were more evenly split in predicting increased vs. level funding from foundations, corporations, fees for service, and special events (Chart 5, next page). It's worth noting that one year ago, 49% of survey respondents predicted that individual giving would increase in 2018, but only 31% of this year's respondents indicated that individual gifts actually rose in 2018.

Consistent with prior years, organizations receiving government funds were the least likely to predict increases from these sources in 2019. Many also expressed uncertainty about their predictions. The full impact of the December 2017 federal tax law changes is still unfolding, and government budgets had not been proposed or finalized when the survey was taken.

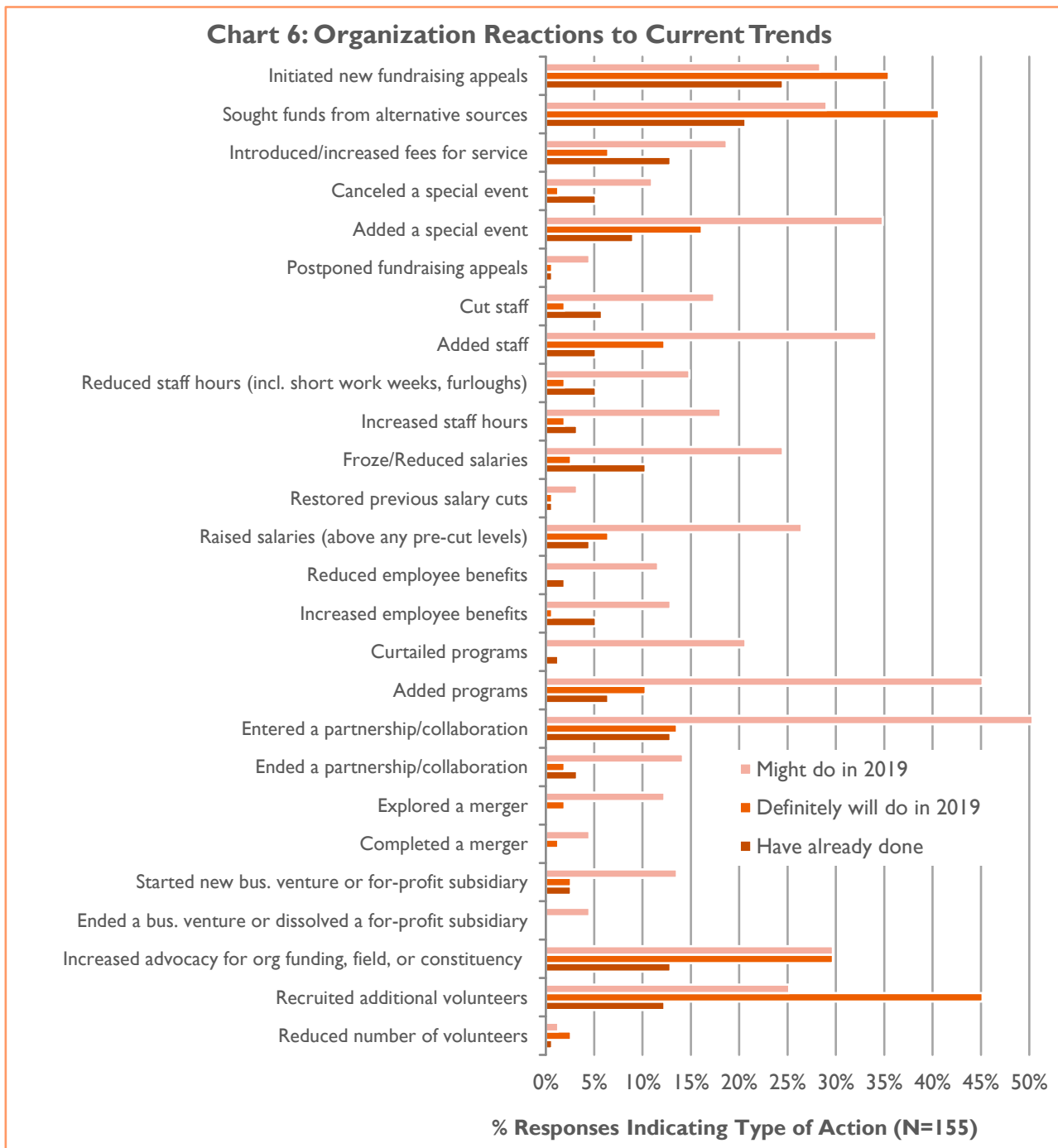
Chart 5: Predicted Funding 2019 vs 2018



Organization Reactions to Emerging Trends

Consistent with prior surveys, a large percentage of organizations continued to seek additional resources to support their work, whether through new fundraising appeals, pursuing funding from alternative sources, or recruiting volunteers. Half reported that they were considering new partnerships or collaborations in 2019, and 45% were contemplating adding programs. Approximately one-third were considering adding a special event, and 30% planned to conduct more advocacy for their programs, fields or constituencies.

As was the case a year ago, several responses reflected ongoing uncertainty regarding the current economic and funding environment. For example, 34% said that they might add staff in 2019, but only 12% definitely planned to, and only 5% had already done so when the survey was taken. Twenty-six percent indicated that they might raise salaries, while 25% said that they might freeze or cut salaries; the percentages of organizations that had actually undertaken either of these actions was much smaller (*Chart 6*). [Note: The mandatory increases in the state minimum wage had not yet been signed into law when the survey was taken.]



Partnerships/Collaborations

Partnerships are commonly reported by our survey respondents and in the non-profit community generally, and this year was no exception. Two-fifths (40%) reported launching new partnerships or collaborations in 2018, mostly with other non-profits, although partnerships with government and business were also reported. Examples included multi-organization collective impact collaboratives; advocacy partnerships; a partnership between a museum and business improvement district; shared space and shared service arrangements; and many others.

Changes in Program/Service Focus

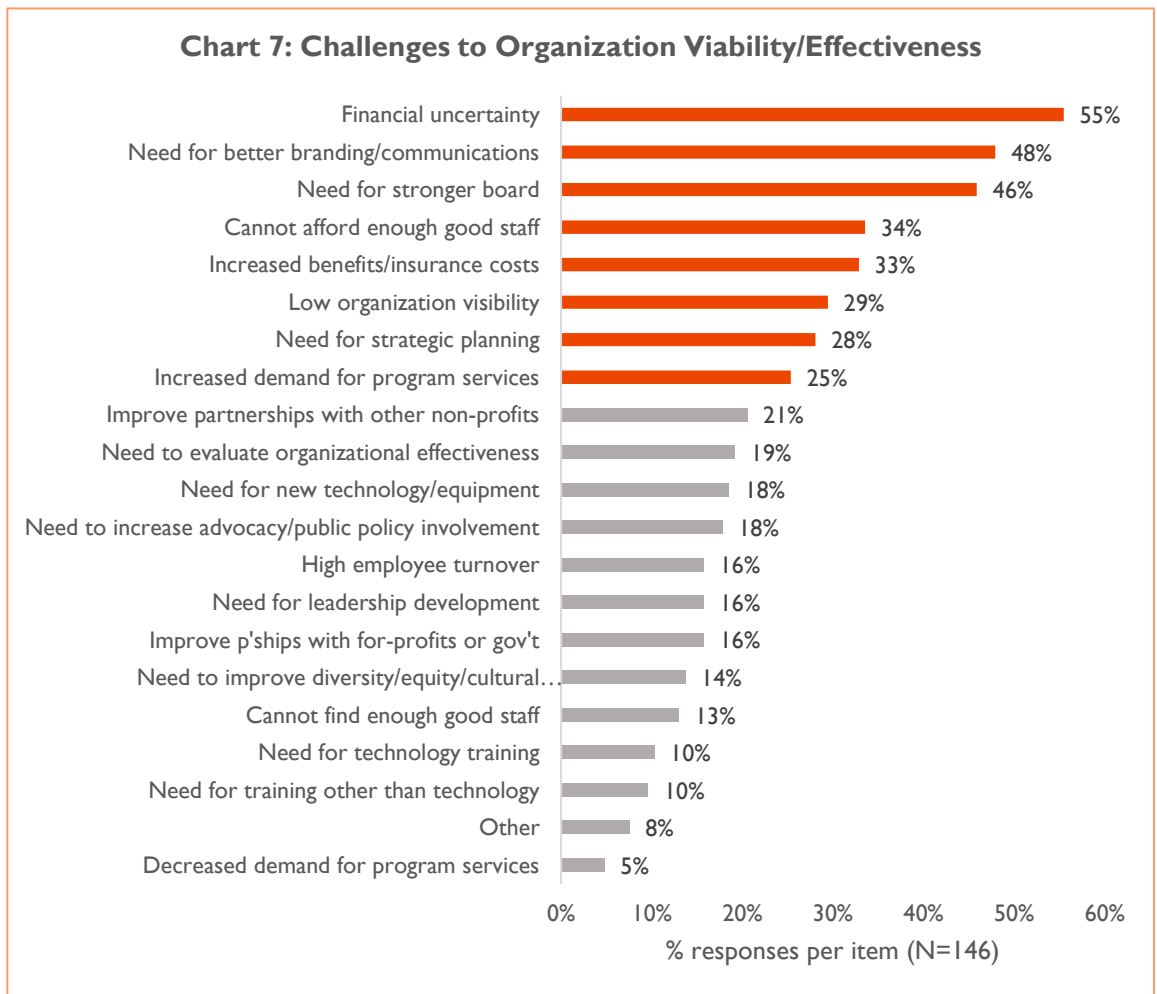
Non-profits reported making a wide variety of adjustments in response to the trends they had experienced. Examples included adapting programs to changing client populations; streamlining of program schedules or offerings to reduce costs; expanding to serve different age groups or address longer-term needs; investing greater effort into fundraising/outreach; 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

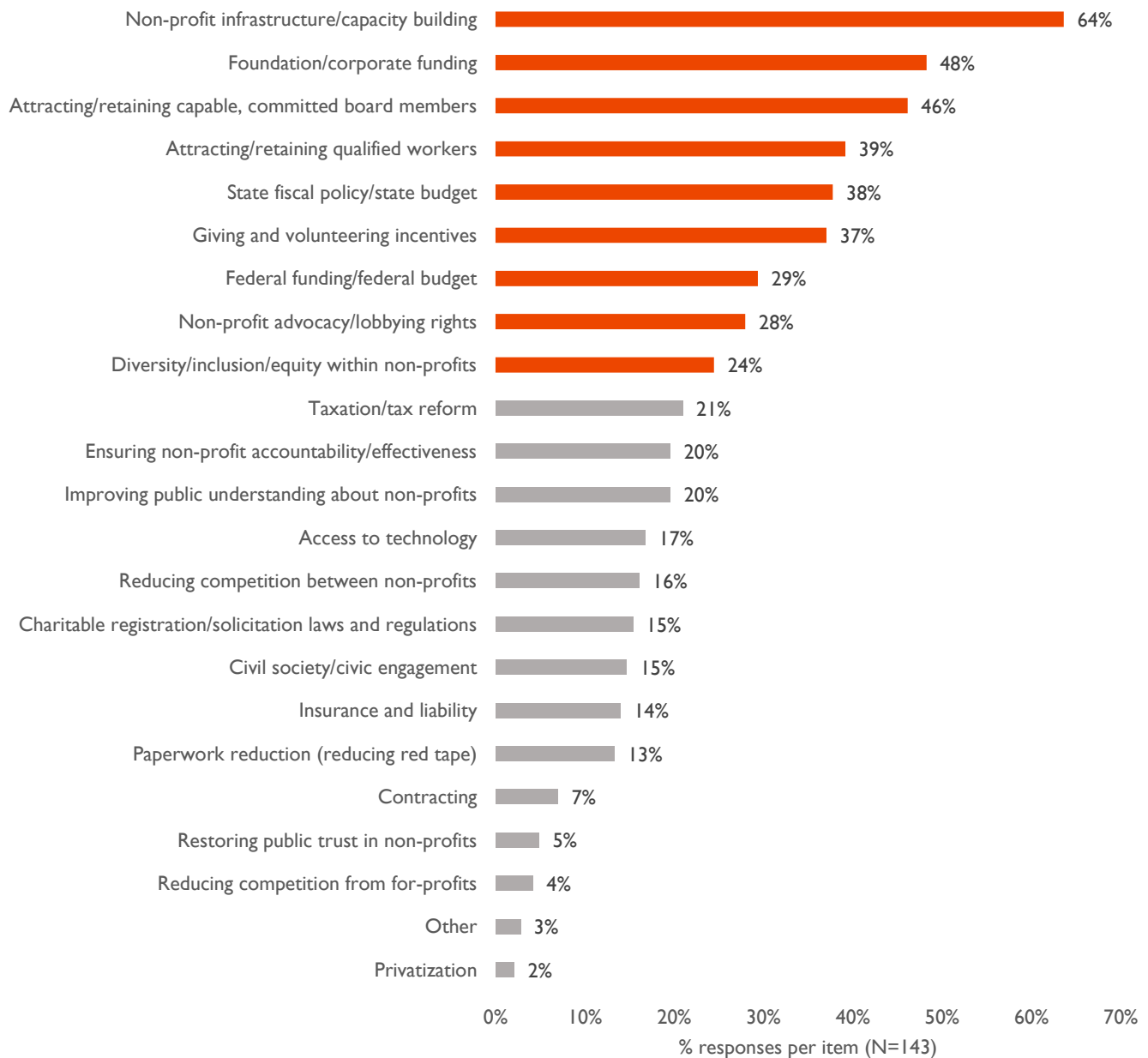
Financial uncertainty, selected by 55% of respondents, was the most frequently identified challenge for individual organizations. This was followed by the need for better branding or communications (48%) and the need for a stronger board (46%). Inability to afford enough good staff (34%), increased benefits/ insurance costs (33%), low organization visibility (29%), the need for strategic planning (28%), and increased demand for program services (25%) 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 two-thirds of the respondents (64% - a marked increase from last year's 51%), followed by foundation/ corporate funding (48%) and attracting/retaining capable, committed board members (46%). Attracting and retaining qualified workers was fourth at 39%. Fiscal issues continued to remain high in the minds of respondents, many of whom ranked state fiscal policy/state budget (38%), giving and volunteering incentives (37%), federal funding/federal budget (29%), and non-profit advocacy/lobbying rights (28%) among the most pressing concerns. Nearly one-quarter (24%) 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



Overall Circumstances and Outlook

Comparison with One Year Ago

Respondents' assessments of their organizations' overall circumstances over the past year were slightly less positive than our 2018 survey. Improved circumstances were reported by 49% (down from 53% a year ago), while 14% said that their situation was worse and 38% said it was no different. (Table 9)

Overall, would you describe your organization's circumstances as better, worse, or no different than the same time a year ago?												
Response	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Better	49%	53%	48%	49%	57%	58%	43%	38%	32%	30%	31%	51%
Worse	14%	14%	15%	15%	13%	12%	22%	23%	29%	36%	34%	15%
No different	38%	34%	37%	36%	31%	30%	35%	40%	38%	34%	36%	35%

Table 9

Outlook for 2019

Survey respondents were slightly more optimistic in predicting their circumstances in one year than they were in our 2018 survey, but still less optimistic than in 2017 or 2016. Although a significant proportion remained uncertain about their prospects, less than half (48%) expected their organization's circumstances to improve (compared with 64% four years ago and 53% in 2017), 6% predicted that it would worsen, and 14% projected no change. (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?												
Response	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Better	48%	44%	53%	57%	64%	62%	46%	44%	45%	43%	41%	68%
Worse	6%	9%	10%	9%	6%	3%	7%	8%	10%	14%	33%	8%
No different	14%	12%	9%	6%	7%	11%	15%	16%	11%	9%	26%	24%
Unknown/Too early to tell	32%	35%	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:

- Continued uncertainty and concern about the federal tax law and its impact on charitable giving, the state's non-profits, and New Jersey in general
- Escalating administrative costs associated with government grants and contracts
- The need for increased funding to cover the projected costs of enacted and proposed employment law changes 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

This year's mixed survey results clearly reflect today's turbulent public policy, social and economic landscape. Prolonged uncertainty and uneven circumstances continue to confront New Jersey non-profits, and once again, concerns about resources, infrastructure and capacity dominated the survey findings. One year after the passage of the federal tax overhaul, its full implications on New Jersey charities remains unclear, and this is unquestionably on the minds of many respondents as well.

The key finding and concern remains the ***clear and persistent gap between rising demand for non-profits' programs and lagging resources***. This prolonged gap affects organizations of all sizes and purposes, and threatens the ability of non-profits overall to provide vital programs and services that our communities need. Given the importance of non-profits to the social and economic well-being of our state and country, this gap deserves the urgent attention of all stakeholders, including public policy leaders.

Non-profits have focused on expanding funds and volunteer resources, fortifying relationships with donors and constituents, to deepen partnerships within and across disciplines and sectors, adjusting programming to meet changing economic circumstances and population demographics, and strengthening the case for investment in their work. The resilience, commitment and creativity that have long been hallmarks of the charitable community will continue to be essential, but strategic investments, stakeholder partnerships, communications and advocacy are equally vital.

The Center for Non-Profits will continue to gather and share information about economic, social and policy trends and will work cooperatively to advance 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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