

# NEW JERSEY NON-PROFITS 2016

## Trends and Outlook

April 5, 2016

A publication of

**Center**  
FOR NON-PROFITS



*Helping organizations build a better New Jersey*

3575 Quakerbridge Road, Suite 102  
Mercerville, NJ 08619  
732 227 0800 fax: 732 227 0087  
[www.njnonprofits.org](http://www.njnonprofits.org)  
[center@njnonprofits.org](mailto:center@njnonprofits.org)

Generously supported by



**SOBEL & CO. LLC**

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

## 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 late January and early February 2016 to assess how non-profits fared in 2015 and to determine their outlook for the coming year. This analysis is based on the 311 responses from 501(c)(3) organizations submitted during the survey period.

Among the key findings:

- Three-fourths (74%) of responding organizations reported that demand for services had increased during the past year, and nearly four-fifths (78%) expected demand to continue rising in 2016.
- Two-fifths (42%) reported receiving more total funding in 2015 vs. 2014, but 65% reported that their expenses were higher than in the previous year. Over one-third (35%) reported that expenses exceeded support and revenue during their most recently completed fiscal year; the proportion was even higher (44%) among larger organizations, those with budgets of \$1.5 million or more.
- Seventy percent expected their total expenses to increase in 2016, but fewer than half (47%) expected total 2016 funding to increase. About one-third (32%) expected total funding to remain the same as 2015, and 14% anticipated a decrease. Only a small percentage predicted decreased funding in any particular category, but in many cases projections of flat funding outweighed expected increases. Respondents were most optimistic about donations from individuals and special events, and most cautious about funding from government.
- Organizations continued to seek additional resources such as funding and volunteers to support their work. A sizeable percentage reported that they had increased their advocacy efforts or planned to do so, and a number were considering new collaborative efforts. Few indicated that they definitely planned to cut staff, but 30% indicated that it was a possibility. Although 32% said that they would consider adding staff in 2016, only 15% definitely planned to do so, and only 5% had already added staff when the survey was taken.
- Consistent with previous surveys, more than half of respondents (56%) reported launching new partnerships or collaborations, most commonly with other non-profit organizations, although partnerships with government and business were also reported. 22% said that they might, or definitely would, explore a merger in 2016 and 7% 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 financial uncertainty, the need for better branding/ communications, increased benefits/insurance costs, the need for a stronger board, and the inability to afford enough staff. Increased demand for services and the need for new technology/equipment were also cited frequently.
- 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 non-profit infrastructure/capacity building; foundation/corporate funding; and attracting/retaining capable, committed board members; attracting/retaining qualified workers; state fiscal policy/budget; and giving/volunteering incentives.
- Compared with our 2015 survey, there was a slight decline in how respondents perceived their own status and outlook for the coming year. Fewer indicated that their situations had improved in the prior 12 months or expected them to improve in 2016, although these figures remained higher than during the worst of the recession in 2009.

The survey findings suggest that for many respondents, some of the modest economic and funding improvements seen in 2014 have slowed or slipped. By far the most troubling sign is the continued gap between the steadily rising demand for non-profit services – a trend seen consistently in our surveys and nationally – and the capacity to meet this demand. Year after year, more non-profits are reporting rising demand for services and rising expenses than are reporting increases in funding (actual or predicted). The proportion of non-profits reporting increased demand also continues to outpace not only those reporting they have served more people.

Non-profits, funders, policy makers and the public should consider carefully the implications of these trends for the provision of the essential programs and services in our communities. Long-term solutions need to be actively explored so that organizations will be able to address our society's evolving needs.

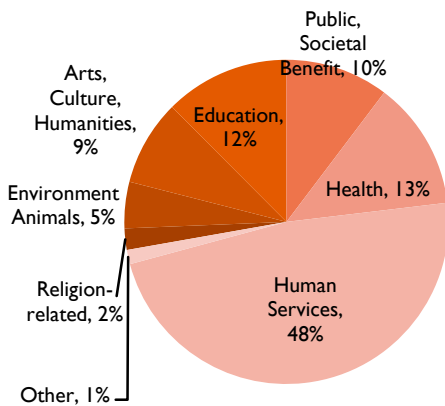
The Center for Non-Profits will continue to share the latest information about the economic, social and policy environment for non-profits, and will work cooperatively to help tackle the collective challenges we face.

## 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 late January and early February 2016 to assess how non-profits fared in 2015 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), 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 311 responses from New Jersey 501(c)(3) organizations that were submitted as of February 8, 2016, were included in this analysis.

**Chart 1: Primary Service Focus**  
(N=281)



## Responding Organizations

### Primary Purpose

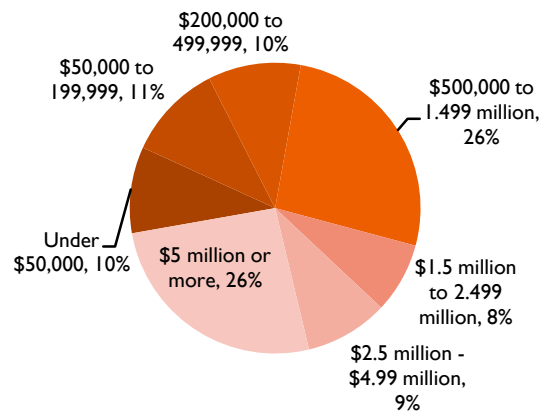
Respondents were asked to select their organization’s primary purpose from a list of 8 classifications (Chart 1). Although survey respondents represent the diversity of organizations within the non-profit community, human services organizations are overrepresented in our survey while educational and 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 in the respondent profiles, 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.

**Chart 2: Annual Operating Budget**  
(N=281)



### Geographic Location

Organizations from North Jersey (Bergen, Essex, Hudson, Morris, Passaic, Sussex, Union and Warren Counties) comprised 50% of the survey respondents, Central Jersey (Hunterdon, Mercer, Middlesex, Monmouth and Somerset) made up 33%, 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 2015

Consistent with prior surveys, an overwhelming majority (74%) of responding organizations reported that demand for services had grown in 2015 compared with the previous year. Only 3% reported a lower demand for services in 2015 (Table 1). Rising demand was reported by large margins among all types of non-profits, and most acutely among human services, environmental and arts organizations.

Demand for Core Services in 2015 vs. 2014 (N=272)	
Increase	74%
Decrease	3%
No significant change	22%
Unknown	1%

Table 1

### Changes in Number of People Served in 2015

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 74% of respondents overall reported rising demand during the past year, only 68% reported serving more people. This gap was especially pronounced in the human services community, where 78% reported rising demand but only 67% reported serving more people.

Changes in Number of People Served in 2015 (N=272)	
Increase	68%
Decrease	9%
Remained the same	22%
Unknown	1%

Table 2

### Predictions for 2016

Nearly four-fifths of organizations (78%) predicted that demand for their services would continue to increase in 2016. Eighteen percent felt that demand for services would remain about the same, and only 2% predicted a decrease in demand (Table 3). Health, human services, environmental and arts organizations were most likely to predict increased demand, although growth in demand was expected in all groups.

Projected Demand for Core Services in 2016 vs. 2015 (N=272)	
Increase	78%
Decrease	2%
No significant change	18%
Unknown	2%

Table 3

## Expenses

### In 2015

Nearly two-thirds (65%) of organizations reported that their overall expenses had increased by at least 5% in 2015 compared with (Table 4). One-third reported expense increases of 10% or more. One-quarter (24%) reported relatively unchanged expenses. This trend in growing expenses has remained consistent for the past three surveys, in contrast to 2012, when some of the recession-borne austerity measures implemented by organizations were at their highest.

Total Expenses Most Recent Year vs. Previous Year (N=256)				
	2015	2014	2013	2012
Increase of 5% or more	65%	64%	61%	48%
Decrease of 5% or more	9%	9%	10%	15%
No significant change (+/- 5% or less change)	24%	22%	25%	35%
Unknown	3%	5%	5%	2%

Table 4

### Expense Predictions for 2016

70% of respondents expected **expenses** to rise in 2016 (Table 5). Likely factors include staffing expenses (hiring, salaries, benefits), or certain purchases, such as technology or facility maintenance, that had been delayed during the worst of the economic downturn. Significantly, however, less than half (47%) of organizations expected their total **funding** to rise in 2016 (see Table 8, page 7).

### Revenue/Expense Comparisons

More than one-third (35%) of responding organizations reported spending more money than they took in during their most recent fiscal year. (Table 6) An even greater percentage (44%) of larger organizations in the survey, those with annual budgets of \$1.5 million or more, reported deficits in the previous year. One-fourth (27%) reported that revenues had exceeded expenses, a proportion comparable to our survey of a year ago.

For all organizations, the combination of rising demand for services, coupled with lagging funding remains a cause for considerable concern.

Projected Expenses in 2016 vs. 2015 (N=258)	
Increase	70%
Decrease	8%
Remain the same	19%
Unknown	4%

Table 5

Total Income vs. Expenses for Most Recent Fiscal Year-End (N=260)	
Surplus	27%
Break-even	37%
Deficit	35%

Table 6

## 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, 35% reported having a reserve of 1-3 months of operating funds; 26% reported 3-6 months' worth; and 35% reported over six months of operating funds. Forty-five percent indicated that their cash reserve remained relatively constant over the past year, while 31% said it was smaller than one year ago and 24% said that their reserve was larger.

Over three-fifths (64%) of organizations with lines of credit reported having to borrow against the line of credit in 2015; 24% reported that they had to borrow more in 2015 than in the previous year, and 22% reported borrowing less. By comparison, in last year's survey, 34% of respondents had borrowed less against their line of credit than the year before. Sixty-one 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 2015 vs. 2014

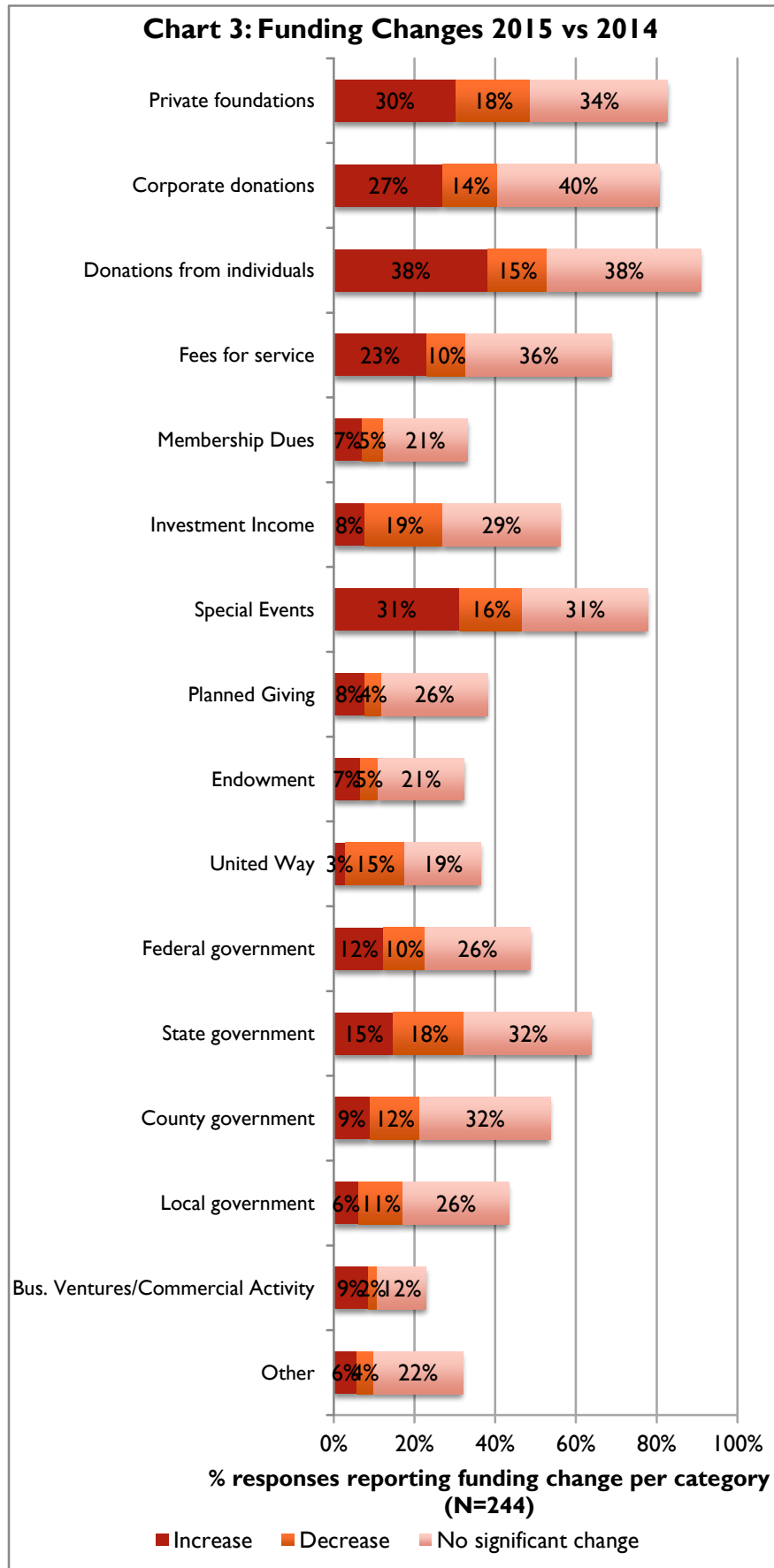
42% of our respondents reported that funding had increased in 2015 compared with the previous year, with 33% reporting that funding had held steady and 20% reporting decreases, somewhat worse than reported one year ago (Table 7).

Funding in Most Recent Year vs. Previous Year					
	2015	2014	2013	2012	2011
Increase of 5% or more	42%	50%	52%	33%	32%
Decrease of 5% or more	20%	15%	20%	24%	37%
No significant change (+/- 5% or less change)	33%	29%	24%	40%	26%
Unknown	4%	5%	3%	2%	6%

Table 7

Comparing 2015 funding with the previous year by types of sources, increased or level funding outweighed reported decreases in most major categories. In many sources, flat funding was the norm.

(Chart 3)

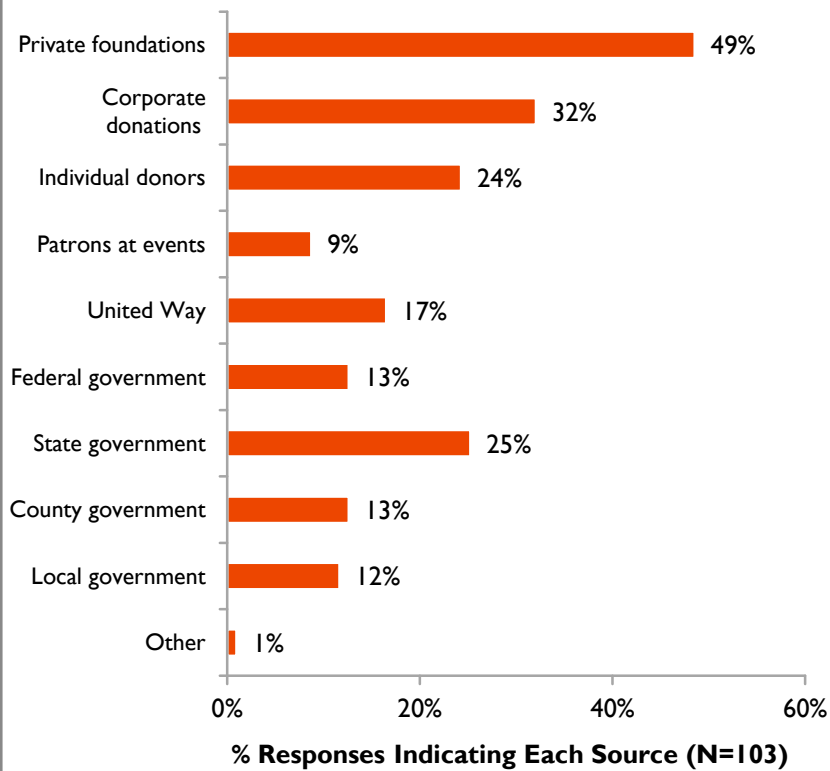


**Denials/Reductions by Previous Funders**

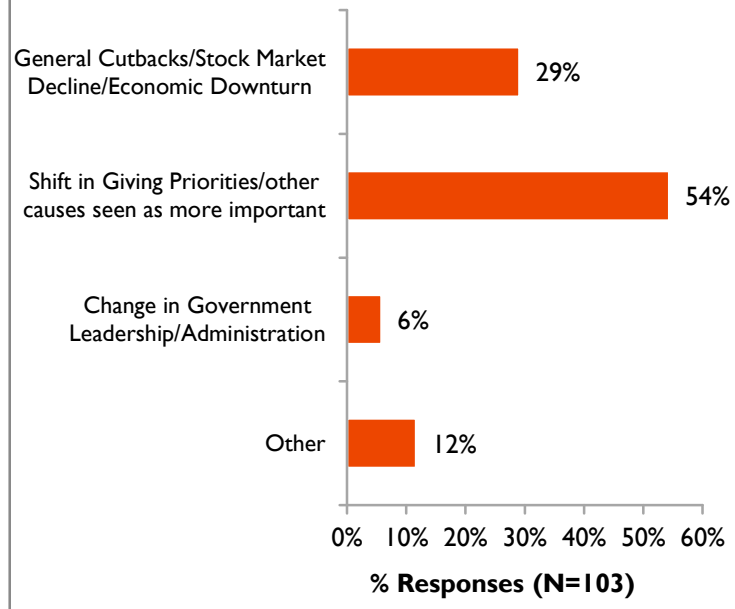
Forty-three percent of respondents reported that a previous funding source had informed them in 2015 that they either would not be giving to their organization or that they would be giving less, a proportion consistent with the past three years. Among those who had funding denied or reduced, private foundations (49%) were cited most frequently, followed by corporations (32%), state government (25%) and individuals (24%). (Chart 4)

Unlike the past several years in which general cutbacks were the most common reason for a denial, in this year’s survey the most frequent reason given was a shift in giving priorities (54% of those reporting denials/reductions). (Chart 5)

**Chart 4: Decreases/Denials from Prior Funding Sources**



**Chart 5: Primary Reasons Given for Funding Decreases/Denials**



### Funding Outlook for 2016

Non-profits' projections for funding in the coming year were somewhat less optimistic than one year ago, with less than half (47%) predicting that their funding would increase. A slightly higher proportion predicted that funding would go down (14% vs. 9% in 2015). (Table 8)

Projected Funding - Upcoming vs. Previous Year					
	2016	2015	2014	2013	2012
Increase	47%	57%	58%	42%	39%
Decrease	14%	9%	8%	19%	18%
Remain the same	32%	26%	28%	34%	39%
Unknown/not reported	7%	8%	6%	5%	5%

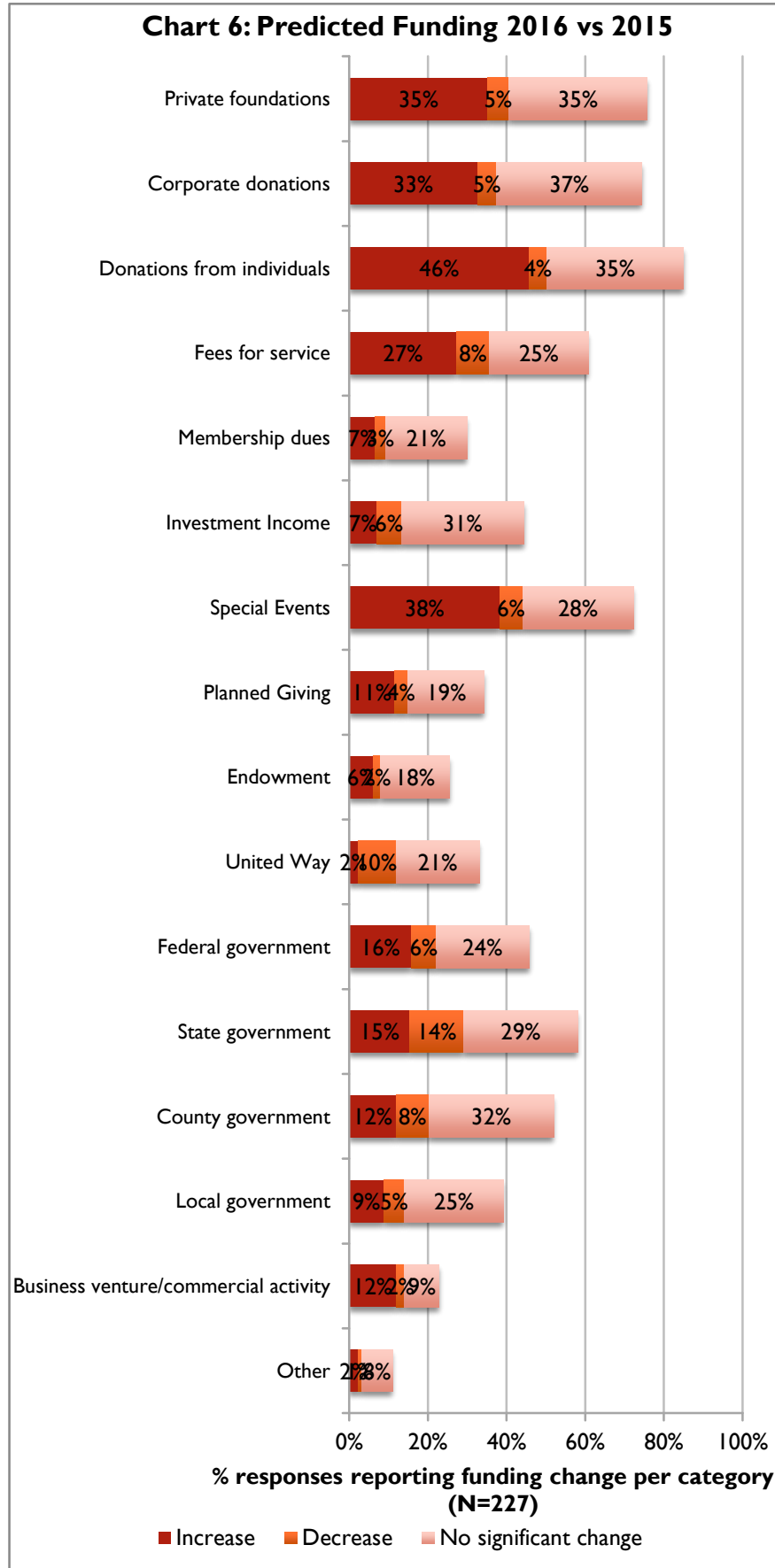
Table 8

### Projected Funding from Specific Sources in 2016

Only a small percentage of respondents predicted decreased funding in any particular category, but in most cases the expectations for flat funding outweighed expected increases. Respondents were most optimistic about donations from individuals and special events, and most cautious about funding from government.

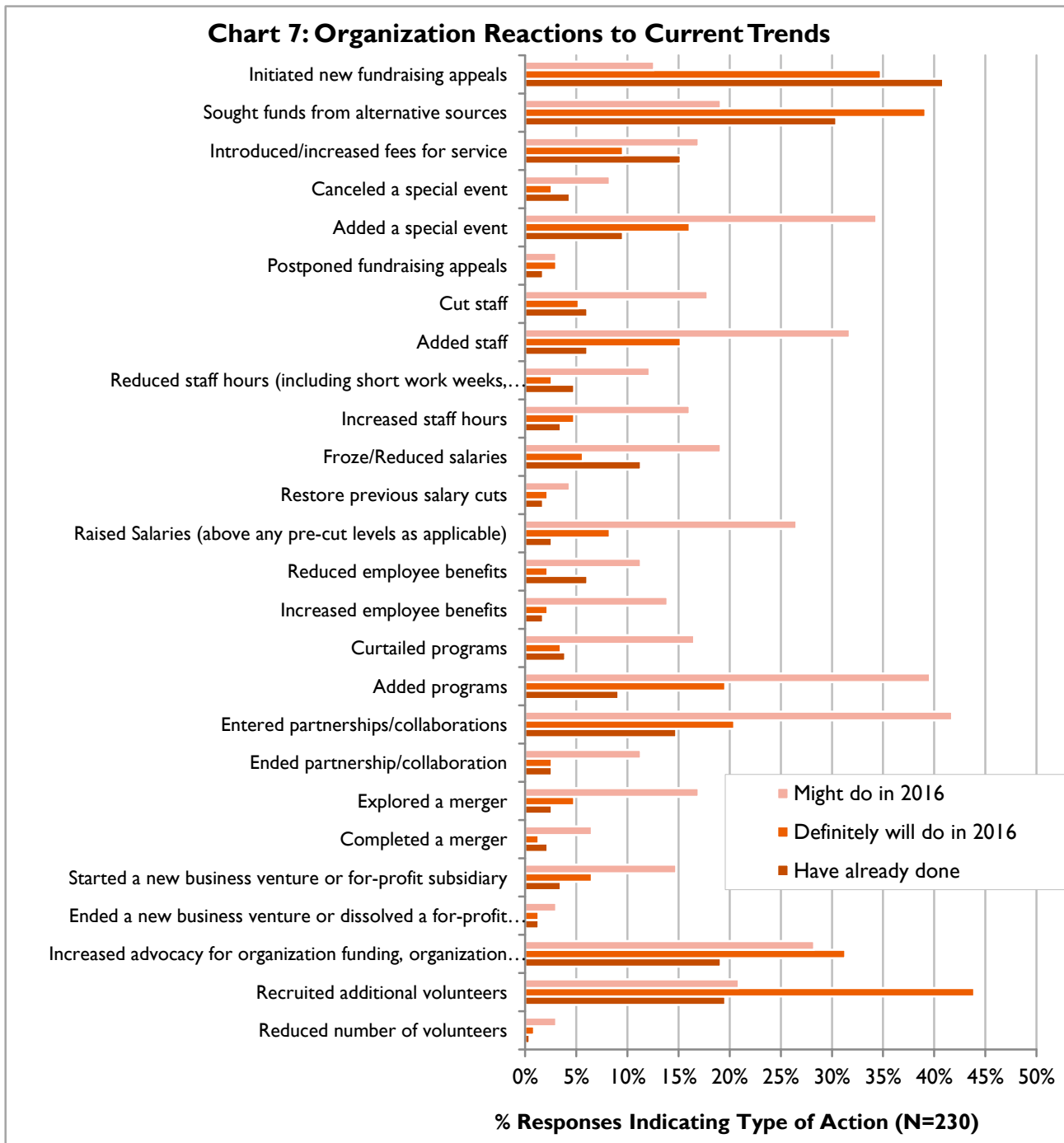
(Chart 6, next page)





## 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. 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. Efforts to increase organizational advocacy and recruit new volunteers were also frequently reported. While program and staff cuts were under consideration – to be expected given continued economic uncertainties – relatively few organizations definitively planned to make those cuts. Seventeen percent said that they might explore a merger in 2016 and 7% said that they might complete one this year (Chart 7), down slightly from a year ago.



## Partnerships/Collaborations

Partnerships are commonly reported by our survey respondents, and this year was no exception. More than half (56%) reported launching new partnerships or collaborations in 2015, mostly with other non-profits, although partnerships with government and business were also reported. Examples included job training and internship collaboratives; shared space and shared personnel; a partnership with a community college to present college-level courses to the non-profit’s students; partnerships between a park alliance and a public health collaborative; securing the use of farm property for programs serving veterans with post-traumatic stress disorder; and an arts organization/special improvement district partnership to create “pop-up” theatre opportunities.

## Changes in Program/Service Focus

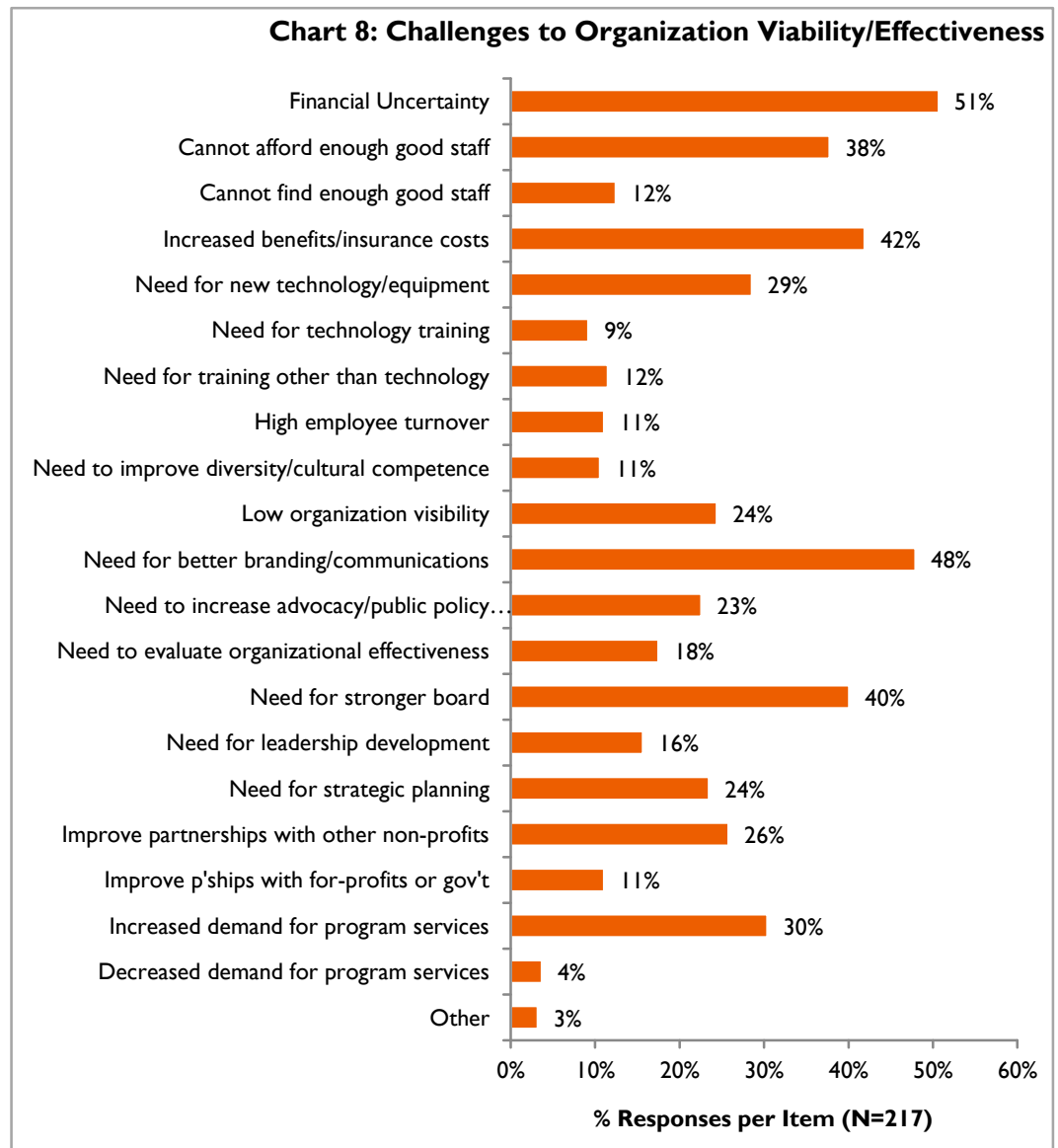
Respondents reported making a wide array of changes in program or service focus made in response to the trends they had experienced. Examples included increased addiction services; changes to business models due to changing demographics or revised state contracting requirements; more ESL (English as a second language) programming; expanded education focus on STEM (science, technology, engineering and math); the closure or adaptation of programs in response to funding changes; for human services or health providers, a transition to a fee-for-service funding model; 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.

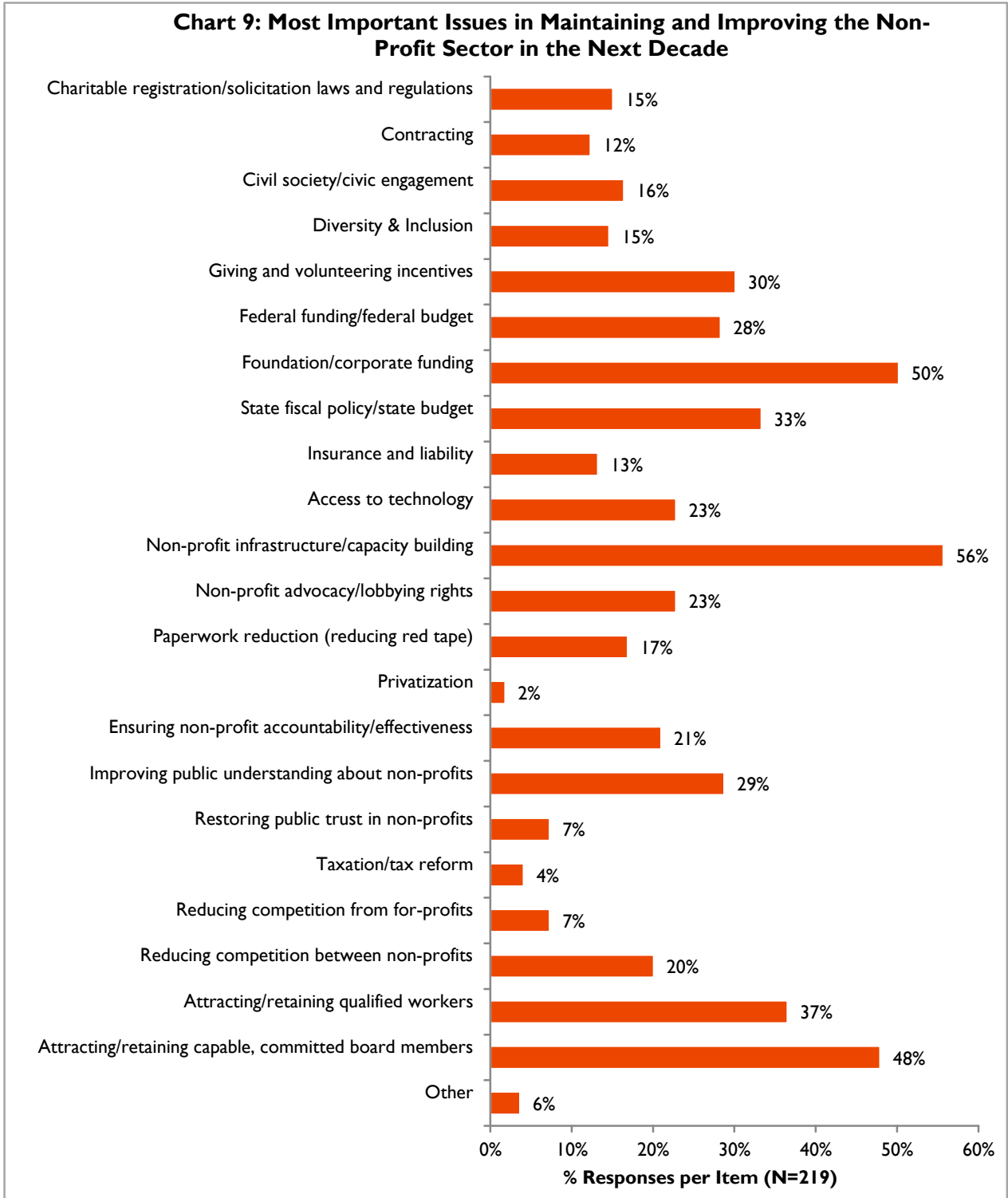
### Challenges Faced by Individual Organizations

Financial uncertainty, selected by 51% of respondents, was again the most frequently identified challenge for individual organizations (it was cited second in last year’s survey). This was closely followed by the need for better branding/communications (48%), increased benefits/insurance costs (42%) the need for a stronger board (40%), and the inability to afford enough staff (38%). Increased demand for services and the need for new technology/equipment were also cited frequently. (Chart 8)



**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 more than half of the respondents (56%), followed by foundation/corporate funding (50%), and attracting/retaining capable, committed board members (48%). Attracting/retaining qualified workers (37%), state fiscal policy/budget (33%) and giving/volunteering incentives (30%) were also cited frequently. (Chart 9).



## Overall Circumstances and Outlook

### Comparison with One Year Ago

Respondents' assessment of their organizations' overall circumstances compared with one year ago was slightly less favorable than in our two previous surveys. Roughly half reported that their organization's circumstances had improved over the past year, while only 15% said that their situation was worse and 36% 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	2016	2015	2014	2013	2012	2011	2010	2009	2008
Better	49%	57%	58%	43%	38%	32%	30%	31%	51%
Worse	15%	13%	12%	22%	23%	29%	36%	34%	15%
No different	36%	31%	30%	35%	40%	38%	34%	36%	35%

Table 9

### Outlook for 2016

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 slightly less optimistic as one year ago. Although a significant proportion remained uncertain in their outlook, 57% expected their organization's circumstances to improve (down from 64% a year ago) and only 9% 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	2016	2015	2014	2013	2012	2011	2010	2009	2008
Better	57%	64%	62%	46%	44%	45%	43%	41%	68%
Worse	9%	6%	3%	7%	8%	10%	14%	33%	8%
No different	6%	7%	11%	15%	16%	11%	9%	26%	24%
Unknown/Too early to tell	28%	23%	25%	32%	32%	34%	34%	n/a	n/a

Table 10

## Interpretation/Implications

The survey findings suggest that for many respondents, some of the modest economic and funding improvements seen in 2014 have slowed or slipped. A slightly smaller percentage of respondents viewed their situations as improved compared with the prior year, and a similar decline in optimism and a sizeable degree of uncertainty were seen for 2016.

By far the most troubling sign is the continued gap between the steadily rising demand for non-profit services – a trend seen consistently in our surveys and nationally – and the capacity to meet this demand (as evidenced by increased expenses, and fewer organizations reporting increased funding or higher numbers of people served compared with those reporting increased demand).

Non-profits, funders, policy makers and the public should consider carefully the implications of these trends for the provision of the essential programs and services in our communities. Long-term solutions need to be actively explored so that organizations will be able to address our society's evolving needs.

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 state association of non-profits.** For more than 30 years, 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

### **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.

---

### **Center for Non-Profits**

3575 Quakerbridge Road, Suite 102 | Mercerville, NJ 08619

732 227 0800 | fax: 732 227 0087

[www.njnonprofits.org](http://www.njnonprofits.org) | email: [center@njnonprofits.org](mailto:center@njnonprofits.org)



[www.facebook.com/njnonprofits](http://www.facebook.com/njnonprofits)



[www.twitter.com/NJ\\_Nonprofits](http://www.twitter.com/NJ_Nonprofits)



[www.linkedin.com/company/center-for-nonprofits](http://www.linkedin.com/company/center-for-nonprofits)



[www.njnonprofits.org/blog](http://www.njnonprofits.org/blog)