

# NEW JERSEY NONPROFITS



## Trends and Outlook 2022



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# New Jersey Nonprofits

## Trends and Outlook 2022

### Executive Summary

The New Jersey Center for Nonprofits conducted its annual survey of New Jersey nonprofits online from February 25–March 14, 2022 to assess how nonprofits fared in 2021 and to gauge their outlook for the coming year. This report is based on the 225 online responses from New Jersey 501(c)(3) organizations submitted during the survey period.

Nonprofits overall have clearly experienced some key improvements since the worst of the pandemic in 2020. However, a number of significant challenges and opportunities remain.

- **Demands for services and rising expenses are still outpacing funding** – a longstanding problem with deep ramifications for delivery of programs and services in our communities.
- Nonprofits are struggling with **significant workforce shortages** that threaten their ability to meet community needs.
- Nonprofits also weighed in with their observations about the **funding practices of their philanthropic partners**, revealing significant opportunities to improve these vital relationships.
- **Incorporating diversity and equity** as a permanent and intentional part of all aspects of nonprofit work remains critically important.

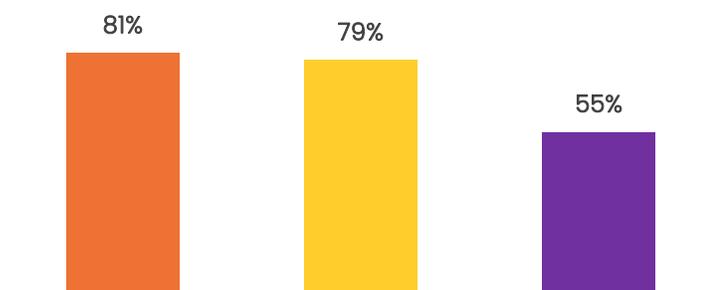
Increased demand for services outpaced funding increases in 2021



Demand increased

Funding increased

More nonprofits expect demand for services and expenses to rise in 2022 than funding



Demand will increase Expenses will increase Funding will increase

**More than half** of respondents with employees reported **staff shortages**, with an **average vacancy rate of 21%**.  
These shortages pose significant challenges to program delivery.

## Stronger Funding Partnerships are Needed

For many years, but particularly in the context of the pandemic, natural disasters, and the heightened outcry for racial and social justice, funders have been urged to embrace more flexibility and transparency in their grantmaking. Practices such as general operating support, simplified application and reporting procedures, multi-year funding and others have been cited as ways to level the power imbalance, advance greater equity, strengthen partnerships between funders and their nonprofit partners, and thereby improve community impact.

Asked about these practices among their own funders, nonprofits report that **only a small portion of their funders engage in these practices with any regularity**, a clear indicator of the huge opportunity for improvement in this area. The New Jersey Center for Nonprofits and the Council of New Jersey Grantmakers are partnering on **Doing Good Better**, an initiative to encourage change. More information on this effort will be forthcoming.

## Actions Taken

- As in prior years, seeking additional resources to support their work was again the most common action taken by organizations, whether through new fundraising appeals, pursuing funding from alternative sources, adding special events or recruiting volunteers.
- Forty percent reported that they definitely planned to resume in-person events that had been converted to virtual due to the pandemic.
- More than two-thirds (70%) are operating on a hybrid basis (part in-person, part virtual).
- Nonprofits engaged in a wide array of collaborative activities with other nonprofits to leverage efficiencies and impact.
- Many organizations reported altering their programming or delivery modes in response to the pandemic. Organizations continued to navigate the shifts to and from remote formats, while others added or expanded their focus on mental health, trauma-related programming, and an intensified focus on diversity, equity, inclusion, and racial and social justice.

## Challenges Faced by Individual Organizations

Asked to identify the issues presenting the greatest challenges to the viability of their own organizations, nonprofits most frequently mentioned:

- financial uncertainty (46%)
- the need for a stronger board (39%)
- cannot afford enough good staff (38%)
- the need for better branding or communications (37%)
- increased benefits/insurance costs (30%)
- (Tie) increased demand for program services / need to improve diversity, equity & cultural competence (26%)

## Nonprofit Sector Issues

Asked about the issues most important to maintaining and improving the viability of the nonprofit sector in the coming decade, nonprofits most frequently selected:

- nonprofit infrastructure/capacity building (55%)
- foundation/corporate funding (53%)
- attracting/retaining qualified workers (44%)
- attracting/retaining capable, committed board members (42%)
- diversity/inclusion/equity within nonprofits (37%)
- giving and volunteering incentives (30%)

## Overall Outlook

Nonprofits see their own overall circumstances much more positively compared to one year ago during the height of the pandemic. More than 60% said that their organizations' overall circumstances were better than one year ago while only 13% said that they were worse. By comparison, in our 2021 survey, nearly 40% said their situations were worse than the year before and only 29% said they were better.

Their outlook for the coming year was also hopeful, with 63% predicting their situation would be better one year from now, although a significant number remained uncertain about their prospects.

## The Importance of Investing in Nonprofits and Social Infrastructure

The past two years have underscored how essential nonprofits are to our communities, to meeting critical needs and helping New Jersey and the nation come through the ongoing crises we face. Investment in key societal infrastructures – particularly historically excluded constituencies and communities of color – will be vital as we seek a strong recovery for all.

The New Jersey Center for Nonprofits will continue to provide information, knowledge and advocacy to foster connections and promote constructive public policies and solutions.

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# New Jersey Nonprofits

## *Trends and Outlook 2022*

### **Nonprofit landscape shows some improvement, but urgent need for vital services persists**

New Jersey's nonprofits play a key role in strengthening the state's social, economic, and community fabric. Nonprofit organizations are vital contributors to the economic well-being of the state. There are nearly 40,000 501(c)(3) organizations in New Jersey. Pre-COVID, they employed 330,000 people—nearly 10% of the state's private workforce—and spent about \$50 billion annually, much of this in the Garden State, and enlisted the aid of 1.6 million volunteers. The programs, services, and economic benefits provided by nonprofits are critical factors in making New Jersey a thriving place to live and work.

New Jersey's nonprofits have been critical throughout the COVID-19 pandemic, providing life-saving care, social services, education, mental health counseling, job assistance and training, comfort, healing and inspiration, and countless other critical functions.

Nonprofits have clearly experienced some key improvements since the worst of the pandemic in 2020, and this is reflected in the survey responses. However, significant challenges and opportunities remain.

### **Demand for services is outpacing funding and people served**

Although many organizations that had temporarily suspended or reduced services in 2020 resumed them in some form in 2021, the survey showed continued volatility in their situations. More than 60% of surveyed nonprofits reported that demand for services rose in 2021, but only 48% said that their funding increased in the same period. Human service, health, and public/societal benefit organizations were most likely to report increases, while arts and cultural organizations, many of which suffered extended periods of interrupted programming, were more likely to report decreases.

And while not all nonprofits' missions involve direct service to individuals, it is still useful to compare how many reported increased demand over the past year to how many served more people during the same period. Among those reporting higher demand in 2021, only four-fifths said that they had served more clients/constituents.

This situation is expected to worsen in 2022. Four-fifths of organizations are predicting that demand for their services will rise in the coming year and a similar portion are projecting increased expenses, but only 55% expect that their funding will increase.

## Labor Force Shortages

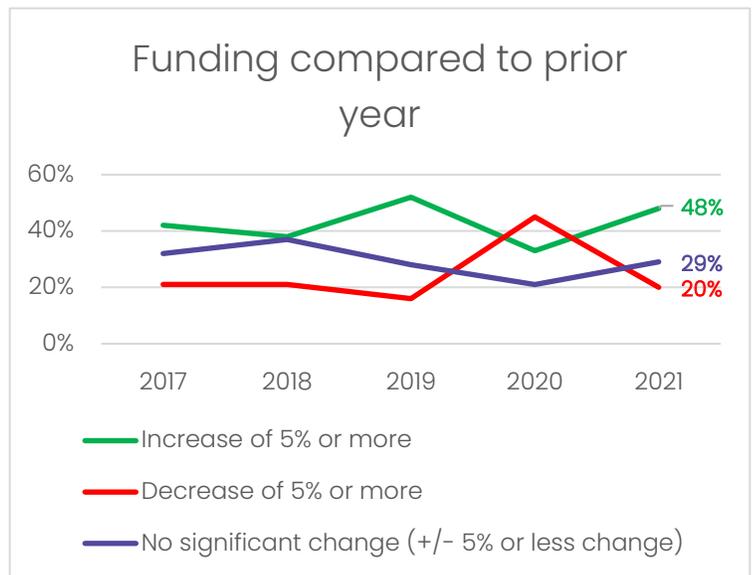
The workforce shortages that have been widely reported across the state and nation are hitting New Jersey nonprofits hard, with significant implications for program and service delivery. More than half (56%) of all survey respondents with employees reported that they are experiencing staffing shortages, with an average vacancy rate of 21% and a total of nearly 1,300 unfilled positions among the 90 organizations that provided estimates. Difficulty offering competitive compensation due to budget constraints, and competition for employment from other sectors were cited most frequently as the biggest obstacles to filling vacancies.

## Trends in Funding

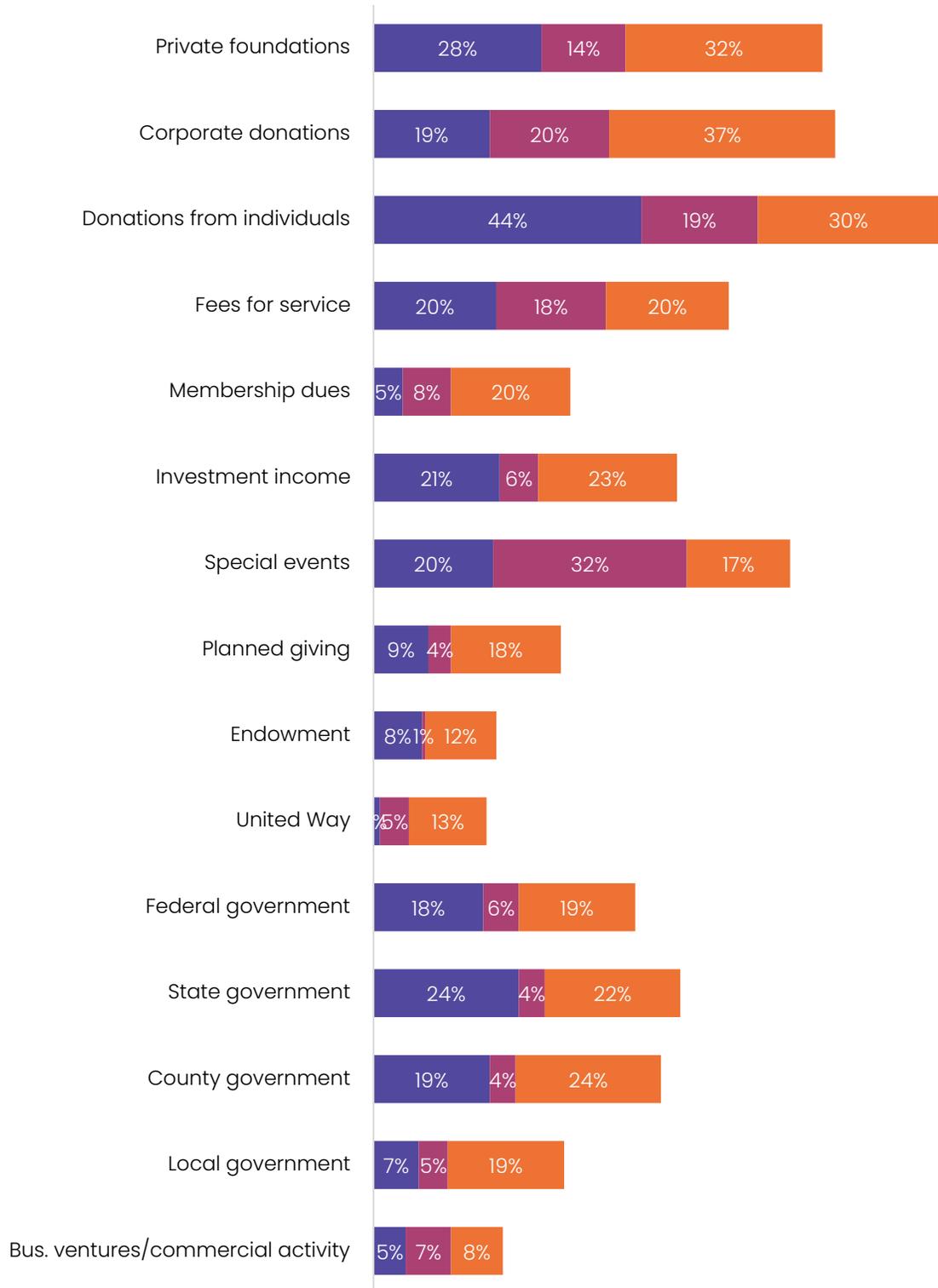
### Total Funding 2021 vs. 2020

Forty-eight percent of respondents reported that overall funding had increased in 2021 compared with the year before – a marked improvement over 2020, but still short of the 61% of organizations that experienced demand for services. Twenty percent reported that funding had decreased in the past year, while 29% noted no significant change.

Breaking down these trends by type of funding source, funding increases were reported most frequently from individual donations, where reported increases outpaced flat or reduced funding by a notable margin. In many other major categories, increases and flat funding were reported with similar frequency. As a continued reflection of cancelled, postponed or altered events, decreases in special event funding were reported by a sizeable portion of organizations. (See chart on next page.)



### Funding Changes 2021 vs 2020



% responses reporting funding change per category (N=198)

■ Increase      ■ Decrease      ■ No significant change

## Funding Outlook for 2022

As another indicator of improved circumstances since the pandemic's peak, nonprofits were more optimistic about their funding prospects for the coming year than our 2021 survey. Fifty-five percent predicted that their overall funding would rise in 2022, while 28% projected steady funding and 13% predicted decreases.

Funding Outlook for the Coming Year						
	2022	2021	2020	2019	2018	2017
Increase	55%	39%	56%	49%	48%	50%
Decrease	13%	19%	8%	13%	13%	14%
Remain the same	28%	30%	31%	30%	30%	31%
Unknown/not reported	5%	12%	5%	8%	9%	5%

While this outlook is more positive than a year ago, these projections still trail respondents' predictions of increased demand for services (81%) and increased expenses (79%).

## Projected Funding from Specific Sources in 2022 vs. 2021

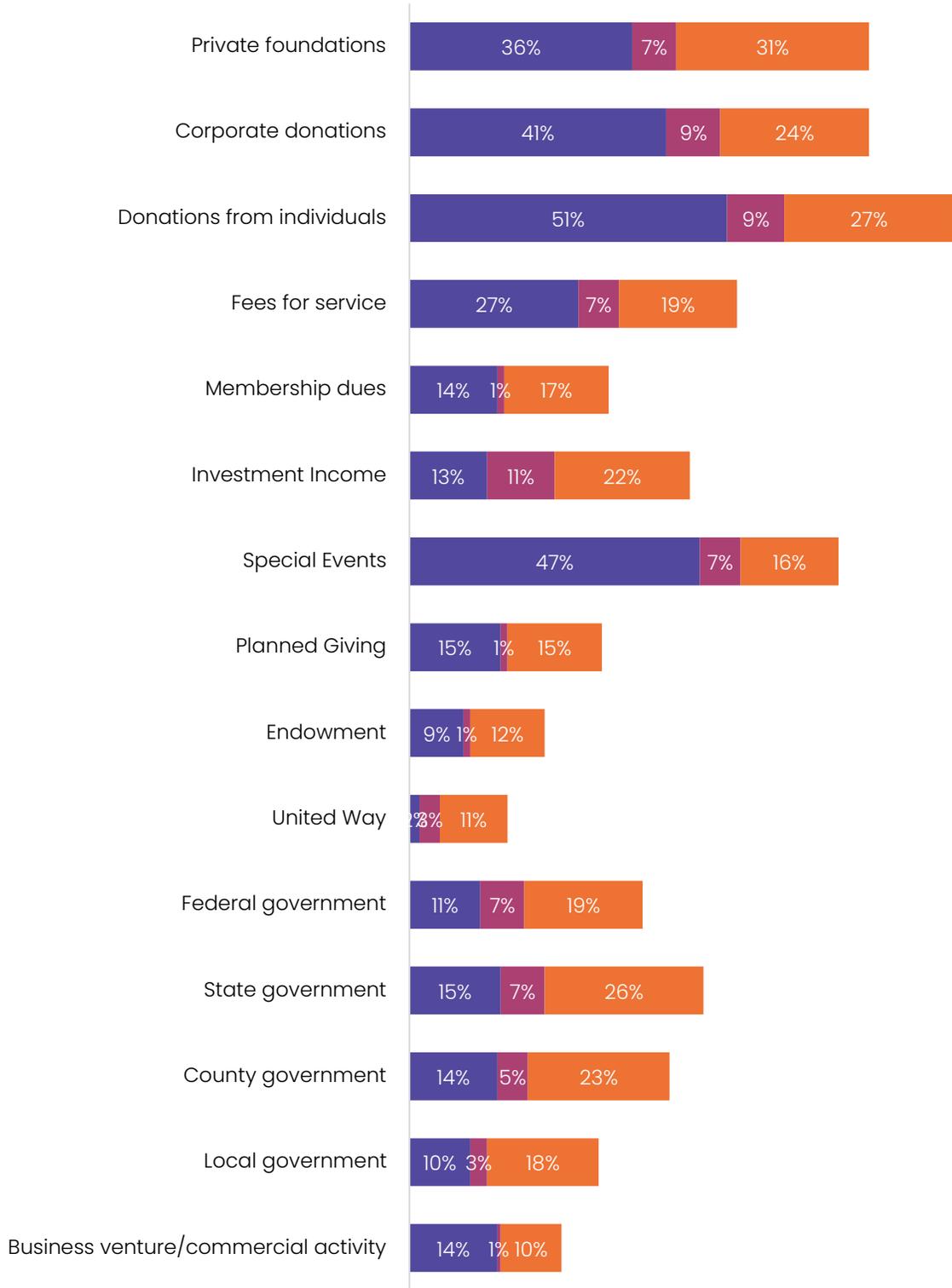
Nonprofits were more hopeful about donations from individuals than they were about funding from any other funding source, with 51% of respondents predicting that individual giving would rise in 2022. Respondents were also fairly optimistic that special event revenue would rise in 2022 (47% predicting increases vs. only 7% anticipating decreases and 16% predicting level support). They were also hopeful about corporate support, with 41% projecting increased corporate donations, though they were more evenly split in predicting increased vs. level funding from foundations. Consistent with prior years, organizations receiving government funds were among the least likely to predict increases from these sources in 2022, with flat funding outweighing projected increases. Many also expressed uncertainty about their predictions. (See chart on next page.)

## Funder/Nonprofit Partnerships: A Call for Action

For many years, but particularly in the context of the pandemic, natural disasters, and the heightened outcry for racial and social justice, funders have been urged to embrace more flexibility and transparency in their grantmaking. Practices such as unrestricted support, simplified application and reporting procedures, multi-year funding and others have been cited as ways to level power imbalances, advance equity, strengthen relationships between funders and their nonprofit partners, and improve community impact.

Asked about their experience with their own funders, **fewer than 20% of nonprofits reported that "many or most" of their funders engage in any of these practices**, a clear indicator of the huge opportunity for improvement in this area. The New Jersey Center for Nonprofits and the Council of New Jersey Grantmakers are partnering on **Doing Good Better**, an initiative to encourage change. More information on this effort will be forthcoming. (See chart, page 9.)

### Predicted Funding 2022 vs 2021

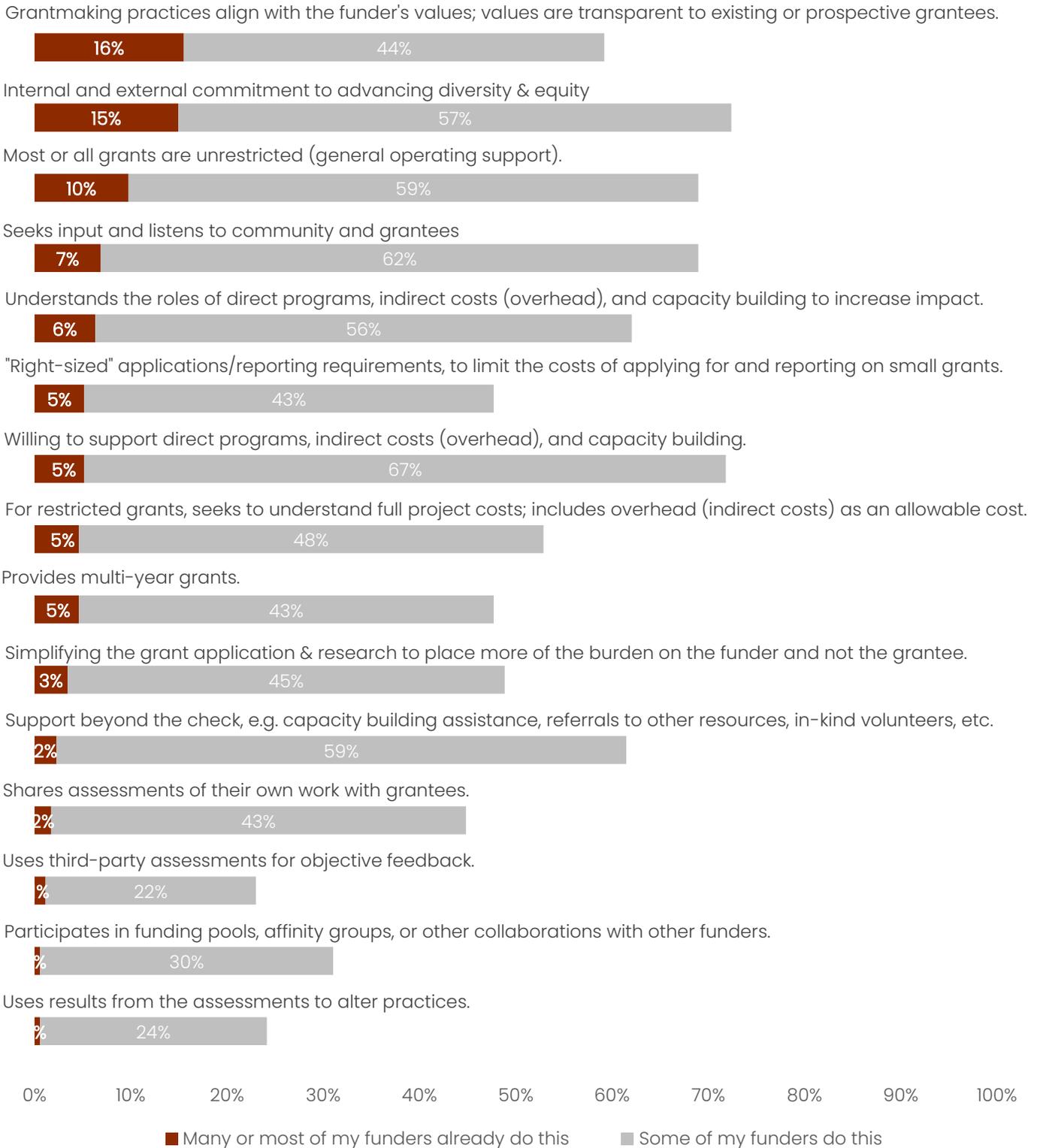


% responses reporting funding change per category (N=191)

■ Increase      ■ Decrease      ■ No significant change

## Nonprofits' Impressions of their Funders' Practices

(n=174)



## Expenses

### In 2021

In a likely reflection of resumption of in-person activities and increased staff costs, half (52%) of respondents reported that expenses had increased in 2021, up from 35% in our previous survey. One-third (33%) reported no change, while 21% reported that expenses had decreased in 2021 compared with the prior year.

### Expense Predictions for 2022

Nearly 80% of respondents expected *expenses* to rise in 2022. A much smaller percentage (55%) expected their total *funding* to rise in 2022.

### Revenue vs. Expenses in 2021

Half (51%) of respondents reported that revenues had exceeded expenses in their most recent fiscal year, while 30% reported roughly equal revenues to expenses. Only 18% reported taking in less than they had spent, a significant improvement from last year's survey when 35% reported year-end shortfalls.

Projected Expenses in 2022 vs. 2021 (N=211)	
Increase	79%
Decrease	3%
Remain the same	16%
Unknown	2%

Total Income vs. Expenses for Most Recent Fiscal Year-End (N=212)	
Surplus	51%
Break-even	30%
Deficit	18%

## 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. Nearly three-quarters (74%) 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 28% reported a line of credit.

Among organizations with cash reserves, 24% reported having a reserve of 1-3 months of operating funds; 30% 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, 39% said that their reserve was larger, and 14% said it was smaller at the end of 2021. By comparison, in our prior survey a year ago, 39% had indicated their cash reserve had remained stable and 29% said their cash reserve was smaller than the year before.

Among organizations with lines of credit, 43% reported having to borrow against the line of credit in 2021 (up from 31% who reported borrowing in last year's survey). Forty-four 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.

## **Organization Reactions to Emerging Trends**

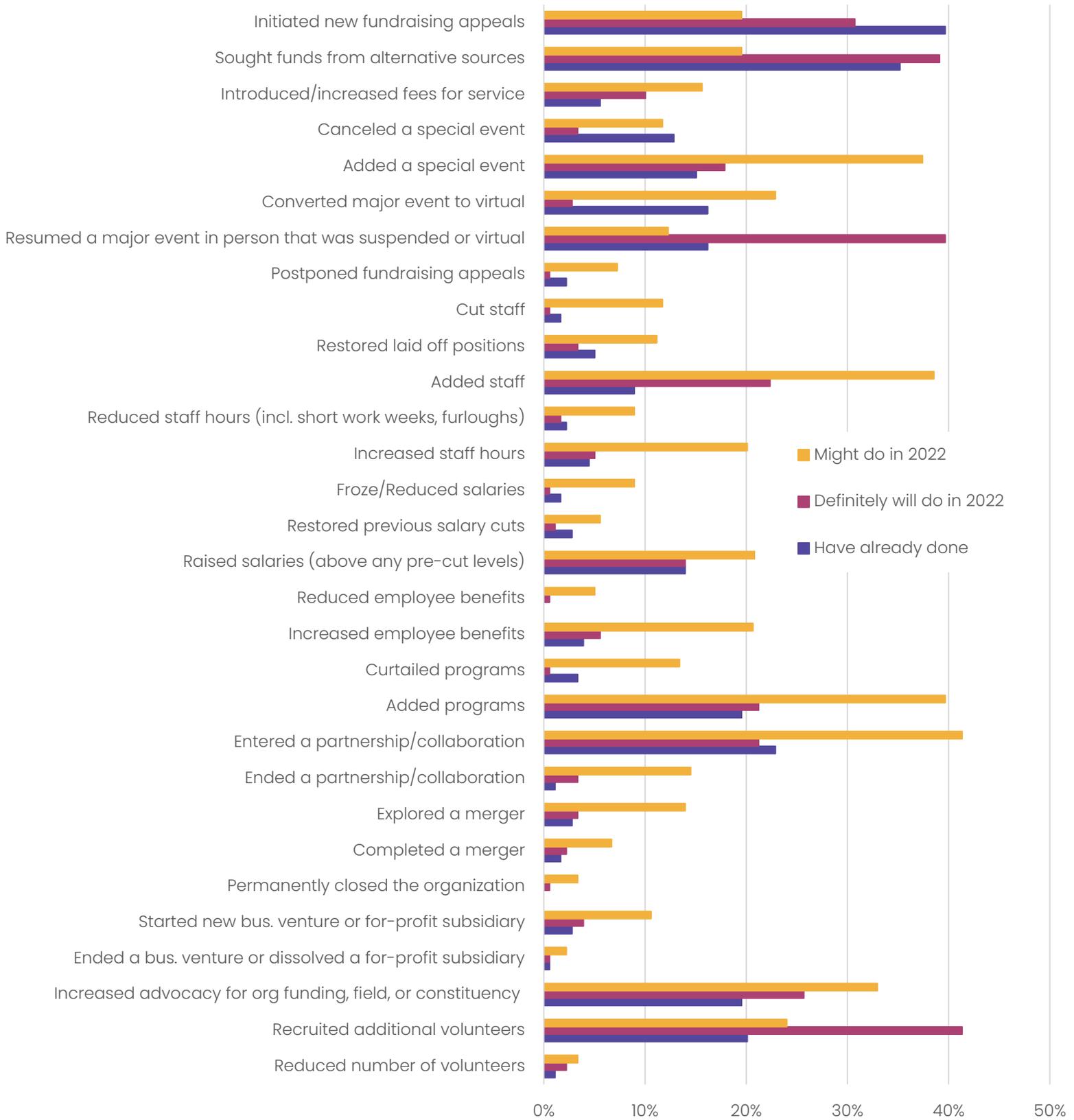
As in prior years, seeking additional resources to support their work was again the most common action taken by organizations, whether through new fundraising appeals, pursuing funding from alternative sources, adding special events or recruiting volunteers.

Forty percent reported that they definitely planned to resume in-person events that had been converted to virtual due to the pandemic.

And while operating virtually is not feasible for a number of nonprofit programs and organizations, 70% of respondents reported that they are operating in some form of hybrid fashion, with some functions being conducted remotely and others in person. About one-fifth (22%) are operating fully in person, and 8% are fully remote.

*(See chart on next page.)*

## Organization Reactions to Current Trends



% Responses Indicating Type of Action (N=179)

## Partnerships/Collaborations

Partnerships are prevalent in the nonprofit community generally, and this was especially true in this year's survey. Respondents reported a wide variety of collaborations, including a partnership to promote family literacy; a partnership with a community college and nonprofit to provide high school equivalency training to youths who age out of foster care without a high school diploma; public/private partnerships to combat food insecurity; county health departments partnering with houses of worship for vaccine clinics; joint fundraising and events; advocacy coalitions; and many others.

Forty-one percent indicated that they were considering new partnerships for 2022. Seventeen percent said that they might, or definitely would, explore a merger in 2022 and 9% said that they definitely would or might complete one.

## Changes in Program/Service Focus

Many organizations reported altering their programming or delivery modes in response to the pandemic. Organizations continued to navigate the shifts to and from remote formats, while others added or expanded their focus on mental health, trauma-related programming, and an intensified focus on diversity, equity, inclusion, and racial and social justice.

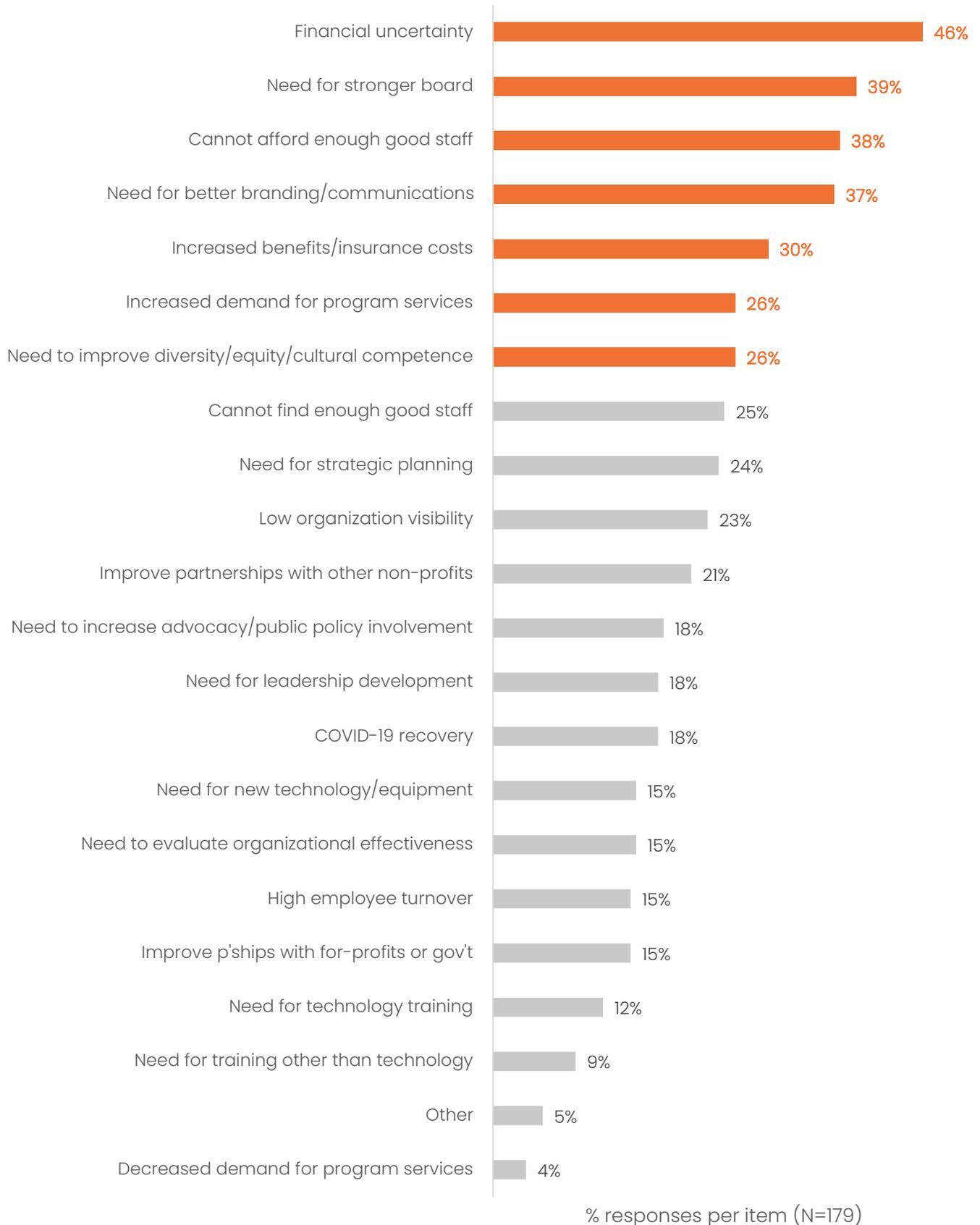
## Issues Facing New Jersey's Nonprofits

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 **nonprofit sector** in the coming decade. Respondents' choices for the top issues were a clear reflection of the challenges of the past year.

### Individual Organizations

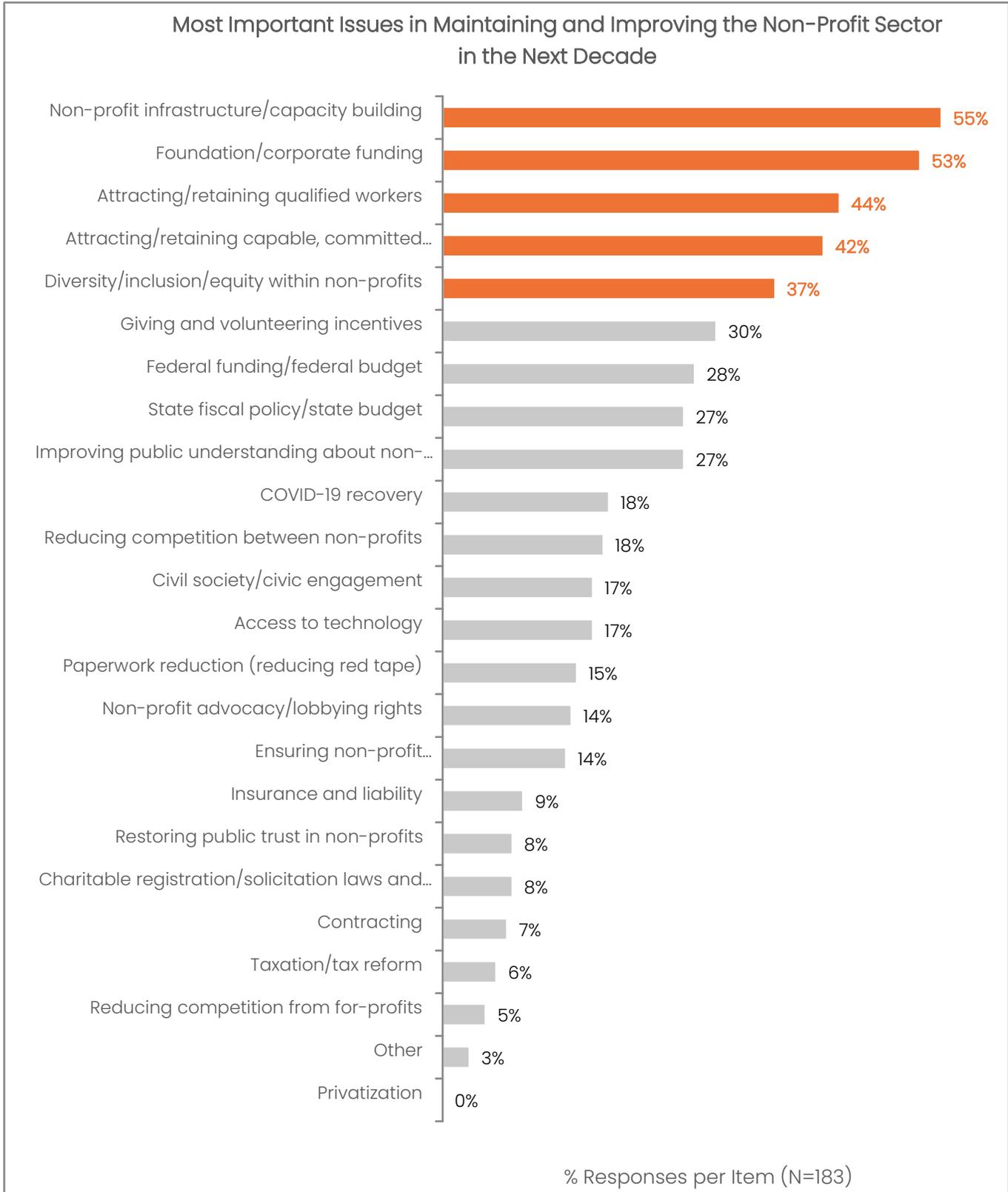
Asked to identify the issues presenting the greatest challenges to the viability of **their own organizations**, nonprofits most frequently mentioned financial uncertainty (46%). This was followed by the need for a stronger board (39%), staffing costs, branding and communications, the need to improve diversity, equity and cultural competence, and the rising demand for program services.

## Challenges to Organization Viability/Effectiveness



### Nonprofit Sector Issues

Nonprofit infrastructure/capacity building was cited by 55% as the most pressing nonprofit sector issue, followed closely by foundation and corporate funding (53%), attracting and retaining qualified workers (44%) and capable board members (42%), and diversity, inclusion and equity within nonprofits (42%).



## Diversity & Equity

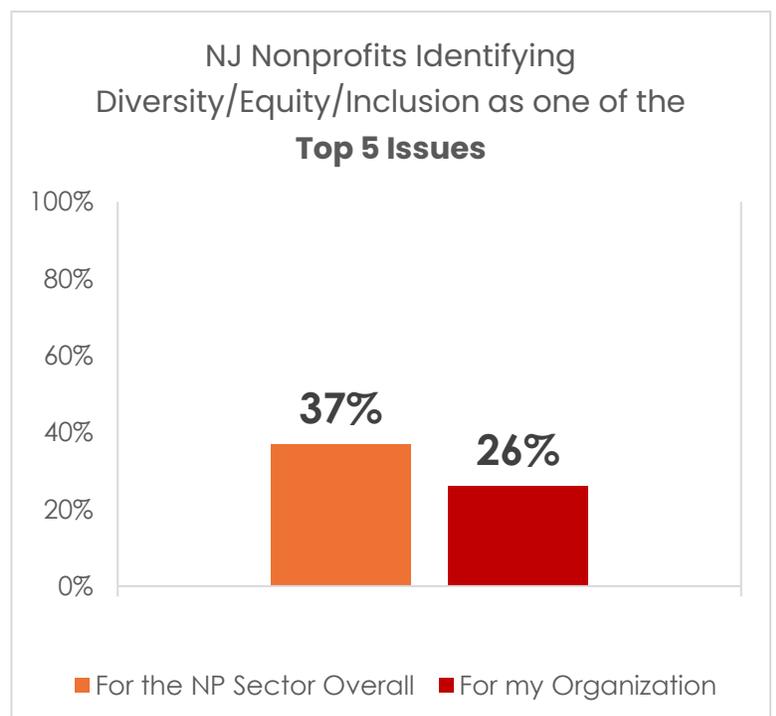
Any examination of the nonprofit landscape demands continued attention and action to address deep-seated inequities and years of under-investment in critical systems and historically excluded communities, and particularly communities of color. These inequities have exacerbated the impact of the pandemic and the associated economic effects.

While the current landscape is challenging for nonprofits across the board, there are notable distinctions in the survey responses from organizations that reported that they primarily serve communities of color compared with those that don't.

- Organizations that primarily serve communities of color comprised a greater proportion of "front-line" nonprofits such as those in human services.
- They were more likely to report that expenses had risen in the prior year, and more likely to predict that demand for services would rise in the coming year, although equal percentages of both groups reported that demand had risen in 2021, and funding lagged behind expenses and demand for services.
- They were more likely to report that expenses had exceeded revenues in their most recent fiscal year, and slightly less likely to report a year-end surplus.
- They were less likely to report a cash reserve, and months of cash on hand were smaller overall among organizations that primarily serve communities of color than among those that don't.
- Organizations serving communities of color were less likely to have suspended services, even temporarily, due to the pandemic.

As we noted in last year's report, a number of underlying factors contribute to these trends, including the heightened human needs and disparate impact of the virus and economic consequences on people of color; and the greater likelihood that human service and other front-line organizations derive more of their revenues from government, where funding often fails to cover the full costs of providing services, among others.

But with heightened and overdue focus over the last two years on systemic racism, and given the longstanding underrepresentation of people of color in nonprofit leadership and philanthropic decisionmaking circles, it is critical that these issues not be swept aside, and that they remain front-focused for all organizations.

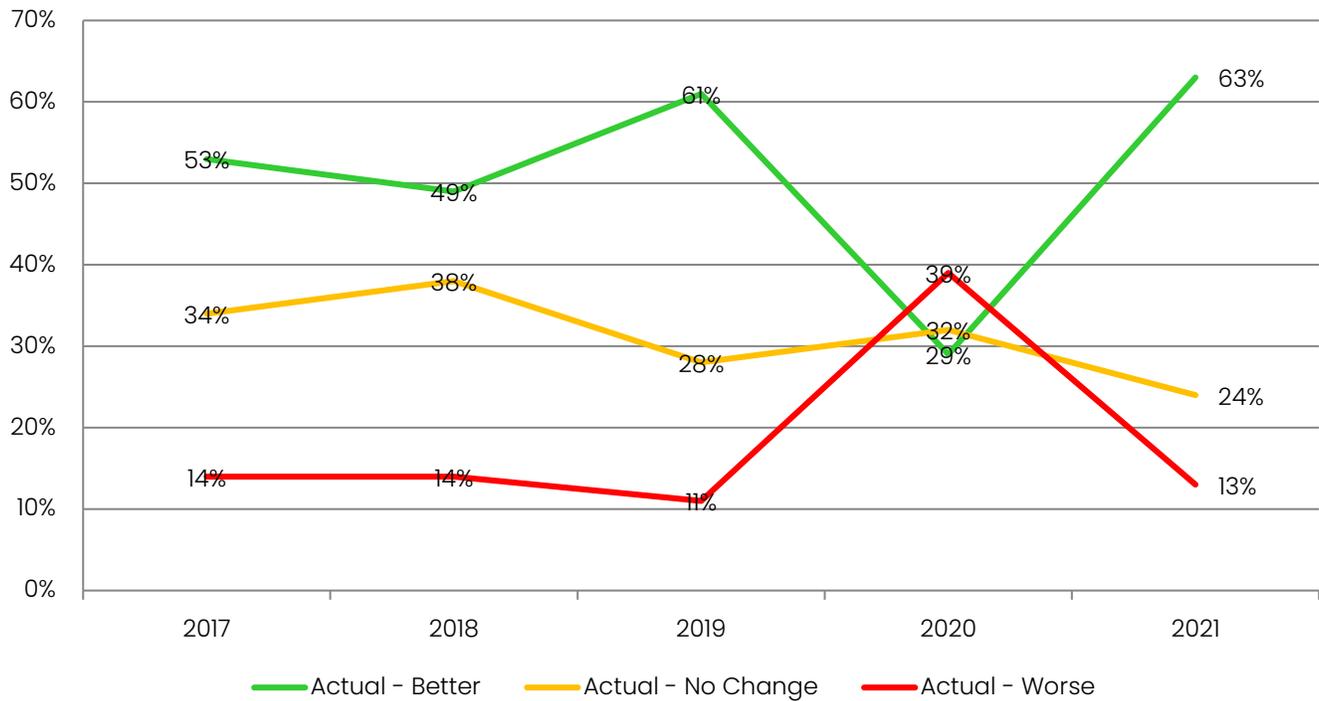


## Overall Circumstances and Outlook

### Comparison with One Year Ago

Nonprofits see their own overall circumstances much more positively compared to one year ago during the height of the pandemic. More than 60% said that their organizations' overall circumstances were better than one year ago while only 13% said that they were worse. By comparison, in our 2021 survey, nearly 40% said their situations were worse than the year before and only 29% said they were better.

How nonprofits view their circumstances vs. one year ago



### Outlook for 2022

Nonprofits' outlook for the coming year was also hopeful, with 63% predicting their situation would be better one year from now, although a significant number remained uncertain about their prospects.

## **The Importance of Investing in Nonprofits and Social Infrastructure**

The past two years have underscored how essential nonprofits are to our communities, to meeting critical needs and helping New Jersey and the nation come through the ongoing crises we face. Investment in key societal infrastructures – particularly historically excluded constituencies and communities of color – will be vital as we seek a strong recovery for all.

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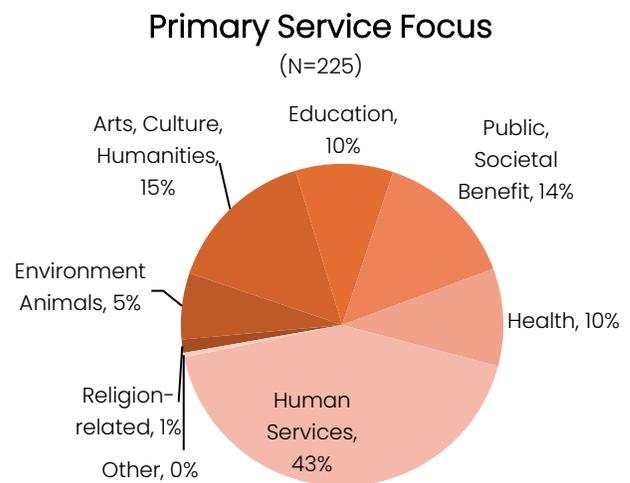
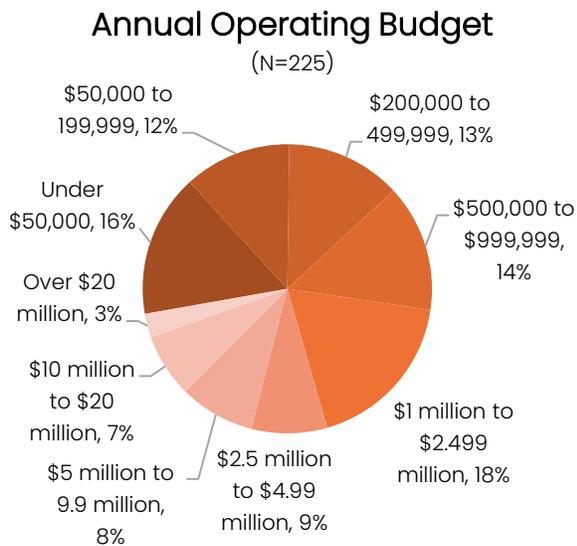
## Background and Methodology

The **New Jersey Nonprofit Issues and Trends Survey** is conducted annually by the New Jersey Center for Nonprofits in order to gauge trends, experiences and views of our state’s nonprofit community.

The Center conducted this year’s survey online in late February and early March 2022 to assess how nonprofits fared in 2021 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 plus viral redistribution, and additional outreach was made via social media (Facebook, Twitter, LinkedIn and Instagram), nonprofit listservs, and to funders or other umbrella organizations serving nonprofits in the state. All communications encouraged recipients to share the survey notice/instrument broadly within their own networks. The 225 responses from New Jersey 501(c)(3) organizations that were submitted as of March 14, 2022, were included in this analysis.

## Who participated in the survey?

This report is drawn from responses of the 225 New Jersey 501(c)(3) organizations that completed the survey from February 25–March 14, 2022. The graphs below show the distribution of the nonprofits’ mission focus, geographical location, and budget size.



Geographic Location of Organizations	
North	35%
Central	39%
South	26%

Respondents' Primary Office Location by County					
Atlantic	2.2%	Gloucester	0.9%	Ocean	14.2%
Bergen	5.3%	Hudson	3.1%	Passaic	1.8%
Burlington	2.7%	Hunterdon	0.4%	Salem	0.0%
Camden	4.4%	Mercer	12.4%	Somerset	4.4%
Cape May	0.4%	Middlesex	4.9%	Sussex	1.3%
Cumberland	0.9%	Monmouth	16.9%	Union	4.4%
Essex	12.0%	Morris	7.1%	Warren	0.0%



The [New Jersey Center for Nonprofits](https://www.njnonprofits.org) is the statewide network, champion and go-to resource for and about our state's nonprofits. For 40 years, the Center has provided advocacy, knowledge, insights and tools so nonprofits can focus on the communities and causes they serve. We strengthen nonprofits individually and collectively by:

**Championing and Advocating** for the nonprofit community as an indispensable part of the social, economic and equitable well-being of New Jersey and its residents.

- Comprehensive information about New Jersey nonprofits
- Advocating for nonprofits in Trenton and Washington
- Communicating the value of nonprofits through public education
- Documenting nonprofit trends through surveys and research reports
- Uniting our state's nonprofits around common goals

**Advancing Knowledge** and promoting learning to foster effective, equitable and ethical organizations for the public good.

- High quality management and compliance information
- Expert phone and email consultation – priority access for members
- Timely online and email news and articles
- Affordable professional development training and recorded webinars on timely topics
- Customized training

**Convening and Fostering Connections** between and among nonprofit organizations and their champions, as well as partners in government and for-profit business, to enhance collective strength.

- Our "don't miss" annual New Jersey Nonprofit Conference
- Issue briefings/town halls/local or regional strategic convenings around common issues
- Issue-specific task forces
- Amplifying the learnings, programs and educational offerings of others
- Member Mondays – Informal discussion, networking and strategy sessions for members

**Helping Nonprofits Stretch Scarce Resources**

- Cost-saving programs: D&O insurance, unemployment trust, payroll, and more
- High-traffic nonprofit jobs board – free postings for members
- Discounts on Center events, workshops and publications for members
- Leveraging nonprofits' dollars by serving as the first-stop resource for nonprofit expertise, information, services and referrals

To find out more or to get involved, visit [njnonprofits.org](https://www.njnonprofits.org), or email us at [center@njnonprofits.org](mailto:center@njnonprofits.org).

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