



NEW JERSEY NONPROFITS

Trends and Outlook 2023



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New Jersey Nonprofits

Trends and Outlook 2023

Executive Summary

The New Jersey Center for Nonprofits conducted its annual survey of New Jersey nonprofits online from February 1-24, 2023, to assess how nonprofits fared in 2022 and to gauge their outlook for the coming year. This report is based on the 228 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.
- **Advancing diversity, equity, inclusion and belonging** as a permanent and intentional priority of all aspects of nonprofit work remains critically important.

Increased demand for services outpaced funding increases in 2022



More nonprofits expect demand for services and expenses to rise in 2023 than funding



More than half of respondents with employees reported **staff shortages**, with an **average vacancy rate of 19%**.

These shortages pose significant challenges to program delivery.

Actions Taken

- Nonprofits 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.
- Fifty-six percent are operating on a hybrid basis (part in-person, part virtual) – significantly less than a year ago (70%) – and 40% are now completely in person.
- Creative collaborations to magnify impact and efficiencies were commonly reported.
- Many organizations reported altering their programming or delivery modes in response to changing trends. Examples included utilizing paid transportation to make up for drops in volunteers; exploring in-home childcare options; increased focus on food security, mental health, and diversity and equity; and adjusting geographic service areas.

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 (44%)
- Need for a stronger board (44%)
- Need for better branding or communications (37%)
- Need for strategic planning (33%)
- Cannot afford enough good staff (33%)
- Increased demand for program services (31%)

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 (51%)
- Foundation/corporate funding (49%)
- Attracting/retaining capable, committed board members (45%)
- Attracting/retaining qualified workers (41%)
- Giving and volunteering incentives (34%)
- Diversity/inclusion/equity within nonprofits (31%)
- Federal funding/federal budget (31%)

Overall Outlook

More than 60% said that their organizations' overall circumstances were better than one year ago while only 10% said that they were worse. These numbers are comparable to our 2022 survey, and understandably much more positive than during the height of the pandemic. Looking ahead to 2023, 62% predicted their situation would be better one year from now. Only 2% felt their circumstances would be worse and 11% predicted little change, and the remainder were uncertain about their prospects.

The Need to Invest in Nonprofits and Social Infrastructure

This year's survey findings underscore the importance of nonprofits to thriving communities for all New Jerseyans. As we continue to navigate pandemic recovery and murky economic waters, and combat longstanding racial injustices, people are relying on nonprofits in increasing numbers for care, relief, education, well-being, inspiration, societal solutions and catalysts for change. The importance of nonprofits as employers and economic drivers also cannot be overstated.

In this climate, public policies and strengthened government/nonprofit/philanthropic partnerships to shore up nonprofits missions for the greater good are a clear imperative. Policies and practices that provide resources, incentivize charitable giving, recognize the expertise of nonprofits and communities, and involve them as full partners in decisionmaking will fuel equity and improve community impact.

New Jersey Nonprofits

Trends and Outlook 2023

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

New Jersey's nonprofits are a vital part of the state's social, economic, and community fabric. Nonprofit organizations are important contributors to the economic well-being of the state. New Jersey's 40,000+ 501(c)(3) organizations employ 330,000 people—nearly 10% of the state's private workforce—spending about \$50 billion annually, much of this in the Garden State, and enlisting the aid of 1.8 million volunteers. The programs, services, and economic benefits provided by nonprofits are critical factors in making New Jersey a state where all of our residents can thrive.

Our survey findings show key improvements for many nonprofits since the worst of the pandemic in 2020. However, significant challenges and opportunities remain that threaten the ability of nonprofits to meet the growing demands being placed on them. Action is needed to ensure a strong and vibrant nonprofit community in service to the greater good.

Demand for services continues to outpace resources

In a continuation of a longstanding problem, our survey showed a clear gap between the demands for nonprofits' programs and the resources needed to meet them, with clear implication for everyone who relies on nonprofits.

Nearly four-fifths (78%) of surveyed nonprofits reported that demand for services rose in 2022, but only 51% said that their funding increased in the same period. The situation was most acute in human services and health organizations, but increased demand was widely reported by nonprofits in all fields.

This situation is expected to continue in 2023. More than four-fifths (84%) of organizations expect demand for their services will rise in the coming year and a similar portion are projecting increased expenses, but only half (52%) expect that their funding will increase.

Labor Force Shortages

Workforce shortages continue to pose challenges for New Jersey's nonprofit community, with significant implications for program and service delivery. More than half (53%) of all survey respondents with employees reported that they are experiencing staffing shortages, with an average vacancy rate of 19%. The biggest obstacles to filling vacancies included difficulty offering competitive compensation due to budget constraints or lack of funding; trouble recruiting credentialed employees for positions that require them; and competition for employment from other sectors.

Trends in Funding

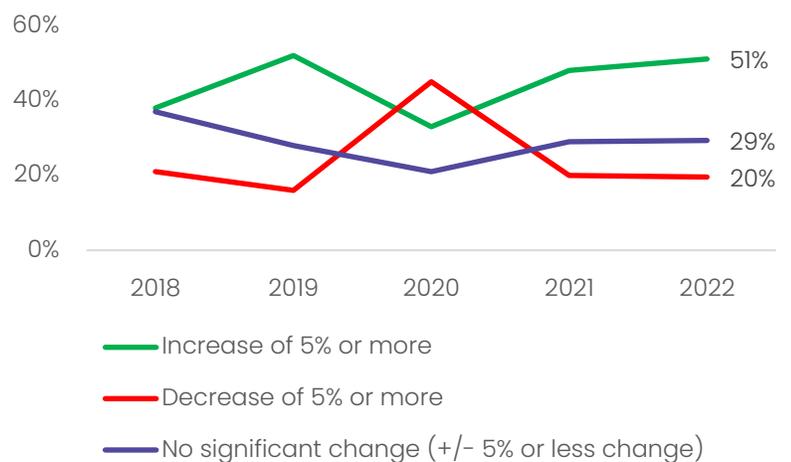
Total Funding 2022 vs. 2021

Half (51%) of respondents reported that overall funding had increased in 2022 compared with the year before – a marked improvement over the worst of the pandemic, but far short of the 78% of organizations that experienced demand for services (see chart on page 1). Twenty percent reported that funding had decreased in the past year, while 29% noted no significant change.

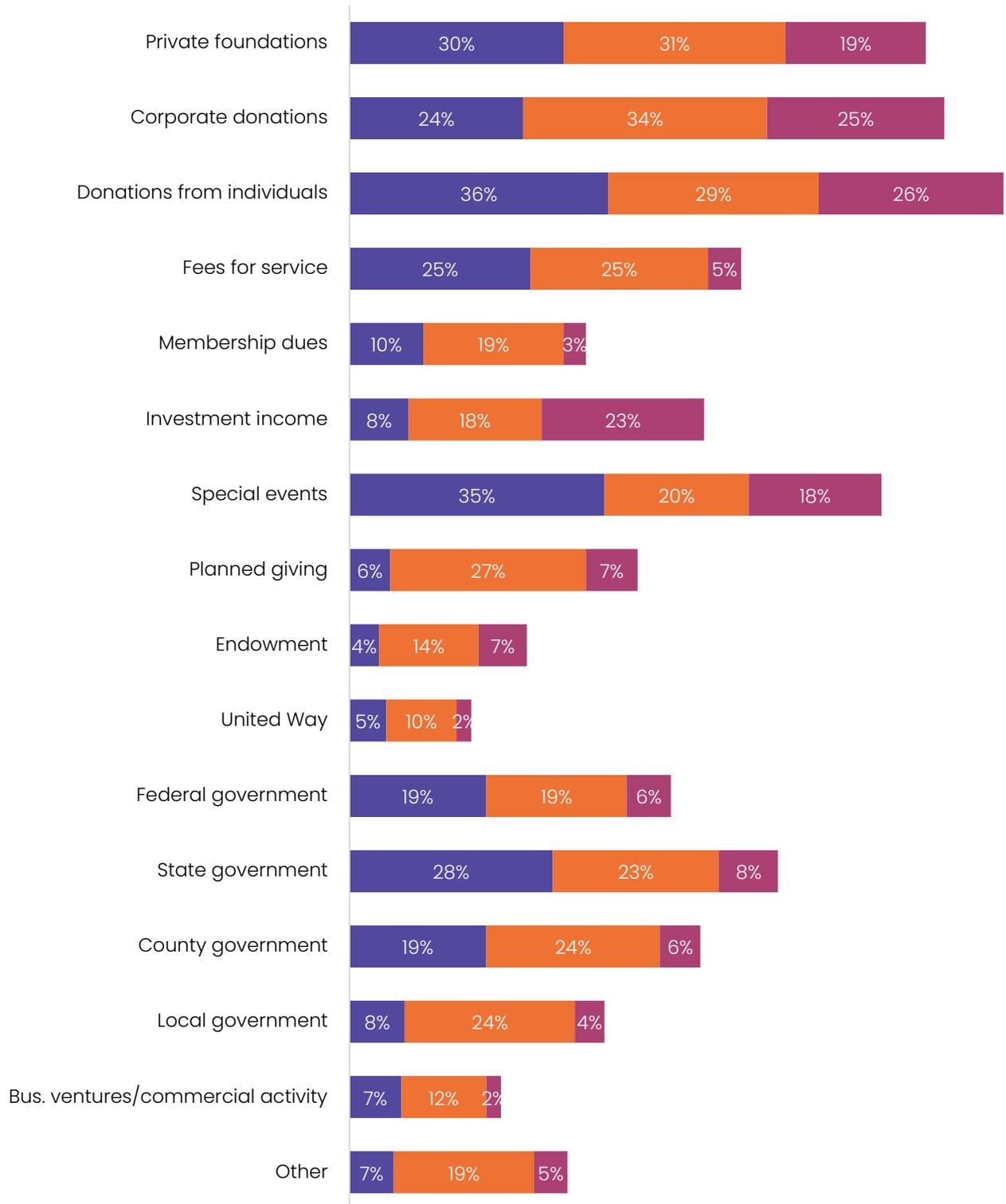
Organizations with larger budgets were generally more likely to report positive funding outcomes than smaller or mid-sized nonprofits.

Breaking down these trends by type of funding source, nonprofits most frequently reported funding increases from individual donations and special events. In both of these categories, increases outpaced flat or reduced funding. For many other major sources, increases and flat funding were reported with similar frequency, or level funding outweighed increases. (See chart on next page.)

Funding compared to prior year



Funding Changes 2022 vs 2021



% responses reporting funding change per category (N=195)

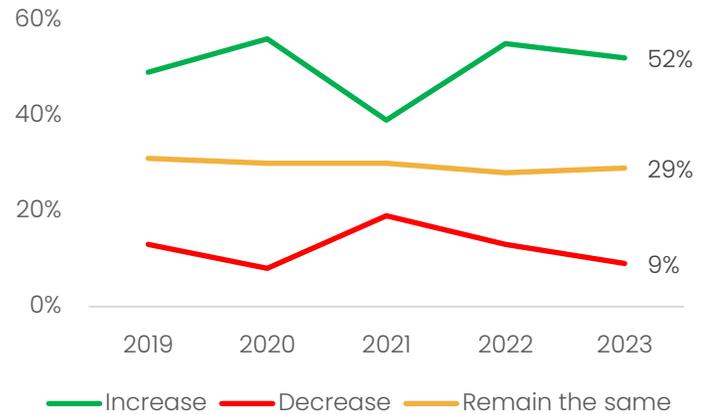
■ Increase
 ■ No significant change
 ■ Decrease

Funding Outlook for 2023

Nonprofits' funding predictions for 2023 were fairly consistent with last year and understandably more optimistic than two years ago. Half (52%) predicted that their overall funding would rise in 2023, while 29% projected steady funding and 9% predicted decreases.

Still, in a continuation of a concerning trend, these projections still significantly trail respondents' predictions of increased demand for services (84%) and increased expenses (82%).

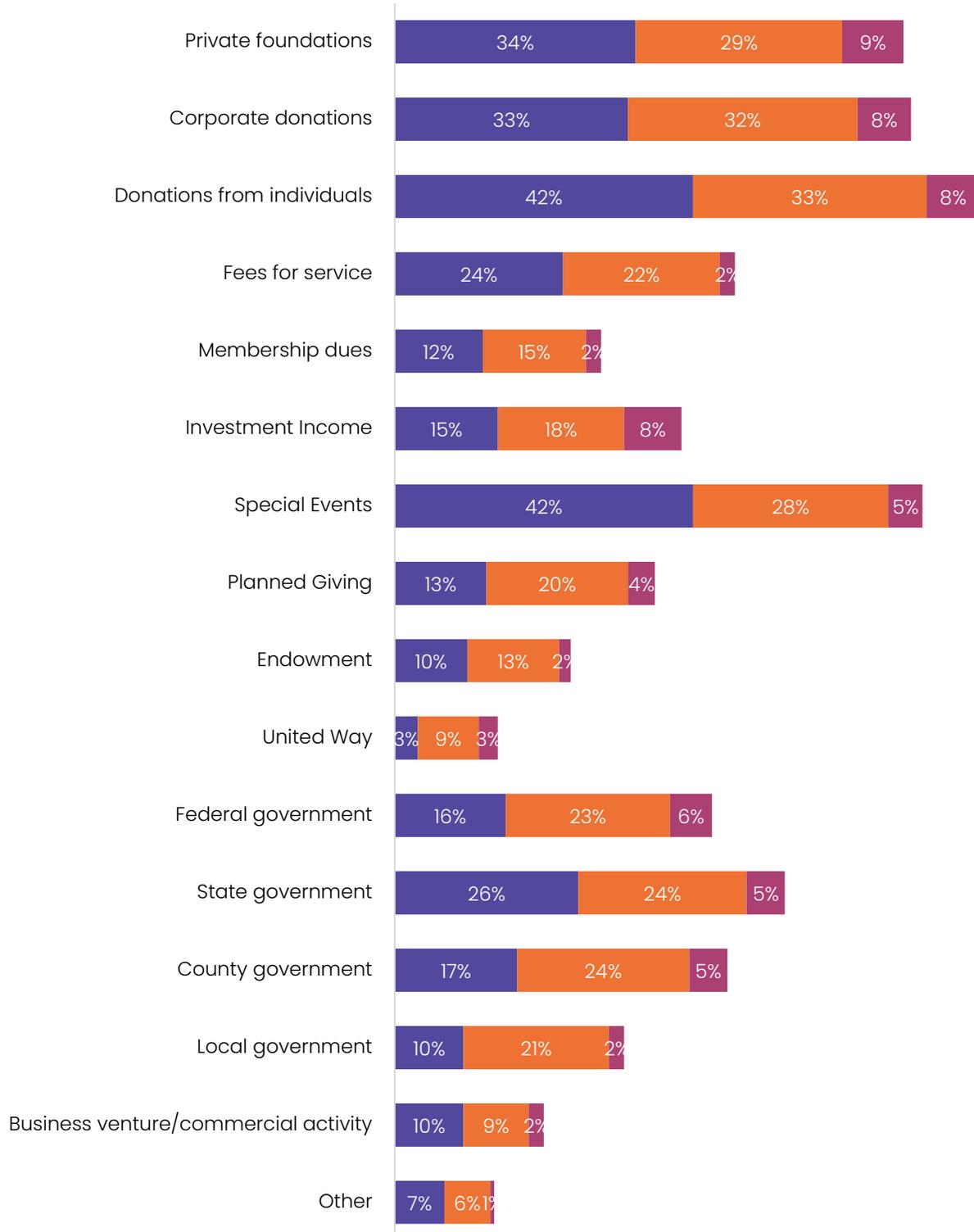
Funding outlook for 2023



Projected Funding from Specific Sources in 2023 vs. 2022

Nonprofits were more hopeful about donations from individuals and special events than they were about funding from other funding sources, with 42% of respondents predicting that funding from individuals and special events would rise in 2023. Respondents were more evenly split in predicting increased vs. level funding from foundations and corporations. Organizations with federal, county or local government funding were least optimistic about those sources in 2023, with flat funding outweighing projected increases. Many also expressed uncertainty about their predictions. (See chart on next page.)

Predicted Funding 2023 vs 2022



% responses reporting funding change per category (N=185)

■ Increase ■ No significant change ■ Decrease

Expenses

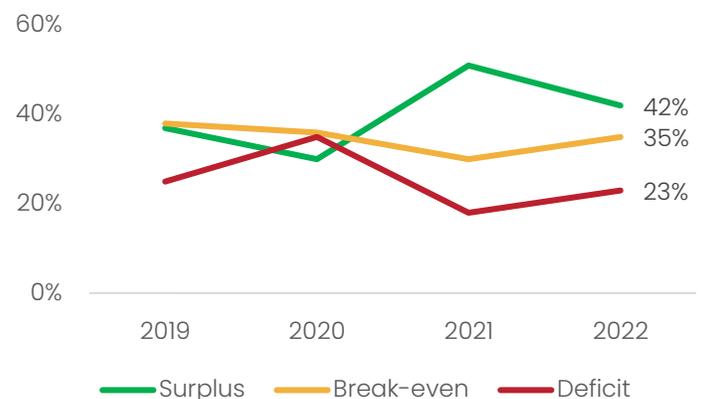
In 2022

Nearly three-quarters (71%) of respondents reported that expenses had increased in 2022 – a sharp uptick from the 52% in our previous survey, and likely a reflection of increased staffing costs and inflation generally. Only 2% reported that expenses had decreased in 2022, and 14% reported no change.

Revenue vs. Expenses in 2022

Two-fifths (42%) of respondents reported that revenues had exceeded expenses in their most recent fiscal year – a decline from the 51% who reported surpluses in our last survey. Likely causes include rising staffing costs, inflation, coupled with the discontinuation of key COVID-19 government relief programs and the expiration of the federal charitable giving incentive for non-itemizers at the end of 2021.

Year-End Income vs. Expenses, 2019-2022



Expense Predictions for 2023

Four-fifths (82%) of respondents expected **expenses** to rise in 2023. A much smaller percentage (52%) expected their total **funding** to rise in 2023.

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 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 26% reported a line of credit.

Among organizations with cash reserves, 20% reported having 1-3 months of operating funds; 31% had 3-6 months' worth; and 48% reported over six months of operating funds. Two-fifths (39%) indicated that their cash reserve remained relatively constant over the past year, 31% said that their reserve was larger, and 30% said it was smaller. This breakdown is somewhat worse than our previous survey, when only 14% reported their reserves had decreased, and is one likely indicator of the expense-to-funding gap identified by our respondents.

On a more encouraging note, among organizations with lines of credit, 23% reported having to borrow against the line of credit in 2021 (down from 43% who reported borrowing in last year's survey). Twenty-eight 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

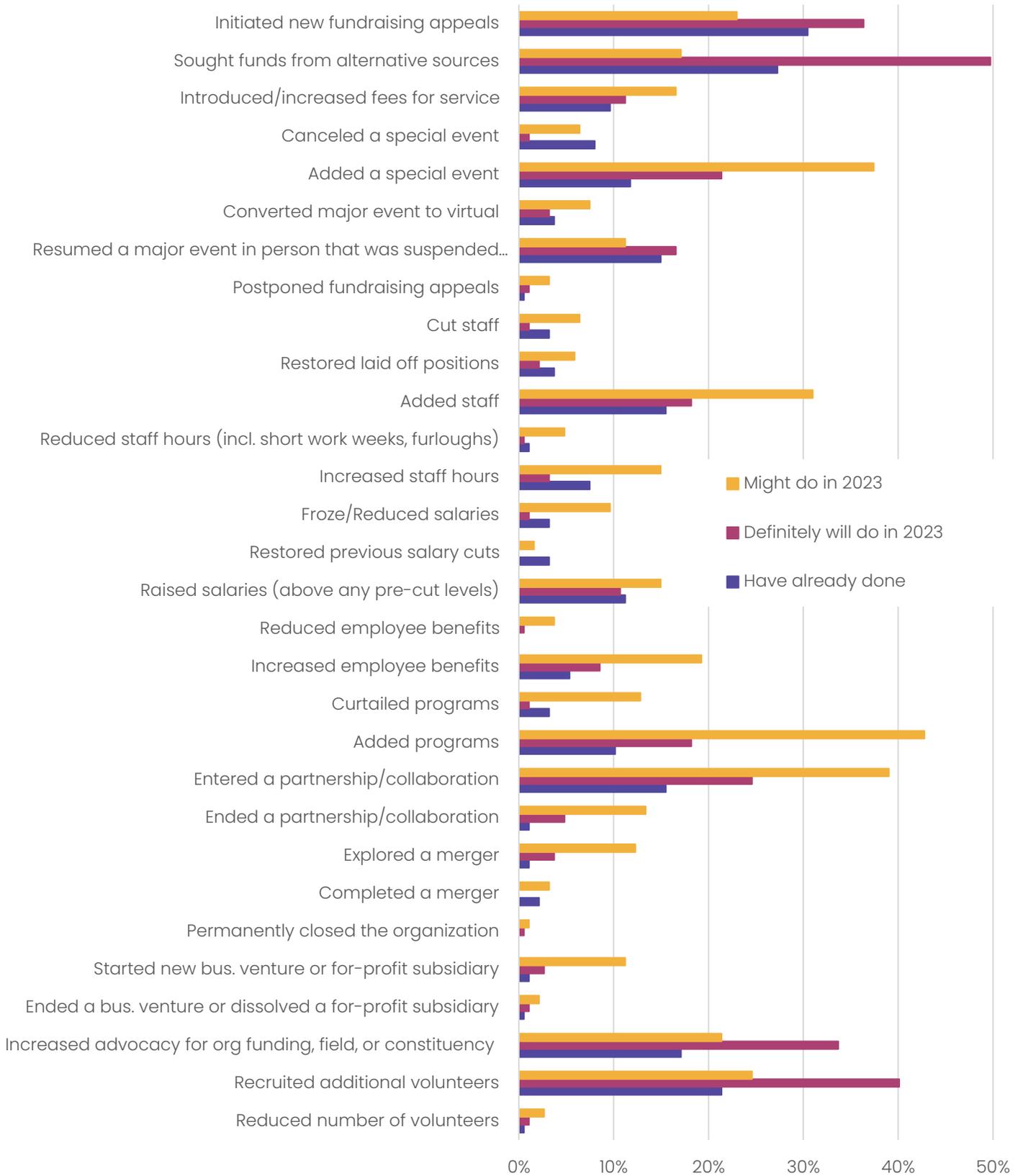
As in prior years, seeking additional resources to support their work was again the most common action taken by organizations, whether through new fundraising appeals, pursuing funding from alternative sources, adding special events or recruiting volunteers.

About one-third (34%) said that they had already added staff or definitely intended to do so in 2023.

Although operating virtually is not feasible for a number of nonprofit programs and organizations, 56% of respondents reported that they are operating in some form of hybrid fashion, with some functions being conducted remotely and others in person. Two-fifths (40%) are now operating completely in person – almost twice as many as a year ago – and only 4% are fully remote.

(See chart on next page for additional actions taken.)

Organization Reactions to Current Trends



% Responses Indicating Type of Action (N=187)

Partnerships/Collaborations

Similar to prior surveys, respondents reported a wide variety of collaborations, such as partnerships to prevent eviction and foreclosure; shared purchasing; swim lessons for clients of other organizations; nonprofit/higher education partnerships to promote college readiness; public/private partnerships to promote food security; joint fundraising and events; advocacy coalitions; and many others.

Two-fifths (41%) definitely planned to launch new collaborations in 2023 or had already done so, and an additional 39% were considering new partnerships. Sixteen percent said that they might, or definitely would, explore a merger in 2023.

Changes in Program/Service Focus

Many organizations reported altering their programming or delivery modes in response to changing trends. Examples included utilizing paid transportation to make up for drops in volunteers; exploring in-home childcare options; increased focus on food security; expanding delivery options; and adjusting geographic service areas. Others expanded their focus to increase mental health and trauma-informed services, and advance diversity and equity; and launched school-based programs to combat hate. Lack of resources, staffing or volunteers has taken its toll on some organizations, forcing the reduction or discontinuation of some programs.

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.

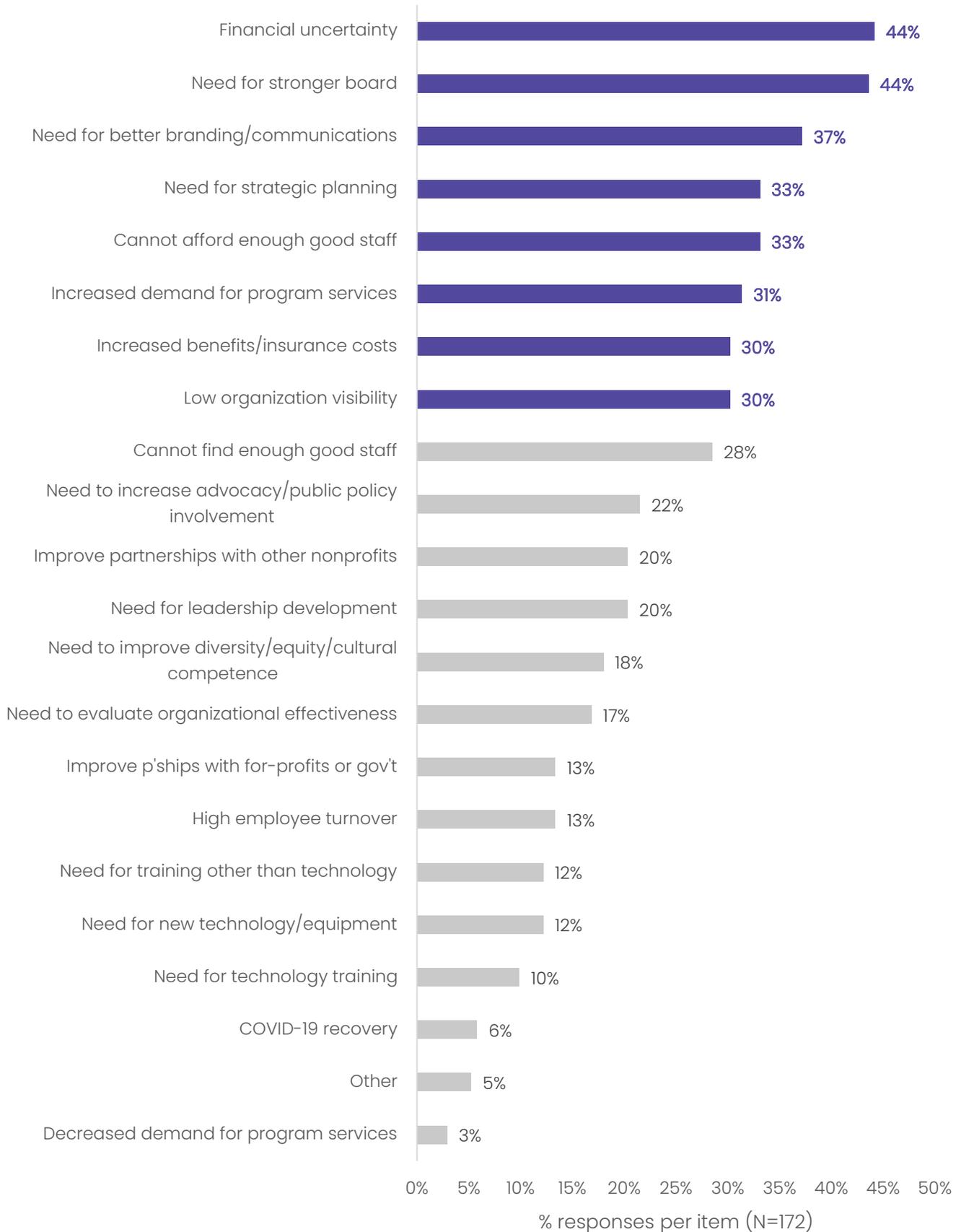
Individual Organizations

Asked to identify the issues presenting the greatest challenges to the viability of **their own organizations**, nonprofits most frequently mentioned financial uncertainty and the need for a stronger board (44% each), followed by branding and communications (37%), strategic planning (33%), affording staff (33%), increased benefits/insurance costs (31%), and low organization visibility (30% each). (See chart on next page.)

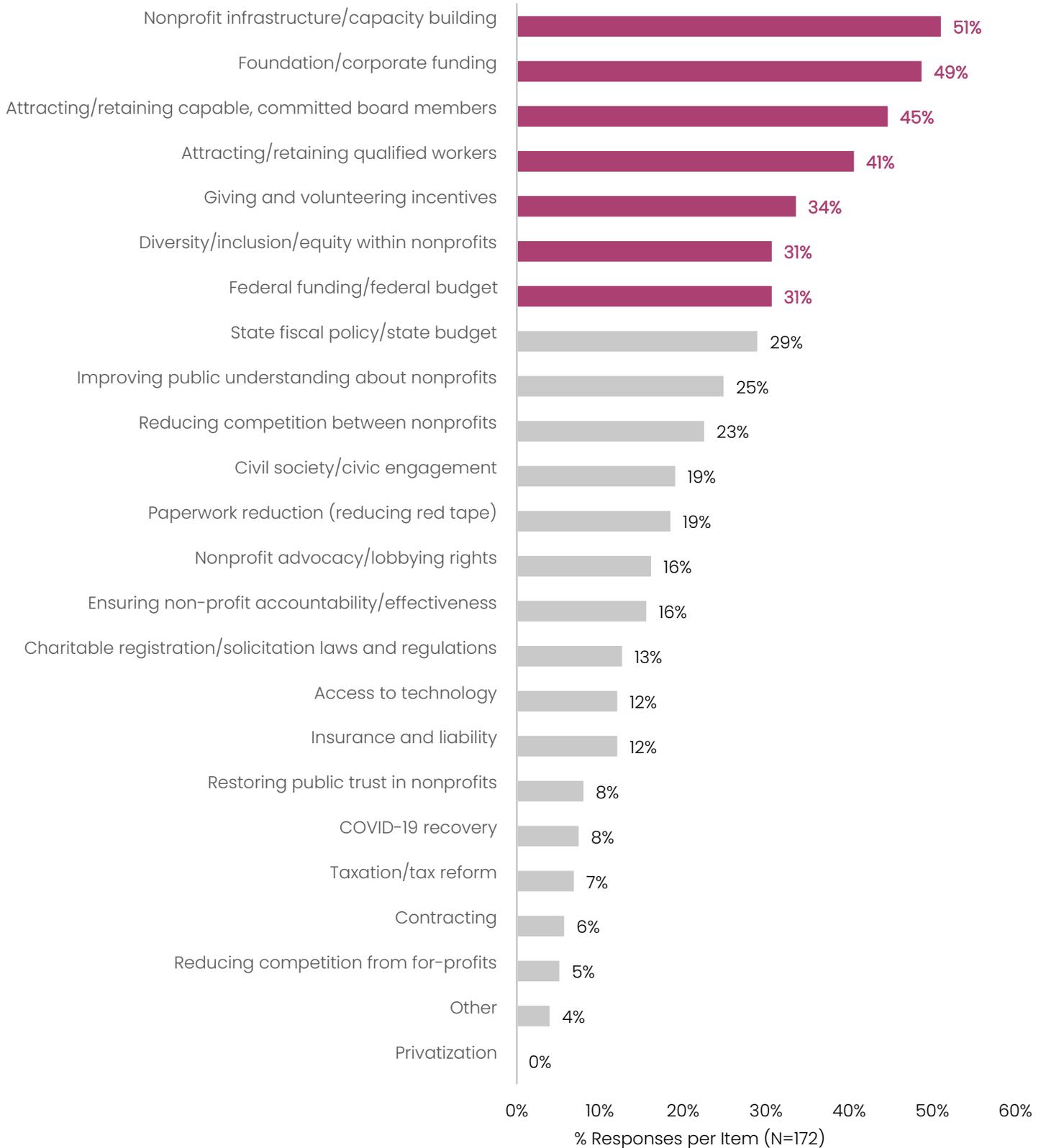
Nonprofit Sector Issues

Nonprofit infrastructure/capacity building was cited by 51% as the most pressing nonprofit sector issue, followed closely by foundation and corporate funding (49%), attracting board members (45%) and qualified workers (41%); giving and volunteering incentives (34%), and diversity, inclusion and equity within nonprofits and federal funding (31% each). (See chart on page 14.)

Challenges to Organization Viability/Effectiveness



Most Important Issues in Maintaining and Improving the NonProfit Sector in the Next Decade



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, particularly communities of color.

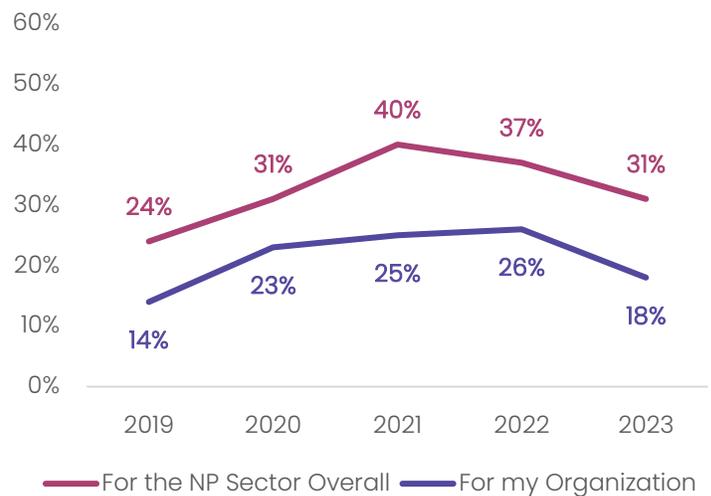
Just over half (55%) of responding organizations reported that they primarily serve communities of color (at least 50% of constituency served identify as people of color). While the current landscape is challenging for nonprofits generally, there are notable distinctions in the survey responses from organizations that reported that they primarily serve communities of color compared with those that don't.

- Organizations that primarily serve people of color comprised a greater proportion of "front-line" nonprofits such as those in human services, and were more likely to be operating entirely in-person vs. hybrid or remote.
- They were more likely to report that demand for services had risen in the past year, and more likely to predict that demand and expenses would rise in 2023.
- Although slightly more nonprofits serving people of color reported overall funding increases in 2022, they were also more likely to report that expenses had exceeded revenues in their most recent fiscal year, and 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.

A number of underlying factors contribute to these trends, including the longstanding racial wealth gap; heightened human needs and lingering, disparate impact of the pandemic 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.

In a troubling development, fewer respondents selected diversity and equity as among their "top 5" concerns in 2023 than in our past two surveys (see chart). There are several possible interpretations for this finding, but the need to intentionally and urgently prioritize and integrate this work into all aspects of mission, governance, operations and programming has not changed.

Fewer Respondents Selected Diversity/Equity/Inclusion as a "top-5" issue in 2023



Overall Circumstances and Outlook

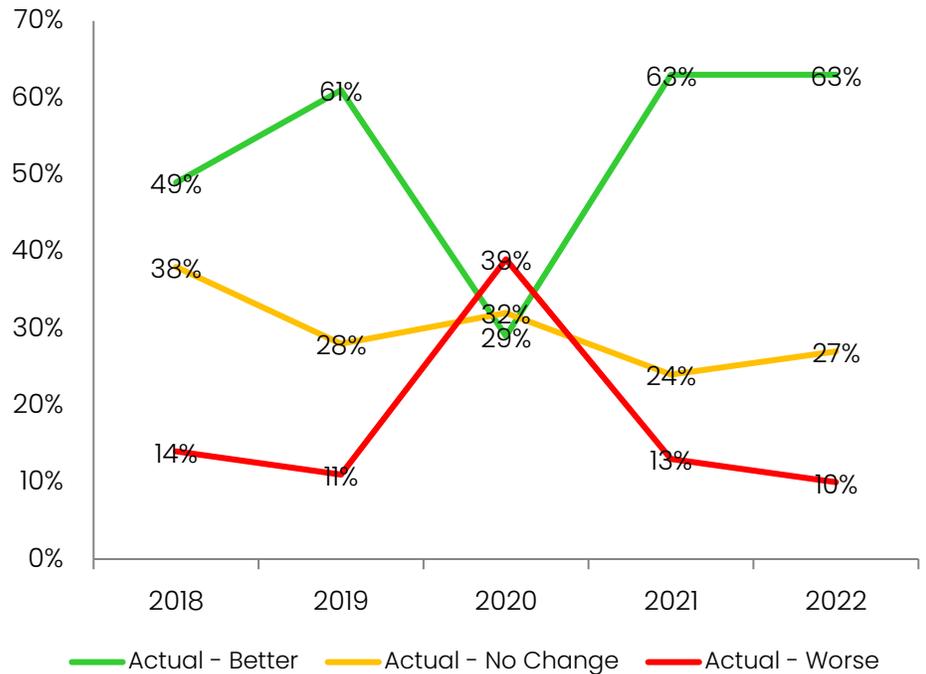
Comparison with One Year Ago

More than 60% said that their organizations' overall circumstances were better than one year ago while only 10% said that they were worse. These numbers are comparable to our last survey, and understandably much more positive than during the height of the pandemic.

Outlook for 2023

Nonprofits' outlook for the coming year was also hopeful, with 62% predicting their situation would be better one year from now. Only 2% felt their circumstances would be worse and 11% predicted little change, and the remainder were uncertain about their prospects.

How nonprofits view their circumstances vs. one year ago



The Need to Invest in Nonprofits and Social Infrastructure

This year's survey findings underscore the importance of nonprofits to thriving communities for all New Jerseyans. As we continue to navigate pandemic recovery and murky economic waters, and combat longstanding racial injustices, people are relying on nonprofits in increasing numbers for care, relief, education, well-being, inspiration, societal solutions and catalysts for change. The importance of nonprofits as employers and economic drivers also cannot be overstated.

In this climate, public policies and strengthened government/nonprofit/philanthropic partnerships to shore up nonprofits missions for the greater good are a clear imperative. Policies and practices that provide resources, incentivize charitable giving, recognize the expertise of nonprofits and communities, and involve them as full partners in decisionmaking will fuel equity and improve community impact.

The New Jersey Center for Nonprofits looks forward to continuing to share information, advocate, and work with partners to foster connections and promote constructive public policies and solutions.

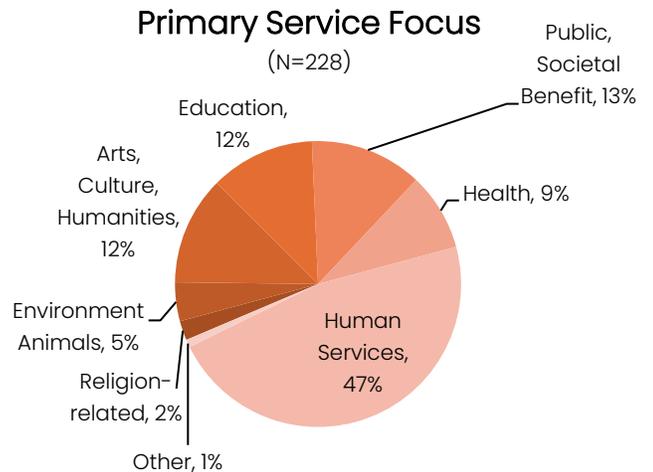
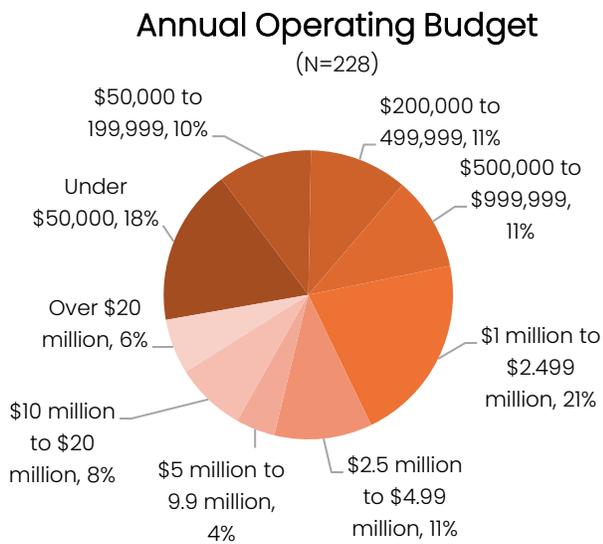
Background and Methodology

The **New Jersey Nonprofit Trends and Outlook 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 February 2023 to assess how nonprofits fared in 2022 and to determine their outlook for the coming year. An email announcement with a link to the survey was sent to approximately 4,800 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 membership organizations serving nonprofits in the state. All communications encouraged recipients to share the survey notice/instrument broadly within their own networks. The 228 responses from New Jersey 501(c)(3) organizations that were submitted as of February 24, 2023, were included in this analysis.

Who participated in the survey?

This report is drawn from responses of the 228 New Jersey 501(c)(3) organizations that completed the survey from February 1- 24, 2023. The graphs below show the distribution of the nonprofits’ mission focus, geographical location, and budget size.



Geographic Location of Organizations	
North	46%
Central	34%
South	20%

Respondents’ Primary Office Location by County					
Atlantic	1.3%	Gloucester	1.3%	Ocean	7.0%
Bergen	4.8%	Hudson	4.8%	Passaic	2.2%
Burlington	3.9%	Hunterdon	1.3%	Salem	0.9%
Camden	4.4%	Mercer	8.8%	Somerset	6.1%
Cape May	0.9%	Middlesex	5.7%	Sussex	0.9%
Cumberland	0.4%	Monmouth	12.3%	Union	7.0%
Essex	14.9%	Morris	10.1%	Warren	0.9%



A Vibrant Network of Champions

New Jersey's nonprofits are a vital force for advancing a just, thriving, and equitable society.

New Jersey Center for Nonprofits is their backbone. For 40 years, the Center has mobilized nonprofits to come together to share knowledge, amplify a collective voice, get expert advice, and advocate for a strong nonprofit community that protects the greater good in the Garden State.



Champion & Advocate

- **The hub** for NJ nonprofits
- **Advocating for nonprofits** in Trenton & DC
- **Raising awareness** through public education
- **Documenting trends** through surveys & research reports
- **Uniting our state's nonprofits** around common goals



Advance Knowledge

- **High quality** management & compliance information
- **Expert phone & email advice** - with priority access for members
- **Timely news & articles** online & email
- **Affordable professional development** trainings & webinars on timely topics
- **Customized training** for your specific needs



Convene & Foster Connections

- **Connecting nonprofits** to each other and to government and business networks
- **The "Don't Miss!"** annual NJ Nonprofit Conference
- **Issue briefings, town halls, and strategic convenings** for nonprofits & allies
- **Issue-specific task forces**
- **Member Mondays** for informal discussion, networking, & shared strategy



Help Nonprofits Stretch Resources

- **Leveraging nonprofit dollars** as the first-stop resource for all your nonprofit needs
- **Cost-saving programs:** D&O insurance, unemployment trust, payroll & more
- **High-traffic nonprofit jobs board** - free postings for members
- **Discounts** on Center events, workshops, & publications for members

Together, we envision a NJ nonprofit community that is strong, vibrant, valued, and effective.
Together, we engage for equitable communities for a thriving quality of life in our state.

New Jersey Center for Nonprofits

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