



## Report highlights progress, challenges for state's nonprofits

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A persistent gap between rising demand for services and lagging resources continues to pose challenges for the state's nonprofit organizations, according to a [new report](#) by the [New Jersey Center for Nonprofits](#). [New Jersey Nonprofits: Trends and Outlook 2023](#), the Center's annual survey of the nonprofit community, shows that nonprofits have experienced improved circumstances compared to the worst of the pandemic, but economic concerns, resource scarcity, the ending of government relief programs and key federal charitable giving incentives, and ongoing racial inequities all affect their ability to address continually escalating community needs. New Jersey's nonprofits are a major part of the economy, employing nearly 10% of the state's private workforce.

The survey results were presented at a web briefing, "The State of the New Jersey Nonprofit Community," on March 16, 2023. Among the major findings:

- **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. 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. Similarly, 84% expect demand for their services will rise in 2023 and 82% are projecting increased expenses, but only half (52%) expect that their funding will increase.
- Nonprofits are still struggling with **significant workforce shortages** that threaten their ability to meet community needs. More than half (53%) of nonprofits with employees reported that they had staff 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.
- Advancing **diversity, equity, inclusion and belonging** as a permanent and intentional priority of all aspects of nonprofit work remains critically important. Nonprofits that primarily served communities of color were more likely to be engaged in front-line services such as human services and health, where rising demand for services and increasing expenses are especially acute.

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“Nonprofits have shown time and time again how critical they are to the well-being of all New Jerseyans, and as valuable partners to the government for our communities,” commented Linda Czipo, President & CEO of the New Jersey Center for Nonprofits. “The survey underscores the need for resources and supportive public policies to help nonprofits do this work.”

Czipo mentioned tax incentives for people who donate to charity as one policy change that is desperately needed. Under current federal law, charitable gifts are only tax deductible to the approximately 10% of taxpayers who itemize on their federal returns. A modest deduction for non-itemizers was passed by Congress as part of pandemic relief legislation, but the deduction expired at the end of 2021. New Jersey does not have a state-level income tax deduction for charitable donations, although legislation to create one has been introduced.

One-third of survey respondents identified charitable giving and volunteering incentives as one of the top issues affecting the nonprofit sector for the coming decade. Financial and funding concerns, strengthening boards, affording enough staff, and planning and communications were also identified frequently.

More than 60% said that their organizations’ overall circumstances were better than one year ago while only 10% said that they were worse. 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 Center has conducted this survey annually since 2001. It tracks prior year funding and expenses, outlook for the coming year and actions taken by nonprofits to address trends. The 2023 report is based on responses from 228 New Jersey 501(c)(3) organizations between February 1 through 24.

Support for the [New Jersey Nonprofits: Trends and Outlook 2023](#) report was provided by CLA (CliftonLarsonAllen LLP; the SobelCo team joined CLA in February 2023).

*The [New Jersey Center for Nonprofits](#) is the statewide network, champion and go-to resource for and about New Jersey’s nonprofit community. Founded in 1982, the Center exists to build the power of New Jersey’s nonprofit community to improve the quality of life for all people of our state. The Center provides professional education, advocacy, resources, training and information to strengthen nonprofits and help them thrive in pursuit of their charitable work. The Center is a New Jersey nonprofit organization and a 501(c)(3) publicly supported charity. For more information, visit [njnonprofits.org](http://njnonprofits.org).*

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