



NEW JERSEY NONPROFITS

Trends and Outlook 2024



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New Jersey Nonprofits

Trends and Outlook 2024

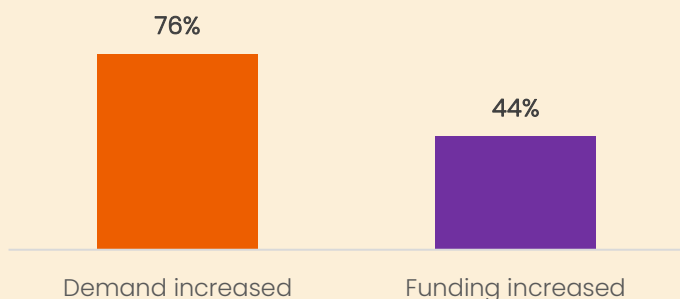
Executive Summary

The New Jersey Center for Nonprofits conducted its annual survey of New Jersey nonprofits online from January 23–February 12, 2024, to assess how nonprofits fared in 2023 and to gauge their outlook for the coming year. This report is based on the 198 online responses from New Jersey 501(c)(3) organizations submitted during the survey period.

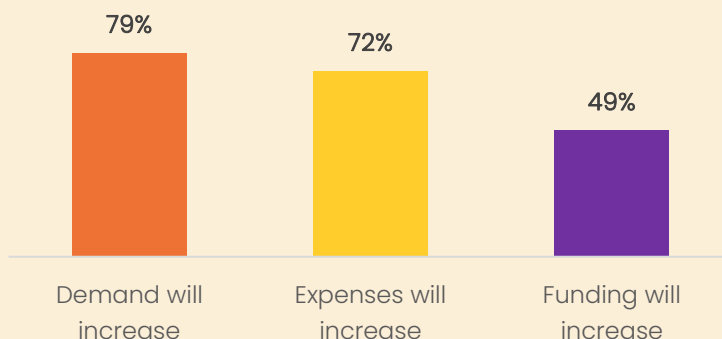
The report reveals a number of recurring themes, along with new challenges and opportunities.

- **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. Of potential concern, other issues have eclipsed diversity and equity-related topics among respondents' top 5 concerns for their own organizations or the nonprofit community overall, though there are a number of possible reasons for the shift.

Increased demand for services outpaced funding increases in 2023



More nonprofits expect demand for services and expenses to rise in 2024 than funding



Half of respondents with employees reported **staff shortages**, with an **average vacancy rate of 20%**.

These shortages pose significant challenges to program delivery.

Actions Taken

- As in previous surveys, 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.
- Nearly one-quarter (24%) planned to add staff, while 34% said they would consider doing so.
- Fifty-seven percent are operating on a hybrid basis (part in-person, part virtual) – comparable to one year ago – and 42% are fully 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 adaptations to address the needs of immigrants; increasing mobile services; combining health and diversity, equity and inclusion focus in arts and other programming; and adjustments in geographic service areas and staffing.

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 (51%)
- Cannot afford enough good staff (44%)
- Need for a stronger board (43%)
- Increased benefits/insurance costs (39%)
- Need for better branding or communications (38%)
- Increased demand for program services (32%)

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:

- Foundation/corporate funding (53%)
- Nonprofit infrastructure/capacity building (49%)
- Government grants/contracting (48%)
- Attracting/retaining qualified workers (40%)
- Attracting/retaining capable, committed board members (39%)

Overall Outlook

Fifty-six percent of respondents said that their organizations' overall circumstances were better than one year ago, while 14% said that they were worse. These numbers are slightly less positive than our last survey, but understandably much more positive than during the height of the pandemic. Nonprofits' outlook for 2024 was fairly positive, with 54% predicting their situation would be better one year from now. Only 3% felt their circumstances would be worse and 13% predicted little change, and the remainder were uncertain about their prospects.

Strengthening Nonprofits is a Wise Investment

Amid prolonged economic and societal upheaval, people continue to look to nonprofits for physical, mental and spiritual well-being, safe spaces for dialogue and community, to combat deep-seated racial injustices, and as voices and catalysts for change. Nonprofits are vital parts of our communities as well as key employers and components of a strong economy. Government has relied increasingly on nonprofits for critical services to state residents.

If staffing shortages and resource scarcity are allowed to persist, the ability of nonprofits to meet the needs of our residents will continue to be in jeopardy. Increasing and incentivizing sustained and flexible giving, simplifying funding processes, and strengthening partnerships are all important parts of a broad-based strategy. Equally important is for nonprofits to keep raising their voices to champion long-term change to advance a thriving, equitable New Jersey and society for all.

New Jersey Nonprofits

Trends and Outlook 2024

Survey underscores persistent need for more investment in nonprofits

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 41,000+ 501(c)(3) organizations employ 330,000 people—nearly 10% of the state's private workforce—spending more than \$56 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.

Crises such as the COVID-19 pandemic and its aftermath have underscored the vital importance of the nonprofit community, with nonprofits filling critical human needs and alleviating social and economic distress. But nonprofits have always been indispensable parts of communities, agents of change, and are essential partners in creating a thriving New Jersey for everyone.

In many ways, our 2024 survey findings mirror those of prior years: demand for nonprofit services is outpacing needed resources, and financial uncertainty remains high. But they also show some notable shifts, particularly a spike in concerns about labor force shortages and the ability to afford needed employees. In this climate, there is added urgency to boost investment in nonprofits, their programs and communities in service to the public good.

Demand for services continues to outpace resources

Our surveys have long documented a persistent gap between the demand for nonprofits' programs and the resources needed to meet them, posing dire implications for everyone who relies on nonprofits.

Three-quarters (75%) of surveyed nonprofits reported that demand for services rose in 2023, but only 44% said that their funding increased in the same period. The situation was most acute in human services organizations, but increased demand was widely reported by nonprofits in all fields.

This situation is expected to continue in 2024. Four-fifths (79%) of organizations expect demand for their services will rise in the coming year and 72% are projecting increased expenses, but only half (59%) expect that their funding will increase.

Labor Force Shortages Persist

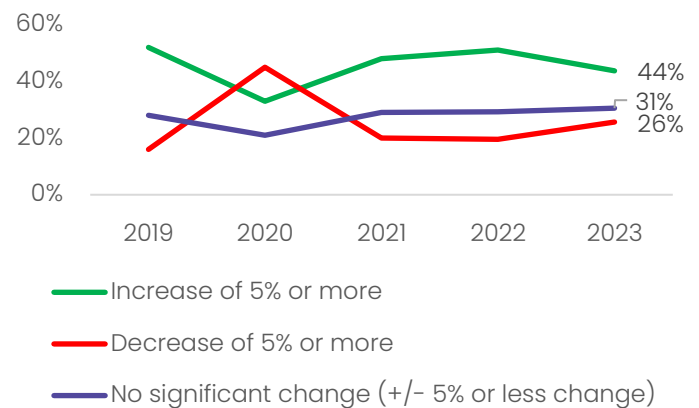
Workforce shortages continue to pose challenges for New Jersey's nonprofit community, with significant implications for program and service delivery. Half (50%) of all survey respondents with employees reported that they are experiencing staffing shortages, with an average vacancy rate of 20%. The biggest identified obstacles to filling vacancies included difficulty offering competitive compensation due to budget constraints or insufficient funding; competition for employment; worker shortages in specific professions or industries; and a mismatch between employees' desire for flexibility and the requirements of certain employers or positions.

Trends in Funding

Total Funding 2023 vs. 2022

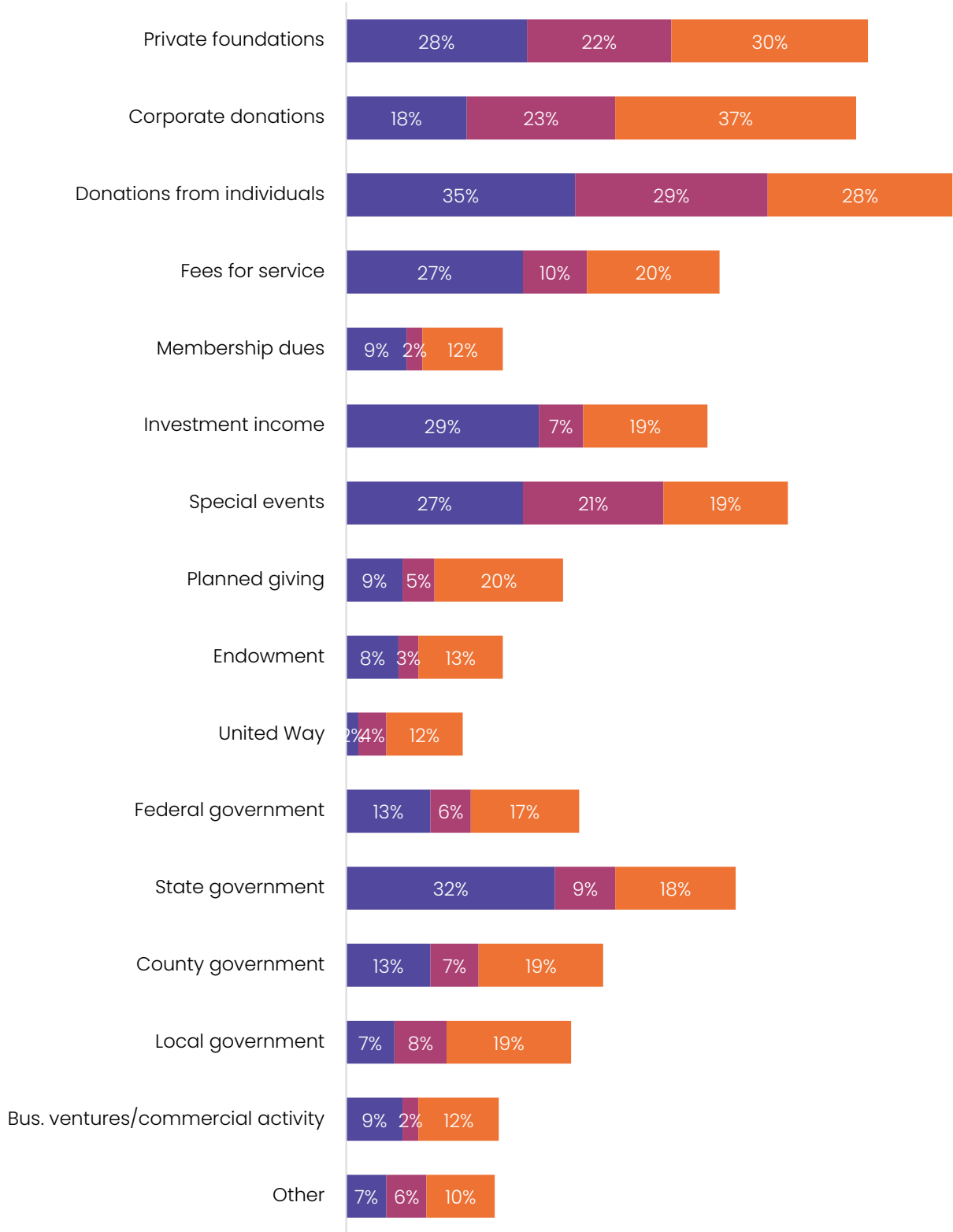
Less than half (43%) of respondents reported that overall funding had increased in 2023 compared with the year before – far short of the 76% of organizations that experienced demand for services (see chart on page 1). One-quarter (26%) percent reported that funding had decreased in the past year, while 31% noted no significant change. Some of this may be a reflection of the expiration of key government COVID-relief programs such as the Paycheck Protection Program and Employee Retention Tax Credit.

Funding compared to prior year



Breaking down these trends by funding type, slightly more nonprofits reported funding increases from individual donations than other sources, followed by investment income, private foundations, special events, and fees for service. In many funding categories, flat or decreased funding occurred with as much frequency as increases. (See chart on next page.)

Funding Changes 2023 vs 2022



% responses reporting funding change per category (N=163)

■ Increase ■ Decrease ■ No significant change

Funder/Nonprofit Partnerships and Practices: Opportunities for More Change

For quite some time, funders have been urged to embrace more flexibility and transparency in their grantmaking, but the calls for change took on an added urgency in the context of the pandemic and heightened outcry for racial and social justice in 2020-21.

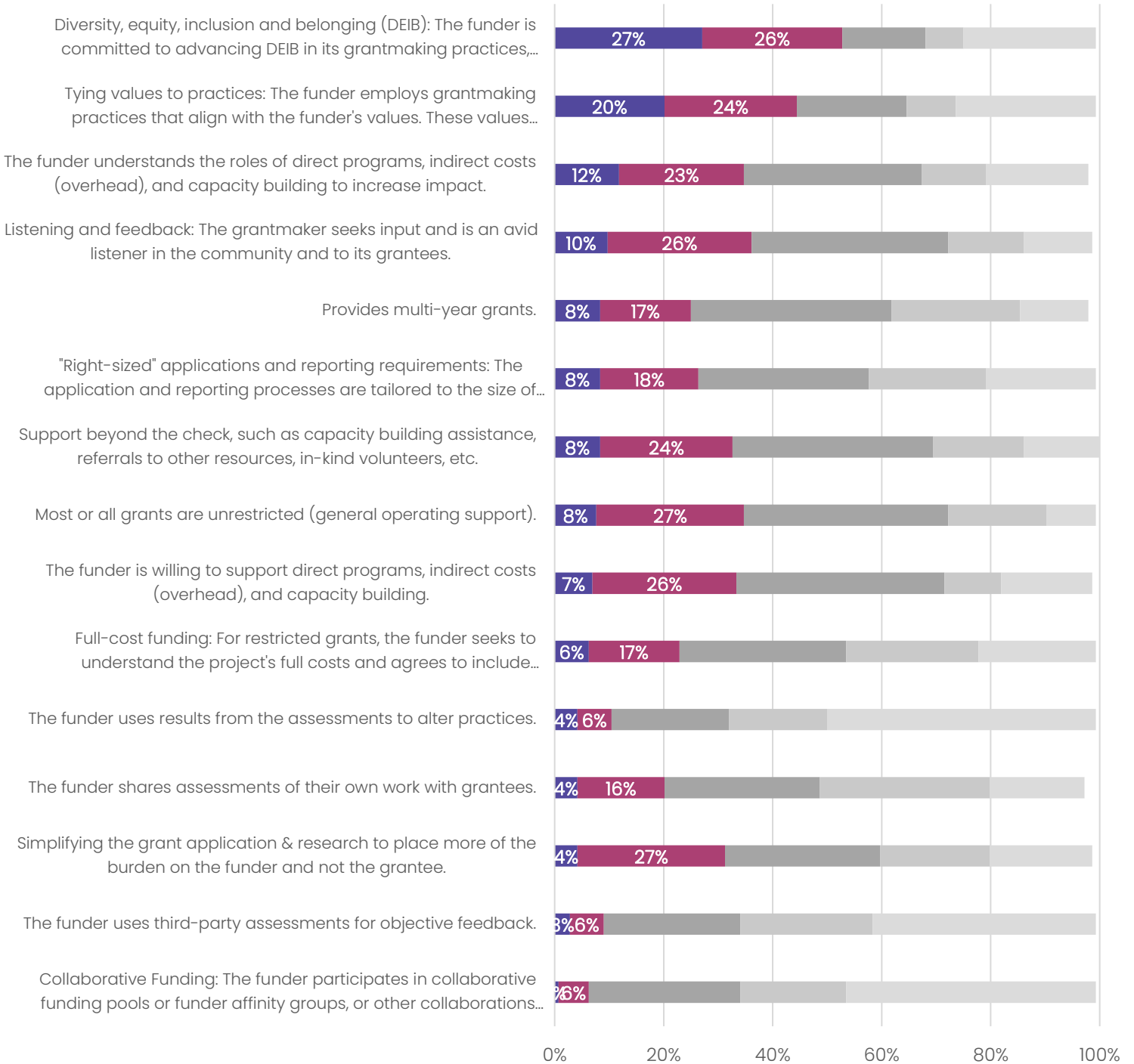
Practices such as unrestricted support, simplified application and reporting procedures, multi-year funding and others have been cited as ways to level power imbalances, advance equity, strengthen relationships between funders and their nonprofit partners, and improve community impact. This year's survey updated a series of questions from 2022 regarding nonprofits' perceptions of their funders' practices and procedures.

Leaders in New Jersey, including the New Jersey Center for Nonprofits, the Council of New Jersey Grantmakers, and a number of funders and nonprofit advocates, have been working to encourage change through our joint **Doing Good Better** initiative and in other ways.

Asked about their experience with their own funders, with the exception of advancing diversity, equity, inclusion and belonging, no more than 20% of nonprofits reported that "many or most" of their funders engaged in any of these practices. (See *chart, page 8.*) While this year's data shows some progress compared with the findings from 2022, more opportunities remain. Additional information and updates on this work will be shared separately.

Nonprofits' Impressions of their Funders' Practices

(n=144)

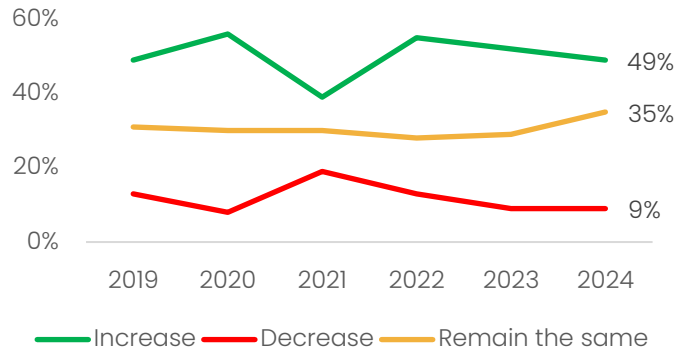


- Many or most (more than 50%) of my funders already do this.
- Some (between 11% and 50%) of my funders do this.
- Few (between 1% and 10%) of my funders do this.
- None of my funders do this.
- I don't know if my funders do this.

Funding Outlook for 2024

Half (49%) of respondents predicted that their overall funding would rise in 2024, while 35% projected steady funding and 9% predicted decreases. These projections significantly trail respondents' predictions of increased demand for services (79%) and increased expenses (72%).

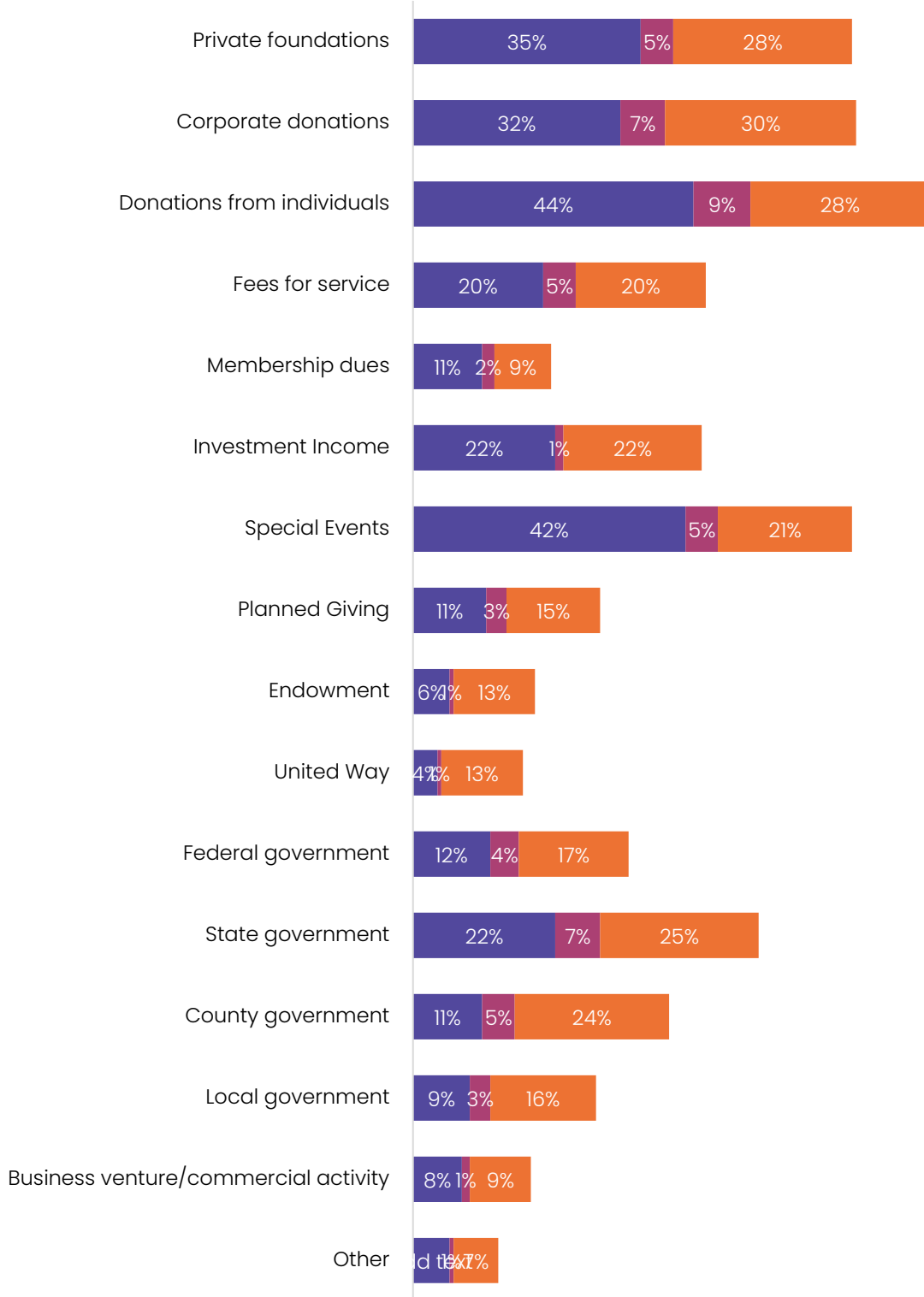
Funding Outlook for 2024



Projected Funding from Specific Sources in 2024 vs. 2023

Nonprofits were comparatively more optimistic about donations from individuals and special events than they were about funding from other funding sources, with 44% of respondents predicting that funding from individuals and special events would rise in 2024. 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 2024 vs 2023



% responses reporting funding change per category (N=158)

■ Increase ■ Decrease ■ No significant change

Expenses

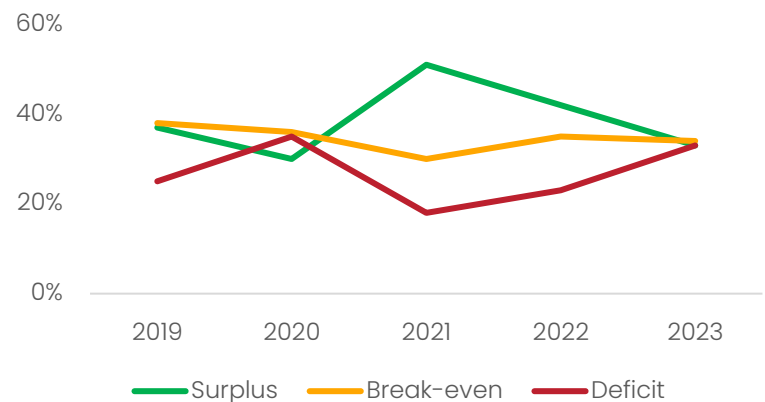
In 2023

Three-quarters (75%) of respondents reported that expenses had increased in 2023, likely a reflection of increased staffing costs and inflation generally. Ten percent reported that expenses had decreased in 2023, and 15% reported no change.

Revenue vs. Expenses in 2023

One-third (33%) of respondents reported that revenues had exceeded expenses in their most recent fiscal year, with similar numbers reporting break-even years or deficits. This is a decline from the 51% who reported surpluses in our 2021 survey and the 42% who reported surpluses in 2022. Likely causes include rising staffing costs, inflation, 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, 2019–2023



Expense Predictions for 2024

Nearly three-quarters (72%) of respondents expected **expenses** to rise in 2024. A much smaller percentage (49%) expected their total **funding** to rise in 2024.

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. Two-thirds (66%) 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 38% reported a line of credit.

Among organizations with cash reserves, 26% reported having 1–3 months of operating funds; 28% had 3–6 months' worth; and 44% reported over six months of operating funds. Forty-five percent indicated that their cash reserve remained relatively constant over the past year, 32% said that their reserve was larger, and 23% said it was smaller.

Among organizations with lines of credit, 51% reported having to borrow against the line of credit in 2023. Forty-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.

Organization Reactions to Emerging Trends

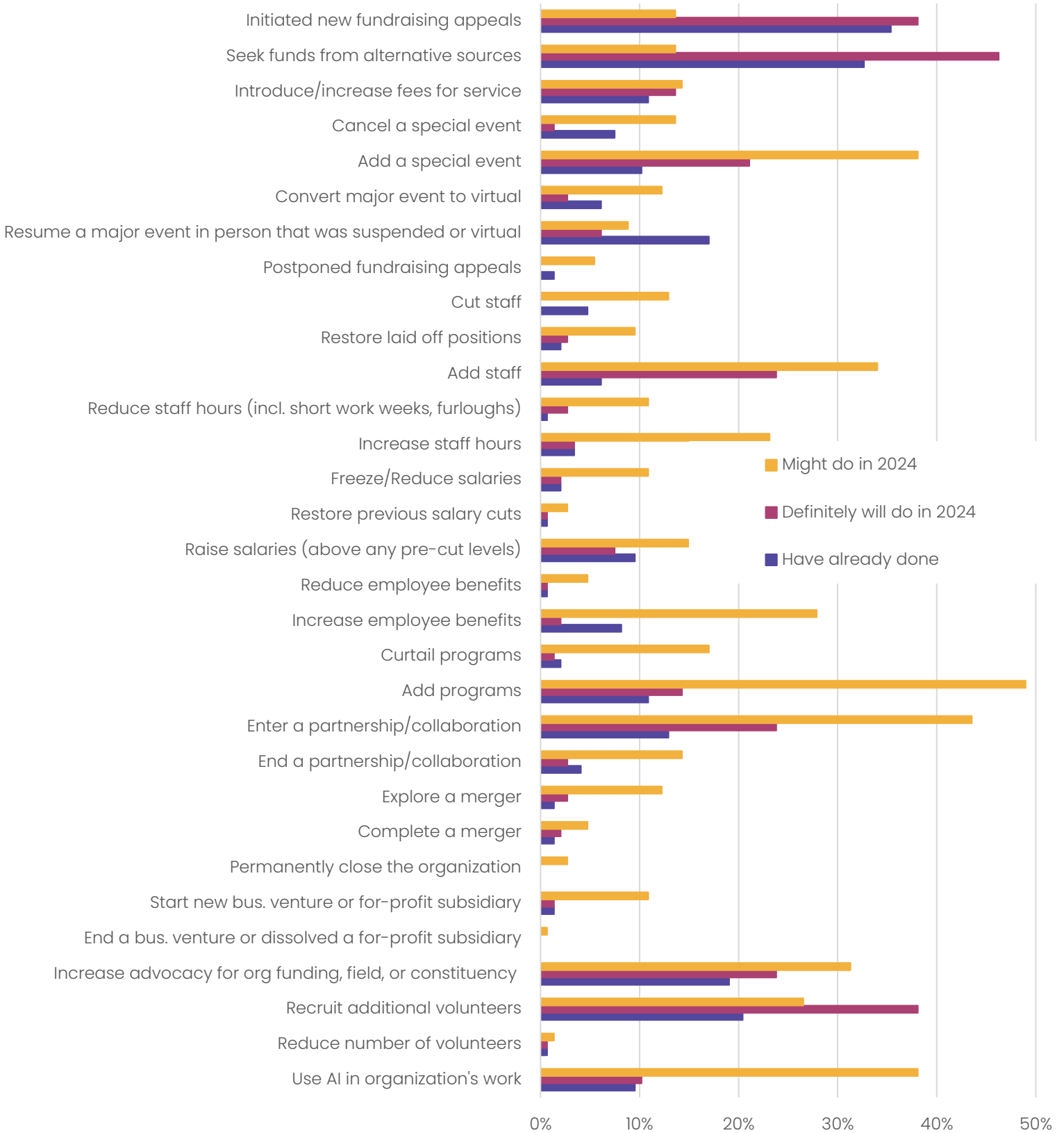
As in prior years, seeking additional resources to support their work was again the most common action taken by organizations, whether through new fundraising appeals, pursuing funding from alternative sources, adding special events or recruiting volunteers. Nearly one-quarter (24%) planned to add staff, while 34% said they would consider doing so.

Although operating virtually is not feasible for a number of nonprofit programs and organizations, similar to our 2023 survey, 57% 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 (42%) are now operating fully in person.

The use of artificial intelligence (AI) is attracting growing attention among our respondents. One-fifth (20%) indicated that they had either already used AI in their work or definitely planned to do so, while an additional 38% said they were considering it.

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

Organizations' Reactions to Current Trends



% Responses Indicating type of action (N=147)

Partnerships/Collaborations

Similar to prior surveys, respondents reported a wide variety of collaborations, such as partnerships to build affordable homes or provide medical, dental or vision services; collaborative grant programs; joint fundraising; shared purchasing; advocacy coalitions; and many others.

Thirty-seven percent definitely planned to launch new collaborations in 2024 or had already done so, and an additional 44% were considering new partnerships. Fifteen percent said that they might, or definitely would, explore a merger in 2024.

Changes in Program/Service Focus

Many organizations reported altering their programming or delivery modes in response to changing trends. Examples included adaptations to address the needs of immigrants; increasing mobile services; combining health and diversity, equity and inclusion focus in arts and other programming; and adjustments in geographic service areas and staffing.

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. Infrastructure, capacity and labor force issues dominated the rankings.

Individual Organizations

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

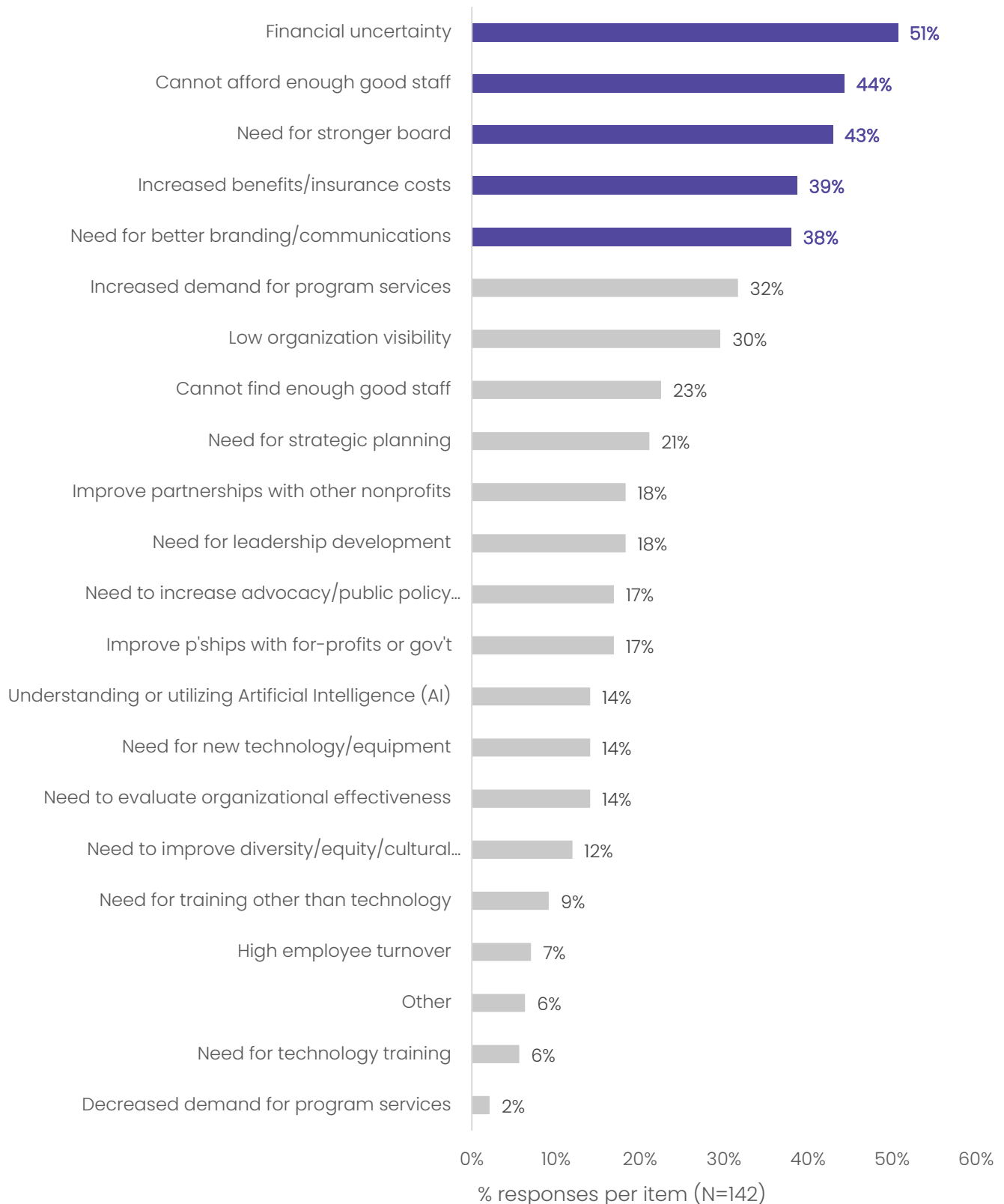
- Financial uncertainty (51%)
- Cannot afford enough good staff (44%)
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- Need for better branding or communications (38%)
- Increased demand for program services (32%)

(See chart on next page.)

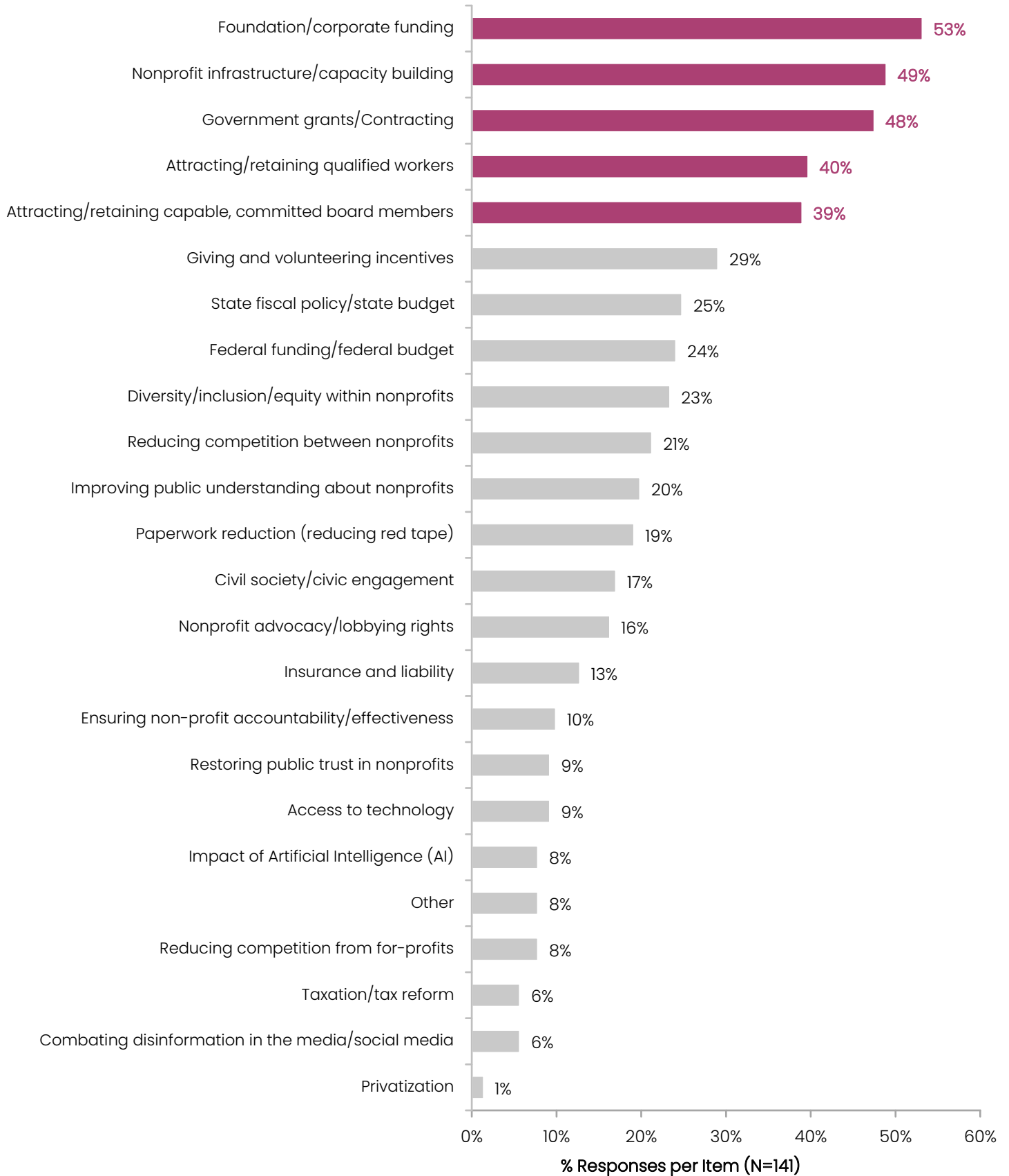
Nonprofit Sector Issues

Foundation and corporate funding was cited by 53% as the most pressing nonprofit sector issue, followed by nonprofit infrastructure/capacity building (49%) and government grants/contracting (48%, a sharp spike from previous survey rankings). Attracting and retaining qualified workers (40%) and capable, committed board members (39%) rounded out the top five. (See chart on page 16.)

Challenges to Organization Viability/Effectiveness



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



Diversity, Equity, Inclusion and Belonging (DEIB)

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.

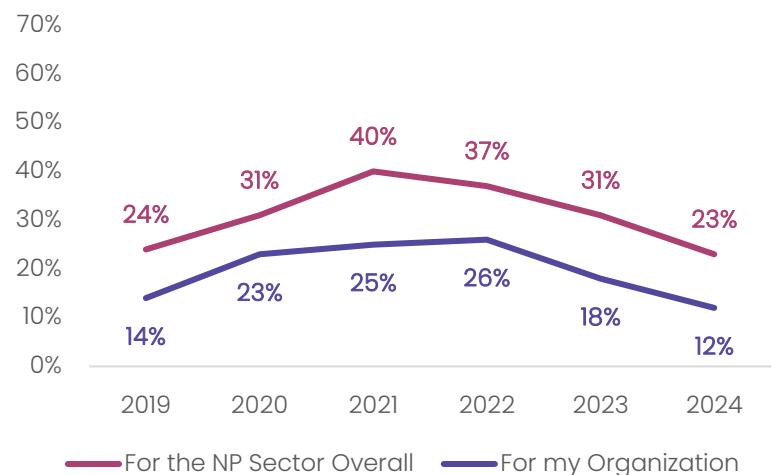
Approximately two-thirds (64%) of responding organizations reported that they primarily serve communities of color (at least 50% of constituency served identify as people of color). The survey responses revealed some notable distinctions from organizations that reported that they primarily serve communities 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.
- Similar to last year's survey, although slightly more nonprofits serving people of color reported overall funding increases in 2023, 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.

As we posited a year ago, 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.

It's also worth noting that fewer respondents selected diversity and equity as among their "top 5" concerns in 2024 than in our past three surveys (see chart). There are several possible interpretations for this finding, but given the societal landscape, the need to intentionally and urgently prioritize and integrate this work into all aspects of mission, governance, operations and programming has not changed.

Other issues eclipsed diversity/equity/inclusion as a "top-5" issue in 2024



Overall Circumstances and Outlook

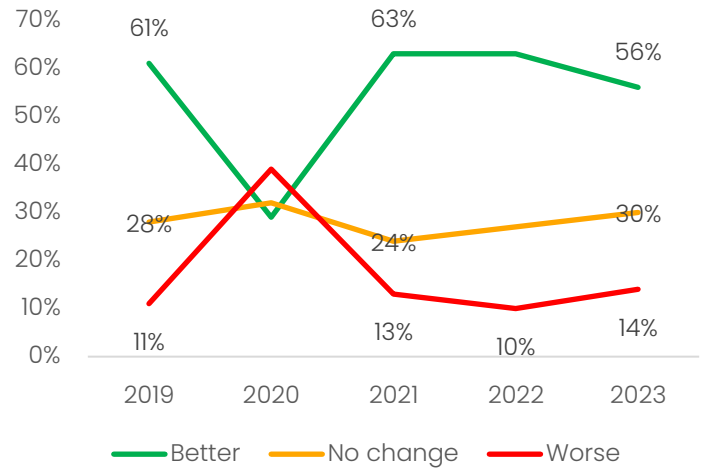
Comparison with One Year Ago

Fifty-six percent of respondents said that their organizations’ overall circumstances were better than one year ago while 14% said that they were worse. These numbers are slightly less positive than our last survey, but understandably much more positive than during the height of the pandemic.

Outlook for 2024

Nonprofits’ outlook for the coming year was fairly positive, with 54% predicting their situation would be better one year from now. Only 3% felt their circumstances would be worse and 13% predicted little change, and the remainder were uncertain about their prospects.

Nonprofits' circumstances vs. one year ago



Strengthening Nonprofits is a Wise Investment

Amid prolonged economic and societal upheaval, people continue to look to nonprofits for physical, mental and spiritual well-being, safe spaces for dialogue and community, to combat deep-seated racial injustices, and as voices and catalysts for change. Nonprofits are vital parts of our communities as well as key employers and components of a strong economy. Government has relied increasingly on nonprofits for critical services to state residents.

If staffing shortages and resource scarcity are allowed to persist, the ability of nonprofits to meet the needs of our residents will continue to be in jeopardy. Increasing and incentivizing sustained and flexible giving, simplifying funding processes, and strengthening partnerships are all important parts of a broad-based strategy. Equally important is for nonprofits to keep raising their voices to champion long-term change to advance a thriving, equitable New Jersey and society for all.

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.

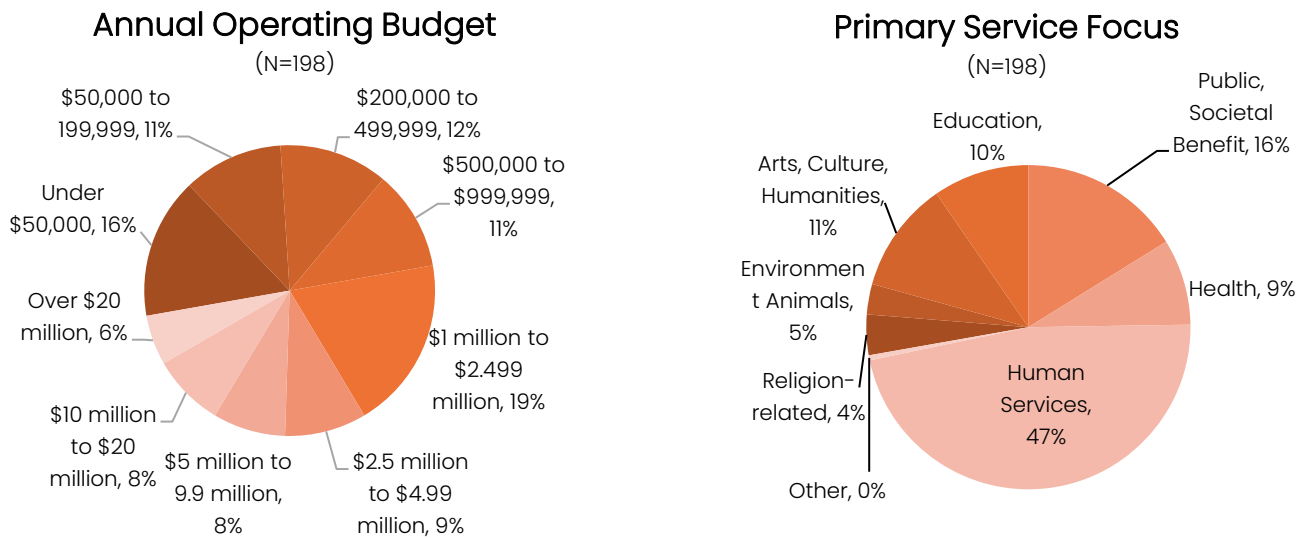
Background and Methodology

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 late January to mid-February 2024 to assess how nonprofits fared in 2023 and to determine their outlook for the coming year. Email announcements plus reminders with a link to the survey were sent to approximately 5,200 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 198 responses from New Jersey 501(c)(3) organizations that were submitted as of February 12, 2024, were included in this analysis.

Who participated in the survey?

This report is drawn from responses of the 198 New Jersey 501(c)(3) organizations that completed the survey from January 23 – February 12, 2024. The graphs below show the distribution of the nonprofits’ mission focus, geographical location, and budget size.



Geographic Location of Organizations	
North	43%
Central	32%
South	24%

Respondents’ Primary Office Location by County					
Atlantic	1.0%	Gloucester	1.5%	Ocean	4.5%
Bergen	7.6%	Hudson	4.5%	Passaic	1.0%
Burlington	9.1%	Hunterdon	2.0%	Salem	0.5%
Camden	6.6%	Mercer	14.6%	Somerset	2.5%
Cape May	0.5%	Middlesex	5.1%	Sussex	0.5%
Cumberland	0.5%	Monmouth	8.1%	Union	7.1%
Essex	16.7%	Morris	5.1%	Warren	1.0%

NJ Center for Nonprofits

Amplifying Our Voices
Together

**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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