

NEW JERSEY NON-PROFITS

Trends and Outlook

February 2021

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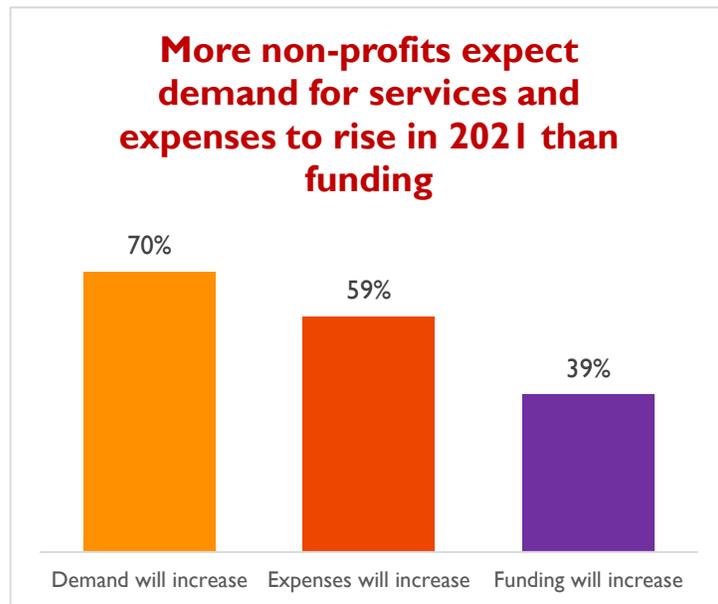
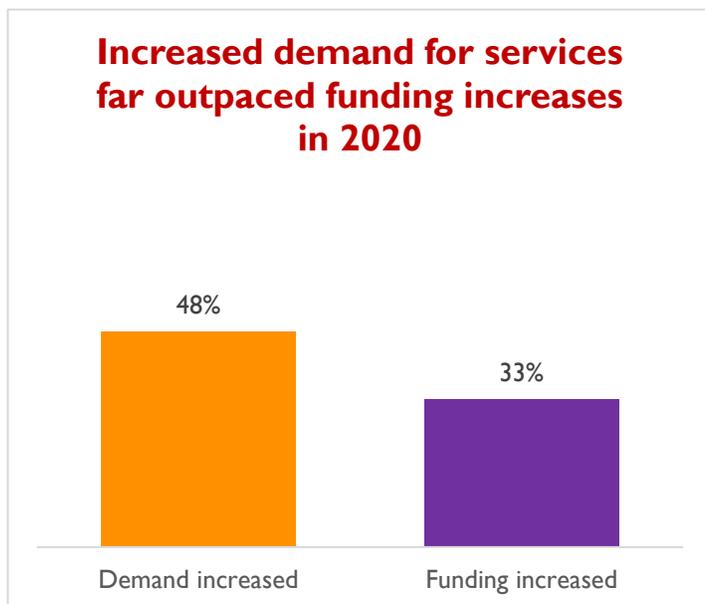
New Jersey Non-Profits 2021

Trends and Outlook

Executive 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 January and early February 2021 to assess how non-profits fared in 2020 and to determine their outlook for the coming year. This analysis is based on the 251 responses from 501(c)(3) organizations submitted during the survey period.

The past year has brought extreme challenges for New Jersey's non-profits and the people, causes and communities they serve, from the COVID-19 pandemic, its human toll and economic devastation, and the outcry for racial and social justice. Throughout the crisis, non-profits have stepped up to provide essential services, caring, comfort and inspiration, demonstrating yet again their essential role in our social, economic and community fabric. The year has also laid bare the dire and disparate consequences wrought by years of underfunding and under-investment in key societal infrastructures, including non-profits, the communities they serve, and particularly people and communities of color. These trends were all on clear display in this year's survey findings.



More than 1/4 laid off or furloughed staff in 2020.
Half of these organizations **still have not restored** any of these cuts.

Government Relief has been Critical

- Two-thirds of respondents reported receiving COVID-19 relief from the government such as Paycheck Protection Program forgivable loans, Small Business Administration Economic Injury Disaster Loans, grants/loans from the New Jersey Economic Development Authority, and others. Sixty percent said this assistance was important to their ability to maintain staffing and programs.
- Nearly one-quarter said that they might not have made it through 2020 without the government assistance they received, and an equal number said that more government COVID-19 assistance is needed if they are to make it through 2021.

Actions Taken

- Organizations 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.
- Increased advocacy activities were already underway or definitely planned by 53% of respondents.
- A number of actions reflected ongoing uncertainty regarding the current landscape and the varying impacts on different subsectors. For example, 39% indicated that they might add programs in 2021 and 27% said they might add staff, but less than 20% definitely planned to take either of these steps, and 23% were considering cutting programs this year.
- Many organizations reported altering their programming or delivery modes in response to the pandemic. Many activities were changed to a virtual format, and a number of organizations altered their focus or ramped up services to address physical or mental health needs, food insecurity, combat racial injustice, and other emergent issues.

Challenges Faced by Individual Organizations

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

- financial uncertainty (49%)
- the need for better branding or communications (44%)
- the need for a stronger board (36%)
- COVID-19 recovery (35%)
- increased demand for program services (32%)
- the need for strategic planning (28%)
- the need to improve diversity/equity/cultural competence (25%)
- increased benefits/insurance costs (25%)
- inability to afford enough good staff (25%)

Non-Profit Sector Issues

Asked about the issues most important to maintaining and improving the viability of the **non-profit sector** in the coming decade, non-profits most frequently selected:

- foundation/corporate funding (54%)
- COVID-19 recovery (44%)
- diversity/inclusion/equity within non-profits (40%)
- non-profit infrastructure/capacity building (40%)
- attracting/retaining capable, committed board members (38%)
- giving and volunteering incentives (37%)
- improving public understanding about non-profits (33%)

Overall Outlook

The enormity of the ongoing pandemic and economic climate were reflected in how respondents viewed their circumstances compared with the prior year. In a stark departure from recent years, the largest share of respondents – nearly 40% - indicated that their organizations' overall circumstances were worse than the year before, while only 29% said that they were better. Although a significant proportion remained uncertain about their prospects, 62% expected their organization's circumstances to improve over the coming year relative to 2020 – not necessarily surprising given how difficult last year was. Five percent predicted that their situation would worsen, and 7% projected no change.

The Consequences of Prolonged Underfunding

The past year has again underscored the indispensable role that non-profits, their dedicated employees and volunteers play in providing care, relief, and community solutions. As they always do, non-profits have again met the call with bravery, perseverance and heroism, to guide us through our darkest hours.

But this year has also brought a harsh lesson about the consequences of prolonged underfunding of non-profits and their critical infrastructure needed to sustain them for the people and communities that rely on them. For years, researchers and advocates (including our organization) have been sounding the alarm about the danger that this chronic under-investment poses for long-term ability to deliver programs and services. Over the past year, although it has hardly been easy, it is clear that those organizations that were adequately funded or that had reserves before the crisis began were better positioned to weather the storm. Too many others, called upon to “do more with less” for far too many years and thrust into a crisis no one could have anticipated, are fighting to make their way through, with potentially dire consequences for the communities and causes they serve.

The social and economic importance of a strong, vibrant non-profit community has never been more apparent than during the past year. If we are to continue to preserve and strengthen non-profits over the long haul for the greater good, it is essential that we provide the funding, infrastructure and supports necessary for their success.

The Center for Non-Profits will continue to provide information, knowledge and advocacy to foster connections and promote constructive public policies and solutions.

Unprecedented Challenges, Heightened Resolve and Urgent Need

The past year has brought extreme challenges for New Jersey's non-profits and the people, causes and communities they serve, from the COVID-19 pandemic, its human toll and economic devastation, and the outcry for racial and social justice. Throughout the crisis, non-profits have stepped up to provide essential services, caring, comfort and inspiration, demonstrating yet again their essential role in our social, economic and community fabric. This year has also laid bare the dire and disparate consequences wrought by years of underfunding and under-investment in key societal infrastructures, including non-profits, the communities they serve, and particularly people and communities of color. These trends were all on clear display in this year's survey findings.

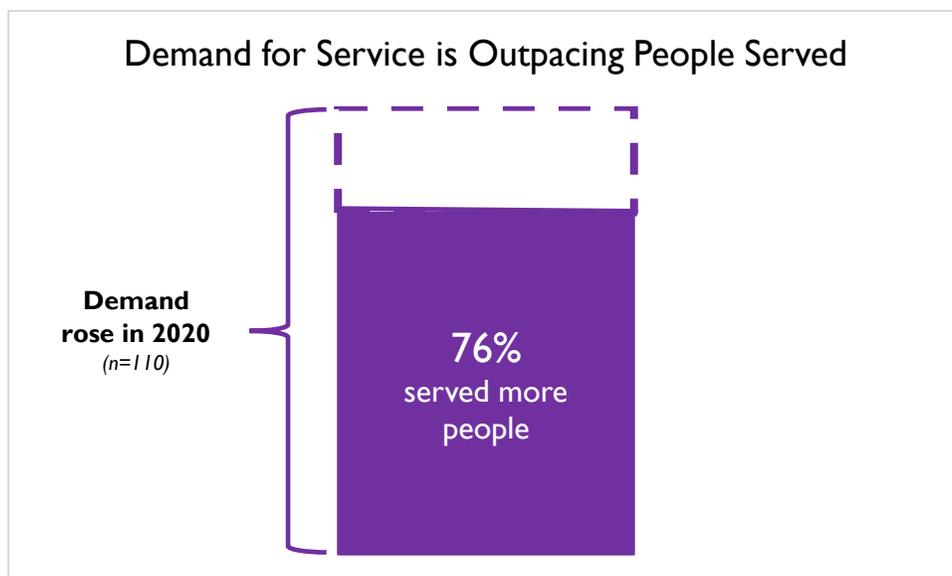
Most organizations have reported significant or moderate disruptions to their operations due to the COVID-19 emergency, but the pandemic has affected different organizations in profoundly different ways. For frontline organizations such as those providing health and human services, demand for services continued to skyrocket but expenses went up even faster. Meanwhile, arts and cultural organizations, which had to suspend performances and other key activities, saw demand decrease but revenue drop even more.

Demand for Services is Outpacing Funding and People Served

Even with many organizations having to suspend services for temporary or extended periods due to pandemic, nearly half of surveyed non-profits reported that demand for services rose in 2020. Human service, health, and public/societal benefit organizations were most likely to report increases, while arts and cultural organizations, many of which were forced to suspend programming, were more likely to report decreases.

It bears repeating that demand for services continued to outpace funding overall. Nearly half of surveyed non-profits reported that demand rose in 2020, but only one-third said their funding had gone up. (See chart on page 1.)

And while not all non-profits' 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 2020, only three-quarters said that they had served more clients/constituents.



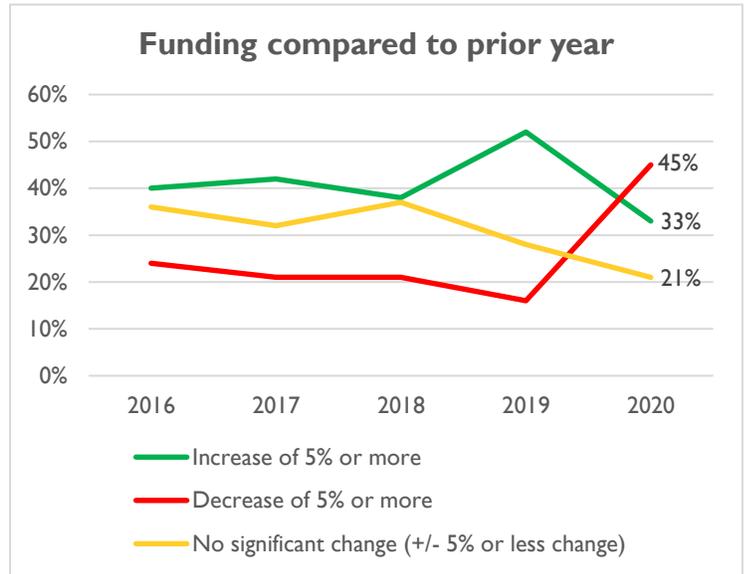
And non-profits are not expecting this situation to improve in 2021. Fully 70% are predicting that demand for their services will rise in the coming year and nearly three-fifths (59%) are projecting increased expenses, but only 39% expect that their funding will increase.

Trends in Funding

Total Funding 2020 vs. 2019

Forty-five percent of our respondents reported that overall funding had decreased in 2020 compared with the year before – a significant jump from prior years and a clear indicator of the negative impact of the pandemic. While decreases were reported by organizations in all subsectors, they were most prevalent in arts/culture, education and environmental organizations. Only one-third of respondents reported that funding had gone up.

Breaking down these trends by type of funding source, funding increases were reported most frequently from individual donations and private foundations, the only sources in which reported increases outpaced flat or reduced funding. As a reflection of cancelled, postponed or altered events, special event decreases were reported by a sizeable majority of organizations. (See chart on next page.)



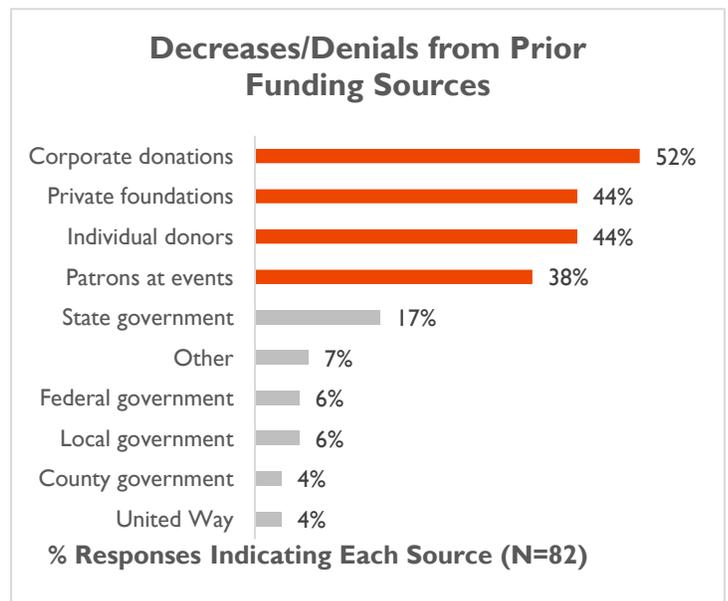
Estimated Revenue Losses

In this survey, 96 organizations, or approximately 40% of the respondents, provided estimates of the revenues their organizations lost in 2020 due to the pandemic. Collectively, these organizations estimated that they **lost more than \$76 million due to the crisis**. Reported losses ranged from \$500 to \$40 million, **with a median reported loss of \$100,000**. Organizations reported a median loss of more than 20% of their budgets, with losses ranging from 1% to 100% of budget.

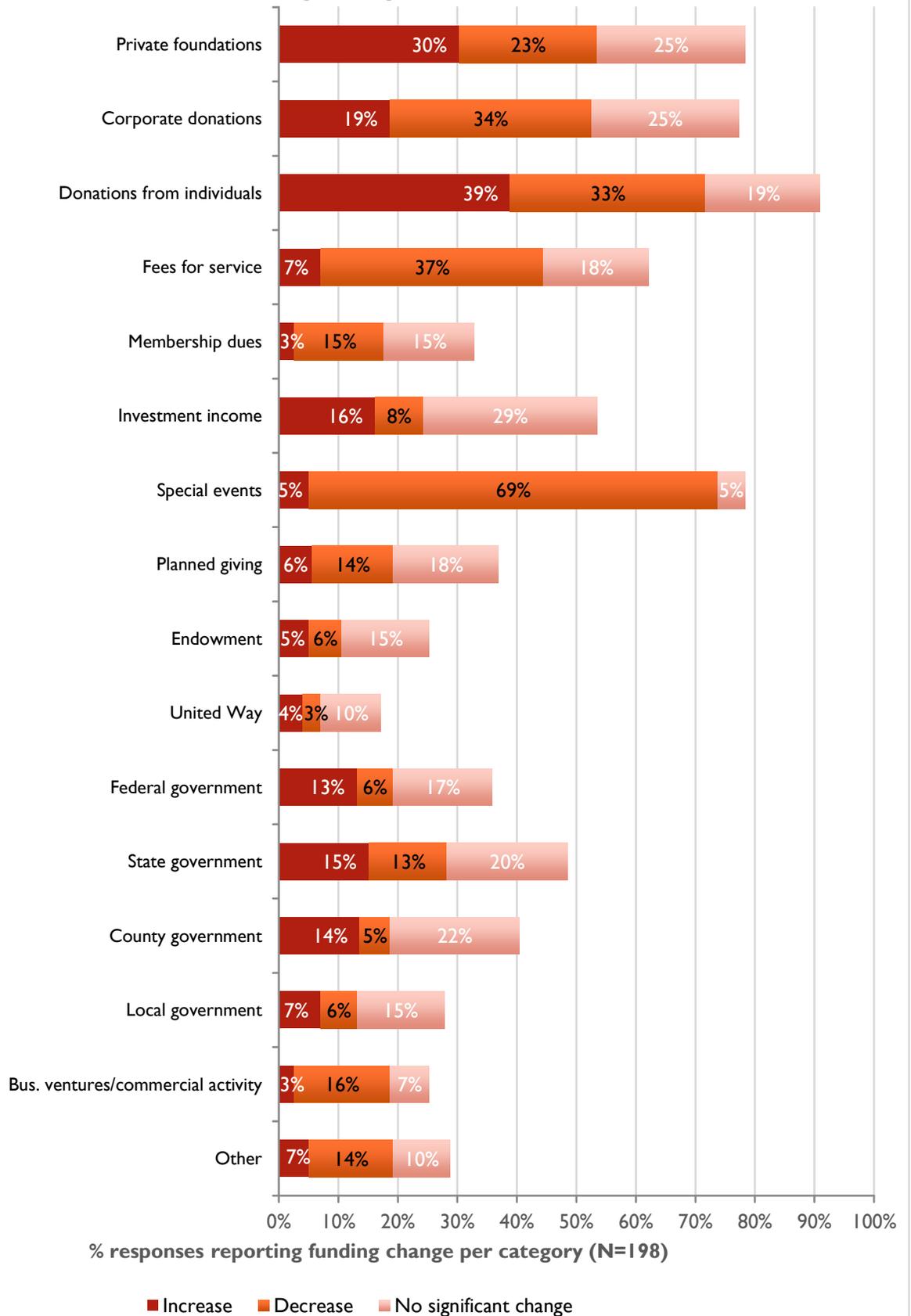
Denials/Reductions by Previous Funders

Forty percent of respondents reported that a previous funding source had informed them in 2020 that they either would not be giving to their organization or that they would be giving less. Within this group, corporations (52%) were cited most frequently as having denied or reduced funding, followed by private foundations and individuals (44% each), and patrons at events (38%).

General cutbacks/economic hardship were cited most frequently as the reasons behind the denials/reductions, although some specifically stated that funds had been redirected from other causes to COVID-19 relief.



Funding Changes 2020 vs 2019



Funding Outlook for 2021

As another reflection of the current climate, non-profits were markedly more pessimistic about their funding prospects for the coming year than in recent surveys. Only 39% predicted that their overall funding would rise in 2021, while 30% projected steady funding and nearly 20% predicted decreases.

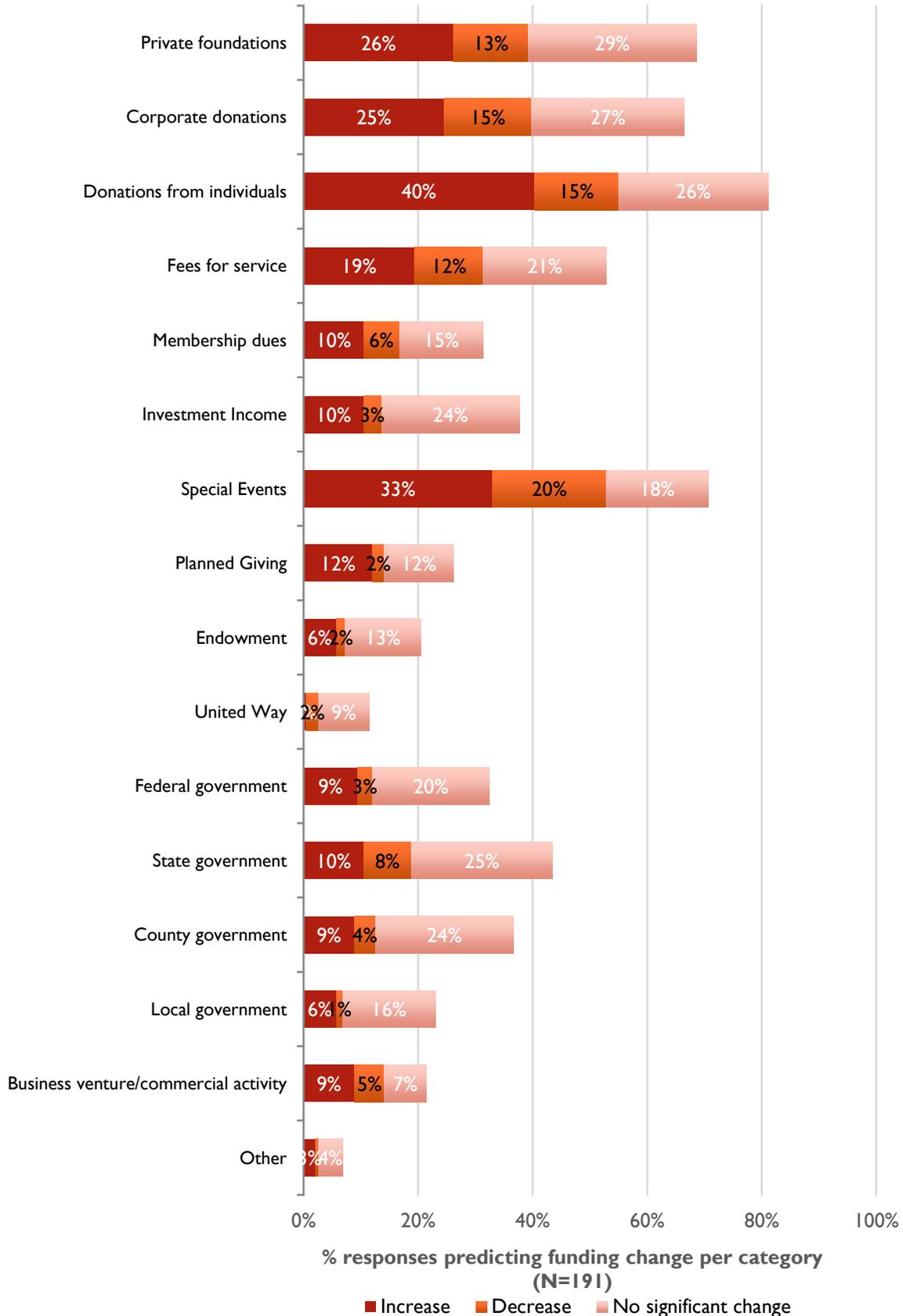
As a reminder, 70% of survey respondents expected demand for services to rise in 2021 and 59% expected expenses to increase.

Funding Outlook for the Coming Year						
	2021	2020	2019	2018	2017	2016
Increase	39%	56%	49%	48%	50%	47%
Decrease	19%	8%	13%	13%	14%	14%
Remain the same	30%	31%	30%	30%	31%	32%
Unknown/not reported	12%	5%	8%	9%	5%	7%

Projected Funding from Specific Sources in 2021 vs. 2020

Non-profits were more hopeful that donations from individuals would increase in 2021 than they were about funding from any other funding source, with 40% of respondents predicting that individual giving would rise in 2021. Respondents were also more inclined to predict that special event revenue would rise in 2021 (33% vs. 20% predicting decreases and 18% predicting level support), a possible indicator of effective virtual events or hope for a resumption of in-person activities in 2021. Non-profits were more evenly split in predicting increased vs. level funding from foundations and corporations. Consistent with prior years, organizations receiving government funds were among the least likely to predict increases from these sources in 2021, with flat funding being the projected norm. Many also expressed uncertainty about their predictions. (See chart on next page.)

Predicted Funding 2021 vs 2020



Expenses

In 2020

The cancellation of many events and a large proportion of organizations working remotely translated into reduced expenses for a significant number of organizations. In a departure from prior years' trends, 39% of respondents reported that expenses had decreased in 2020 compared with the prior year, while 35% reported expense increases and 26% reported no change.

Expense Predictions for 2021

Three-fifths (59%) of respondents expected **expenses** to rise in 2021. A much smaller percentage of organizations (39%) expected their total **funding** to rise in 2021.

Projected Expenses in 2021 vs. 2020 (N=219)

Increase	59%
Decrease	9%
Remain the same	28%
Unknown	4%

Revenue vs. Expenses in 2020

Only 30% of respondents reported that revenues had exceeded expenses in their most recent fiscal year, while 36% reported roughly equal revenues vs. expenses. Thirty-five percent reported taking in less than they had spent, a worsening trend compared to a year ago, when 25% reported year-end deficits.

Total Income vs. Expenses for Most Recent Fiscal Year-End (N=220)

Surplus	30%
Break-even	36%
Deficit	35%

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-five 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 28% reported a line of credit.

Among organizations with cash reserves, 25% reported having a reserve of 1-3 months of operating funds; 35% reported 3-6 months' worth; and 40% reported over six months of operating funds. Two-fifths (39%) indicated that their cash reserve remained relatively constant over the past year, 32% said that their reserve was larger, and 29% said it was smaller at the end of 2020. (By comparison, in our prior survey a year ago, 47% had indicated their cash reserve had remained stable and only 16% said their cash reserve was smaller than the year before.)

Among organizations with lines of credit, 31% reported having to borrow against the line of credit in 2020 (up from 22% who reported borrowing in last year's survey). In our current survey, 9% reported that they had to borrow more in 2020 than in the previous year, and 29% reported borrowing less. Half (51%) 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.

The Importance of Government Relief

For many non-profits, government aid such as the federal Paycheck Protection Program forgivable loans, the Small Business Administration's Economic Injury Disaster Loans (EIDL), New Jersey Economic Development Authority grants or loans, or other programs, was one of the most important ways to keep operations going – and in some instances, to stay afloat and stave off deep cuts and potential closure.

Two-thirds (66%)
received some form of
government COVID-19
relief in 2020.

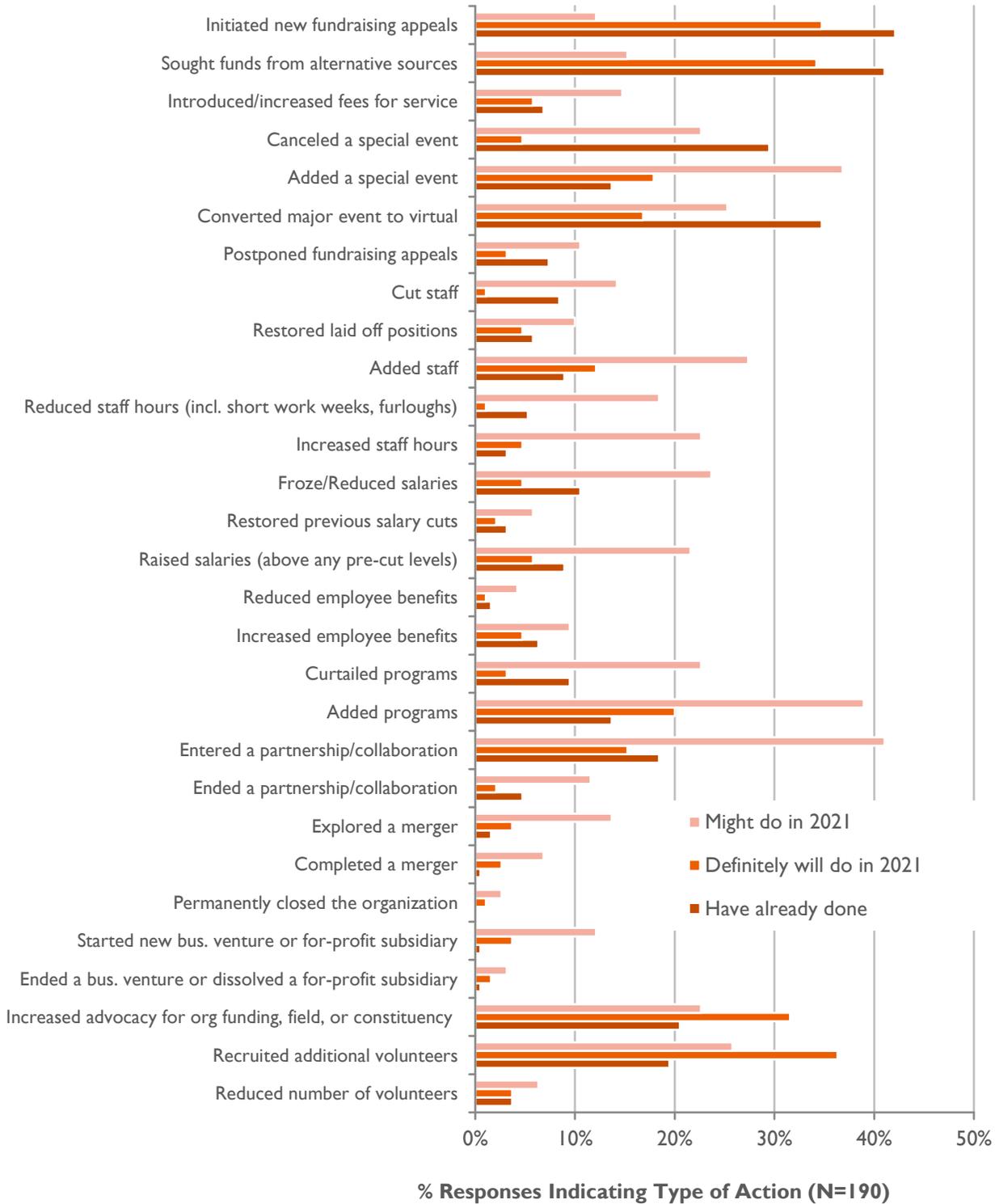
60%
said the government aid was
important to
maintaining their
staffing or programs
in 2020.

Nearly one-quarter
said their organization
will need additional
government COVID-19
aid to make it through
2021.

Organization Reactions to Emerging Trends

Seeking additional financial or human resources, such as seeking funds from new sources, launching new appeals or recruiting volunteers, and boosting advocacy were the most commonly reported actions non-profits had taken or were planning in 2021. Thirty-five percent reported that they had already canceled a special event, and 23% said they might have to in 2021. Meanwhile, 35% had already converted a major event to a virtual format, and 25% were considering it. Thirty-seven percent were considering adding a special event, but only 14% had already done so and 18% said they might add one, another reflection of the uncertain climate amid the pandemic. Forty-one percent reported that they were considering new partnerships or collaborations, and 14% said they might contemplate a merger in 2021. (See chart on next page.)

Organization Reactions to Current Trends



Remote Work

Many organizations were not able to work remotely after the pandemic hit, but among those that did:

- 10% have fully resumed in-person operations.
- 25% say some employees have resumed working in person and some are working remotely.
- 26% are waiting until a vaccine is widely deployed for employees and clientele.
- 10% have made remote operations permanent for all staff.

Partnerships/Collaborations

Partnerships are commonly reported by our survey respondents and in the non-profit community generally, and this was especially true in 2020. Half (50%) reported launching new partnerships or collaborations in 2020, mostly with other non-profits, although partnerships with government and business were also reported. Examples included a multi-organization collaborative pooling resources to provide basic needs and comprehensive support services to families; partnerships to provide emergency assistance; public/private partnerships for affordable housing; a health and social service organization working to provide special food packages to diabetic/pre-diabetic patients; joint fundraising and events; and many others.

Forty-one percent indicated that they were considering new partnerships for 2021. Fourteen percent said that they might, or definitely would, explore a merger in 2021 and 7% 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. Many activities were changed to a virtual format, and a number of organizations altered their focus or ramped up services to address physical or mental health needs, food insecurity, combat racial injustice, and other emergent issues.

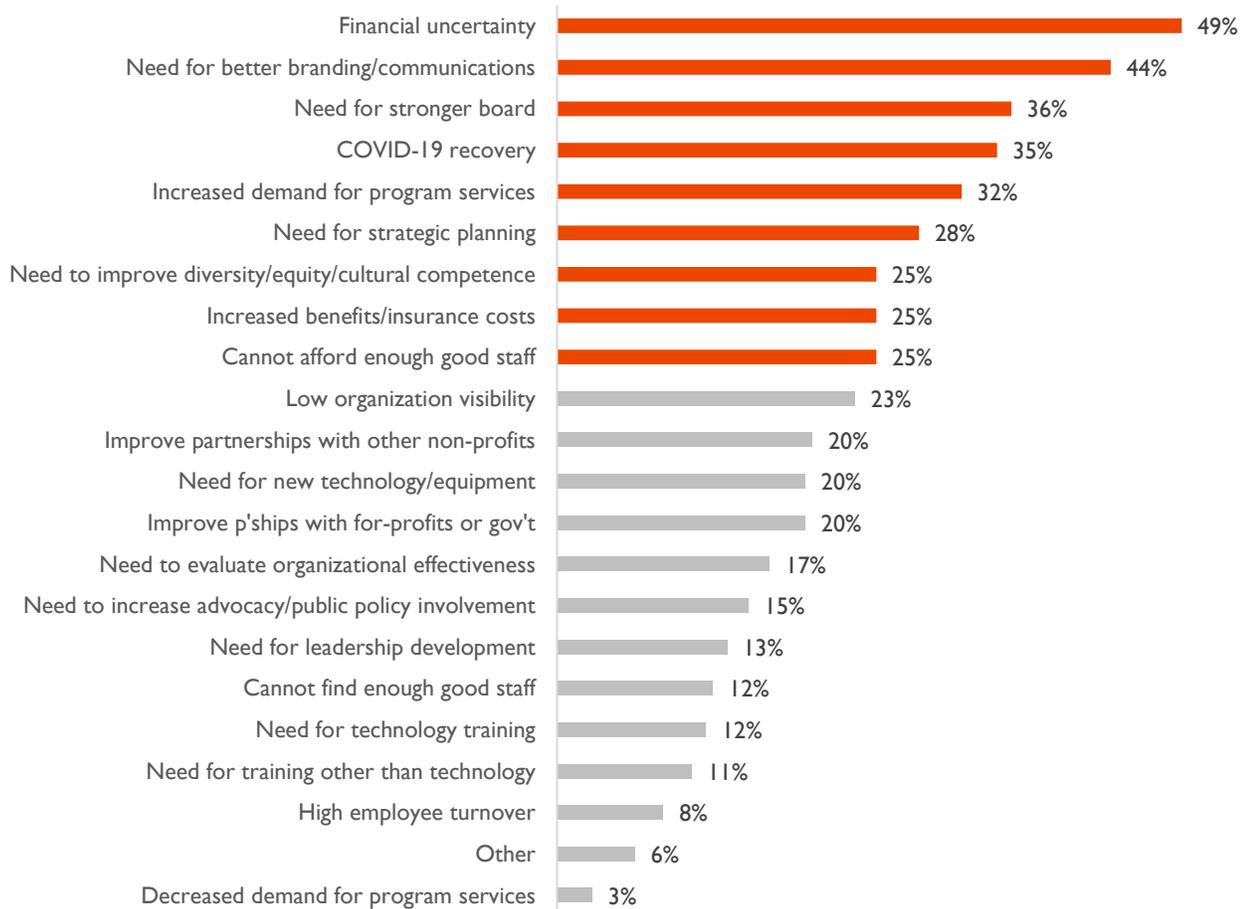
Issues Facing New Jersey's Non-Profits

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.

Individual Organizations

Financial uncertainty, selected by 49% of respondents, was the most frequently identified challenge for individual organizations. This was followed by the need for better branding/communications (44%), the need for a stronger board (36%), COVID-19 recovery (35%), and increased demand for program services (32%). The need for strategic planning (28%), and improving diversity/equity/cultural competence, increased benefits/insurance costs, and the inability to afford enough good staff (25% each) were also cited frequently. (See *chart on next page*.)

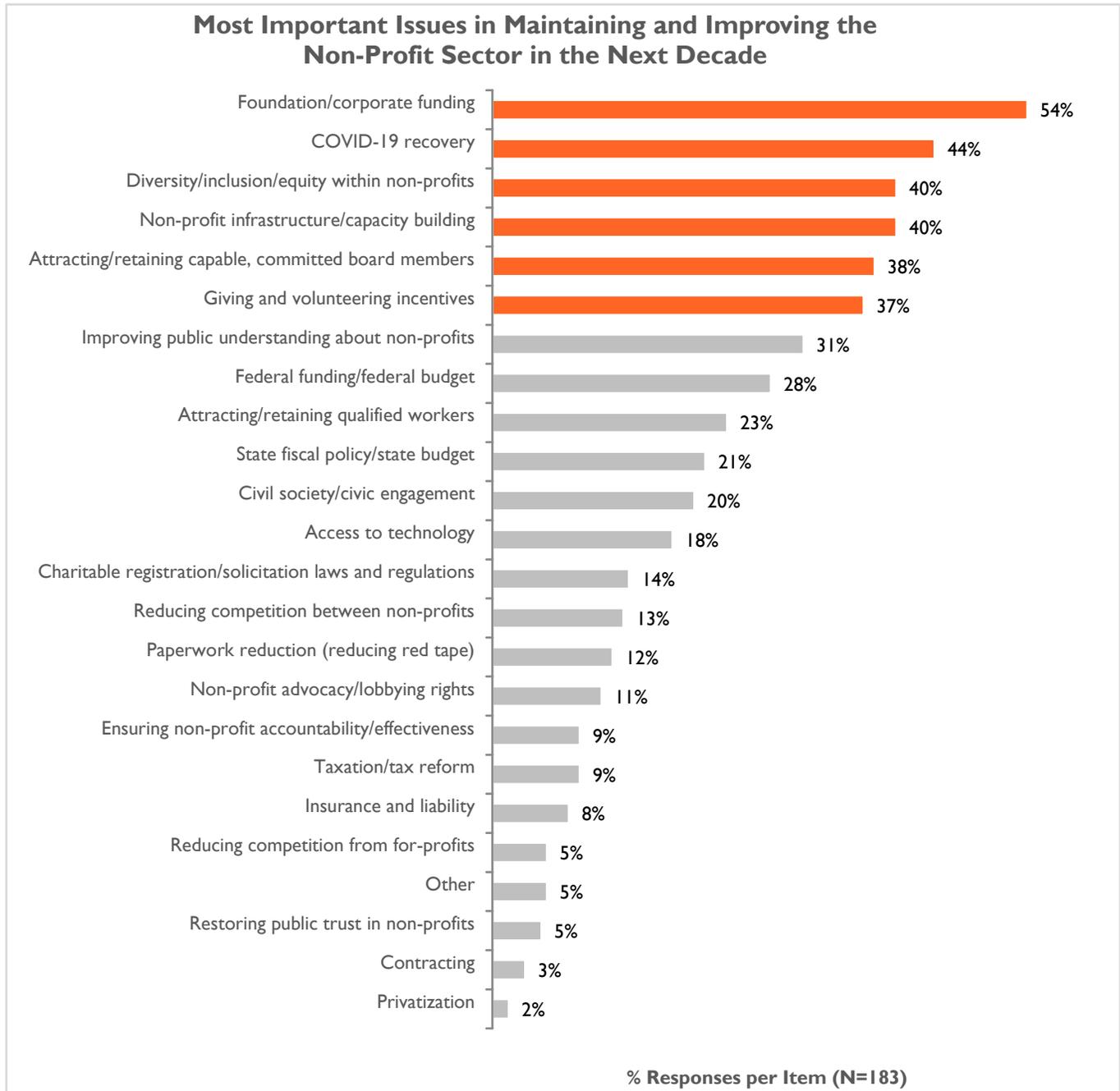
Challenges to Organization Viability/Effectiveness



% responses per item (N=179)

Non-Profit Sector Issues

Respondents' choices for the top issues for the broader non-profit community were a clear reflection of the challenges of the past year. In a reflection of the current landscape, foundation/corporate funding was the issue most often identified by respondents with 54% listing it among their top five. COVID-19 recovery (44%) was second, followed by diversity/inclusion/equity within non-profits and non-profit infrastructure/capacity building (40% each); attracting/retaining capable, committed board members (38%), and giving and volunteering incentives (37%).



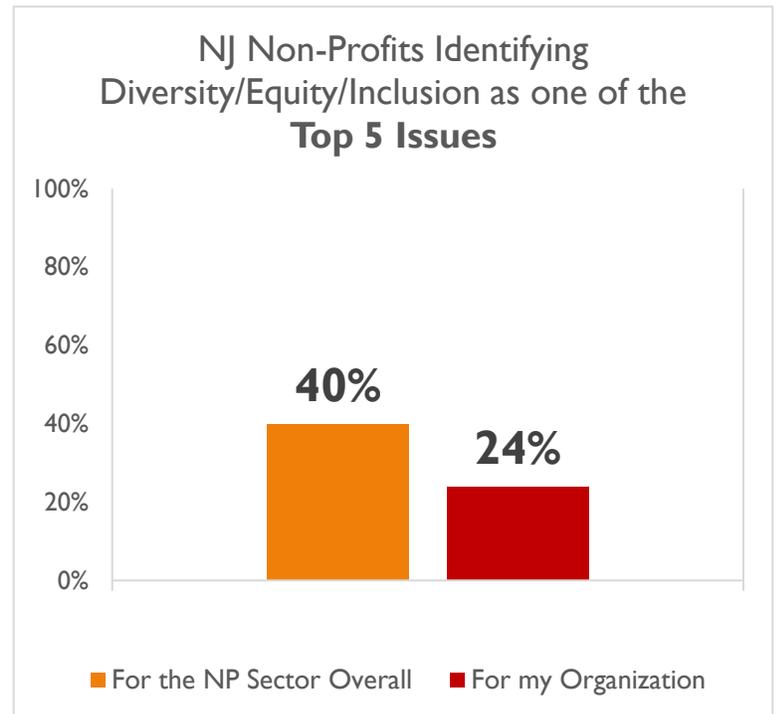
Diversity & Equity

Without question, the pandemic has had a disproportionate impact on people of color, and the longstanding disparities and years of under-investment in critical systems and communities have been laid bare and exacerbated by the COVID-19 crisis. While the COVID-19 crisis has had a dramatic impact on non-profits across the board, there were some notable distinctions in the effects on organizations that reported that they primarily serve communities of color compared with those that don't.

- Organizations that serve communities of color comprised a greater proportion of “front-line” non-profits such as health and human services.
- They were more likely to report that they provide services deemed “essential” pursuant to the Governor’s executive orders (55% vs. 26% for organizations that don’t primarily serve people of color).
- Relatedly, a greater percentage of organizations serving communities of color reported that demand for their services rose in 2020 (58% vs. 38%), and they were more likely to report that expenses had gone up. However, funding lagged behind demand for both groups.
- Organizations serving communities of color were less likely to have suspended services, even temporarily, due to the pandemic.

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 especially in light of the longstanding underrepresentation of people of color in non-profit leadership and philanthropic decision-making circles, and the heightened outcry for racial and social justice, recognition of the urgency of addressing racial disparities is growing. Forty percent of survey respondents identified diversity, equity and inclusion within non-profits as one of the five most important issues facing the non-profit sector – tied for the third most often identified issue, and up from 31% a year ago.

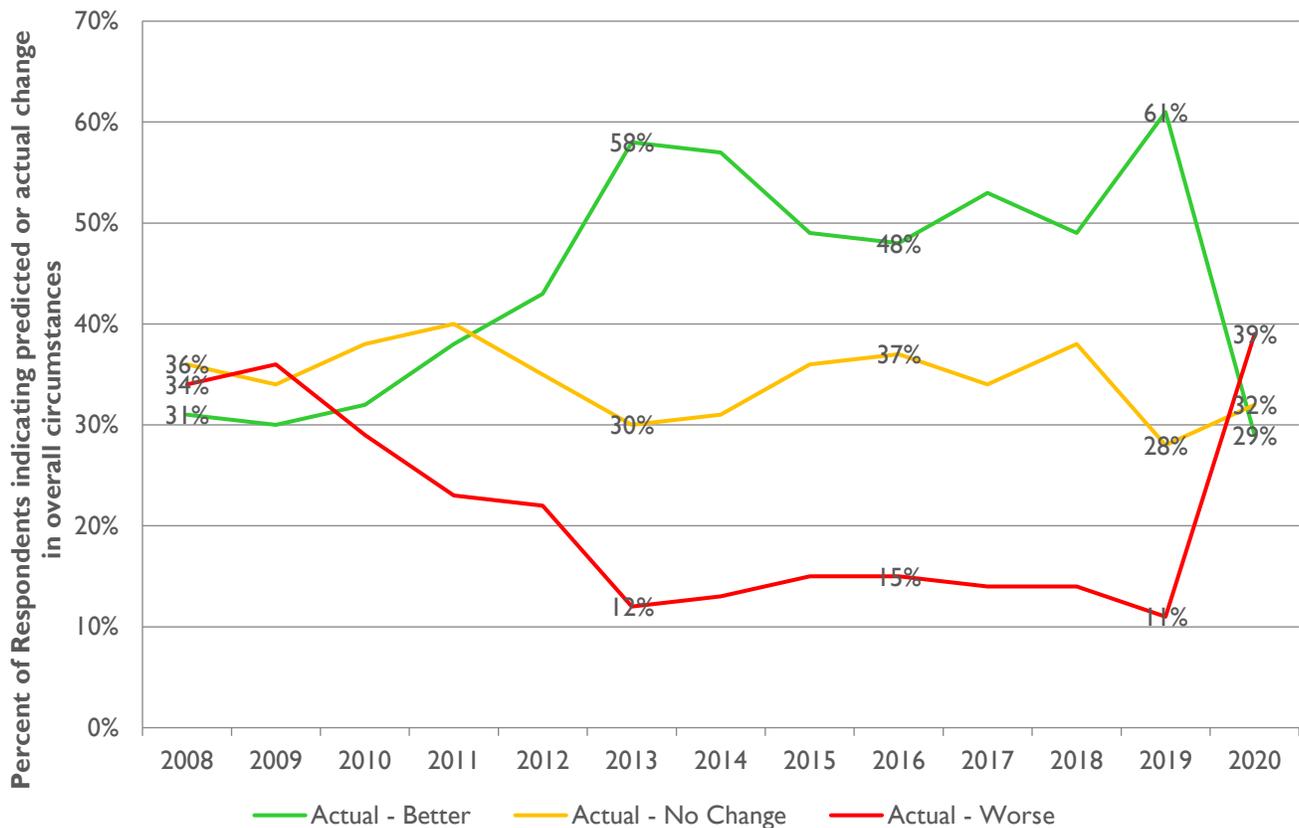


Overall Circumstances and Outlook

Comparison with One Year Ago

The enormity of the ongoing pandemic and economic climate were reflected in how respondents viewed their circumstances compared with the prior year. In a stark departure from recent years, the largest share of respondents – nearly 40% - indicated that their organizations' overall circumstances were worse than the year before, while only 29% said that they were better.

Comparison - Respondents' Actual Circumstances, 2008-20



Outlook for 2021

Although a significant proportion remained uncertain about their prospects, 62% expected their organization's circumstances to improve over the coming year relative to 2020 – not necessarily surprising given how difficult last year was. Five percent predicted that their situation would worsen, and 7% projected no change.

The Consequences of Prolonged Underfunding

The past year has again underscored the indispensable role that non-profits, their dedicated employees and volunteers play in providing care, relief, and community solutions. As they always do, non-profits have again met the call with bravery, perseverance and heroism, to guide us through our darkest hours.

But this year has also brought a harsh lesson about the consequences of prolonged underfunding of non-profits and the critical infrastructure needed to sustain them for the people and communities that rely on them. For years, researchers and advocates (including our organization) have been sounding the alarm about the danger that this chronic under-investment poses for long-term ability to deliver programs and services. Over the past year, although it has hardly been easy, it is clear that those organizations that were adequately funded or that had reserves before the crisis began were better positioned to weather the storm. Too many others, called upon to “do more with less” for far too many years and thrust into a crisis no one could have anticipated, are fighting to make their way through, with potentially dire consequences for the communities and causes they serve.

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The Center for Non-Profits will continue to provide information, knowledge and advocacy to foster connections and promote constructive public policies and solutions.

Background and Methodology

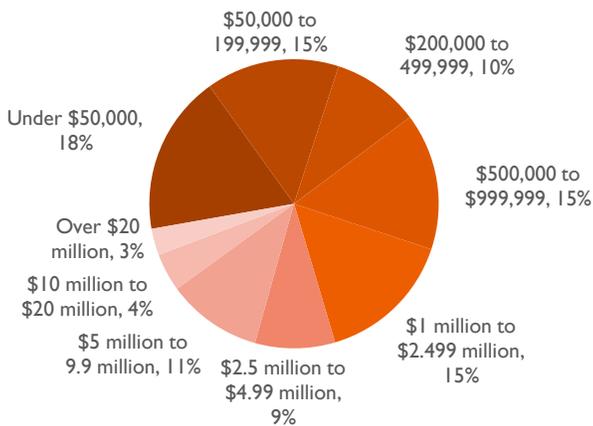
The **New Jersey Non-Profit Issues and Trends Survey** is conducted annually by the Center for Non-Profits in order to gauge trends, experiences and views of our state’s non-profit community.

The Center conducted this year’s survey online in January and early February 2021 to assess how non-profits fared in 2020 and to determine their outlook for the coming year. An email announcement with a link to the survey was sent to approximately 4,100 subscribers of the Center’s email list plus viral redistribution, and additional outreach was made via social media (Facebook, Twitter, LinkedIn and Instagram), non-profit listservs, 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 251 responses from New Jersey 501(c)(3) organizations that were submitted as of February 7, 2021, were included in this analysis.

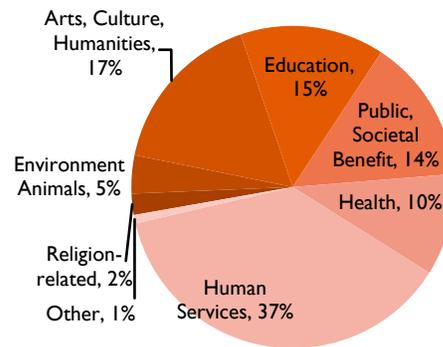
Who participated in the survey?

This report is drawn from responses of the 251 New Jersey 501(c)(3) organizations that completed the rapid response survey from January 13-February 7, 2021. The graphs below show the distribution of the non-profits’ mission focus, geographical location, and budget size.

Annual Operating Budget
(N=235)



Primary Service Focus
(N=235)



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

Respondents’ Primary Office Location by County					
Atlantic	1.7%	Gloucester	2.1%	Ocean	4.7%
Bergen	6.8%	Hudson	2.1%	Passaic	5.5%
Burlington	3.8%	Hunterdon	1.3%	Salem	0.4%
Camden	3.8%	Mercer	13.6%	Somerset	4.7%
Cape May	3.0%	Middlesex	6.8%	Sussex	0.4%
Cumberland	0.9%	Monmouth	7.7%	Union	7.2%
Essex	14.0%	Morris	8.5%	Warren	0.9%

About the Center for Non-Profits

The Center for Non-Profits is New Jersey's statewide network for the charitable community. Our mission is to build the power of New Jersey's non-profit community to improve the quality of life for the people of our state.

Since our founding in 1982, the Center has been, and remains, New Jersey's only umbrella organization for all charities in the state, providing professional education, advocacy, resources, training and information to strengthen non-profits individually and as a community.

What We Do

ADVANCING KNOWLEDGE

- Promoting best practices and effective, ethical organizations for the public good.
- High-quality management and compliance information
- Expert phone and email consultation - priority access for members
- Free or discounted compliance publications
- Timely non-profit news and alerts
- Affordable workshops and webinars
- Our blog, *Front and Center*, with insights into current and emerging issues

CHAMPIONING and PROTECTING

- The most comprehensive information source about New Jersey non-profits
- Communicating non-profits' importance through research and public education
- Advocating for non-profits in Trenton and Washington
- Helping non-profits to strengthen their own public policy voice
- Uniting our state's non-profits around common goals
- Galvanizing non-profits and their allies at our annual conference

STRETCHING SCARCE RESOURCES

- Cost-saving member services: insurance, unemployment, payroll and more
- Discounts on workshops and publications
- Free job-opening postings for members
- Exclusive access to select cost-saving offerings
- Leveraging non-profits' dollars as the first-stop resource for expertise, services and referrals

For more information about the Center, our programs, membership, or supporting our work, visit www.njnonprofits.org or call 732-227-0800.

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