



Helping organizations build a better New Jersey

The State of the Non-Profit Sector

presented to the



Strengthening Philanthropy in Our State

May 21, 2013

About the Center for Non-Profits

Celebrating 30 years

Providing leadership and services for New Jersey's non-profit community since 1982

New Jersey's only umbrella organization for all charities in the state



www.njnonprofits.org

About the Center for Non-Profits

Advocacy/Public Education

- Promoting New Jersey's non-profit community
- Public policy
- Non-profit sector research (statistics, trends)

Capacity Building

- Legal/management assistance
- Workshops/seminars/Webinars
- Publications

Member Services

- E-newsletters, resource lists, info/referral
- Discounts, cost-saving programs (health, wellness, retirement, D&O, volunteer insurance, unemployment), free job postings, payroll service and more!





New Jersey's Non-Profit Community

- 30,000 501(c)(3) orgs in NJ
- 304,000 employees
 - 9.7% of the state's private work force
 - More than construction, transportation, public utilities, finance and insurance industries
- \$37 billion in expenditures annually
- 1.5 million volunteers providing \$3.4 billion in service

Non-Profit Sector Size/Scope



- # of NJ 501(c)(3)s grew by 64% from 1999-2009
- 33% of NJ public charities formed between 2000 and 2010

National and NJ Surveys



2013 State of the Sector Survey

Since the end of the 2008 financial crisis, the US has seen faltering signs of economic recovery. But underneath these glimmers of improvement are the 46.2 million poverty-stricken Americans* that have seen little change. With poverty at record levels, our nonprofit safety net and the 10.7 million workers* who sustain it are shouldering an unprecedented responsibility and showing the strain.

Nonprofit Finance Fund's 5th annual survey captures this economic reality through the voices of 5,983 nonprofit leaders. While organizations show slight signs of financial improvement, this is also the 5th straight year in which they reported dramatic increases in service demand. Meanwhile, government support continues to decline, leading many to believe that programs for the public good are experiencing long-term disinvestment.

Under these shadows, nonprofits continue to carry out their missions, making painful decisions in order to stay afloat. At the same time, leaders are taking a hard look at how their organizations do business, recognizing that systemic change is critical to fully meet demand and achieve sustainability. They are innovating to increase efficiency, access new kinds of funding, evaluate impact, and work collectively to tackle social problems. But with fewer resources to even address critical needs, how will our sector find space and time to re-invent the way we work?

nonprofitfinancefund.org/survey

Nonprofit Finance Fund.
Where Money Meets Mission*

NFF's 2013 Survey is generously supported by the Bank of America Charitable Foundation

Bank of America

NEW JERSEY NON-PROFITS 2013

Trends and Outlook

March 2013

A publication of

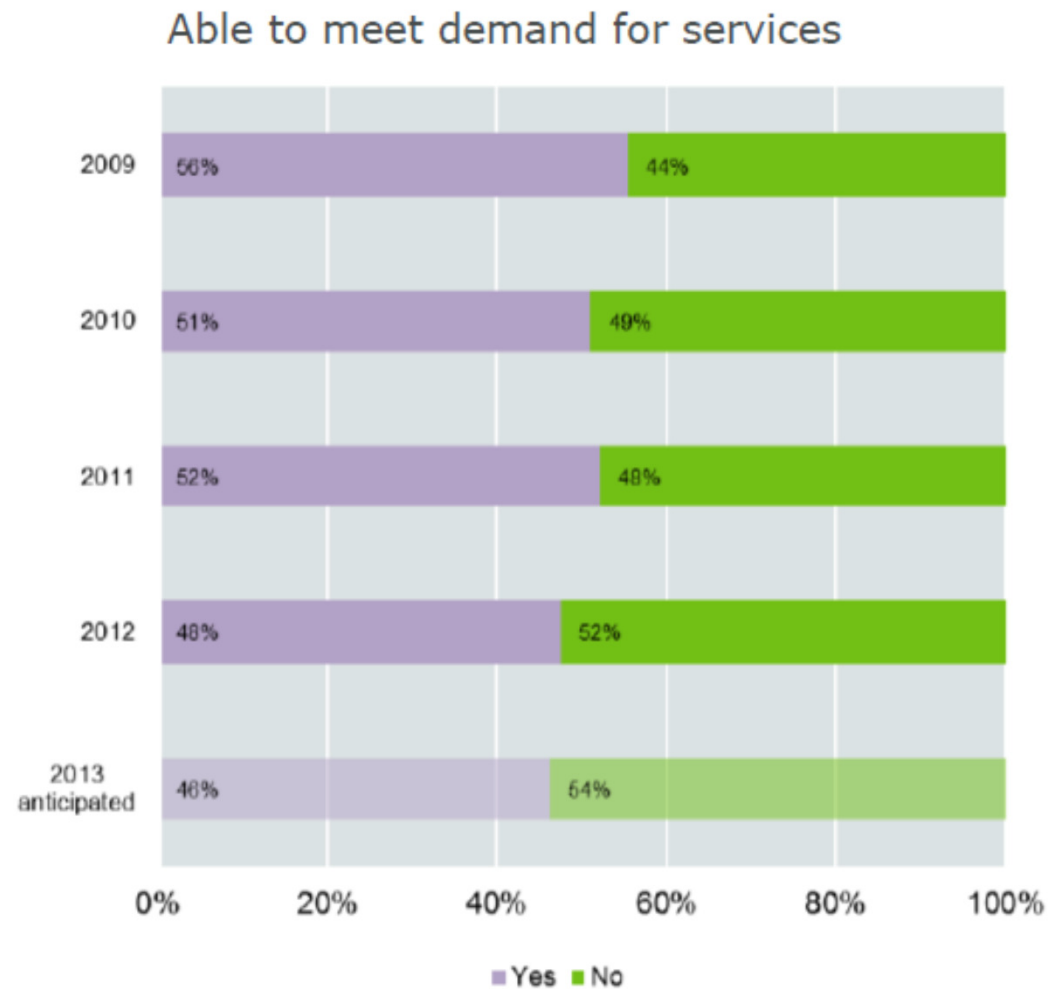
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GROWING DEMAND

- In BOTH surveys, more than two-thirds of respondents said demand for services had risen over the past year, and more than $\frac{3}{4}$ expected it to keep rising in 2013.
- In New Jersey and nationally, this upward trend has been reported by non-profits for numerous consecutive years.

Over half couldn't meet demand in 2012, and probably won't be able to in 2013, either. This represents a worrying trend.



Resources Not Keeping Pace

Nearly half (48%) of the Center's survey respondents reported expense increases of 5% or more in the previous fiscal year...

| Total Expenses Most Recent Year vs. Previous Year | | | |
|---|------|------|------|
| | 2012 | 2011 | 2010 |
| Increase of 5% or more | 48% | 49% | 50% |
| Decrease of 5% or more | 15% | 12% | 12% |
| No significant change (+/- 5% or less change) | 35% | 34% | 33% |
| Unknown | 2% | 5% | 5% |



Resources Not Keeping Pace

But only one-third reported that overall funding had increased.

| Funding in Most Recent Year vs. Previous Year | | | | |
|--|------|------|------|------|
| | 2012 | 2011 | 2010 | 2009 |
| Increase of 5% or more | 33% | 32% | 29% | 28% |
| Decrease of 5% or more | 24% | 37% | 34% | 45% |
| No significant change (+/- 5% or less change) | 40% | 26% | 33% | 23% |
| Unknown | 2% | 6% | 4% | 4% |

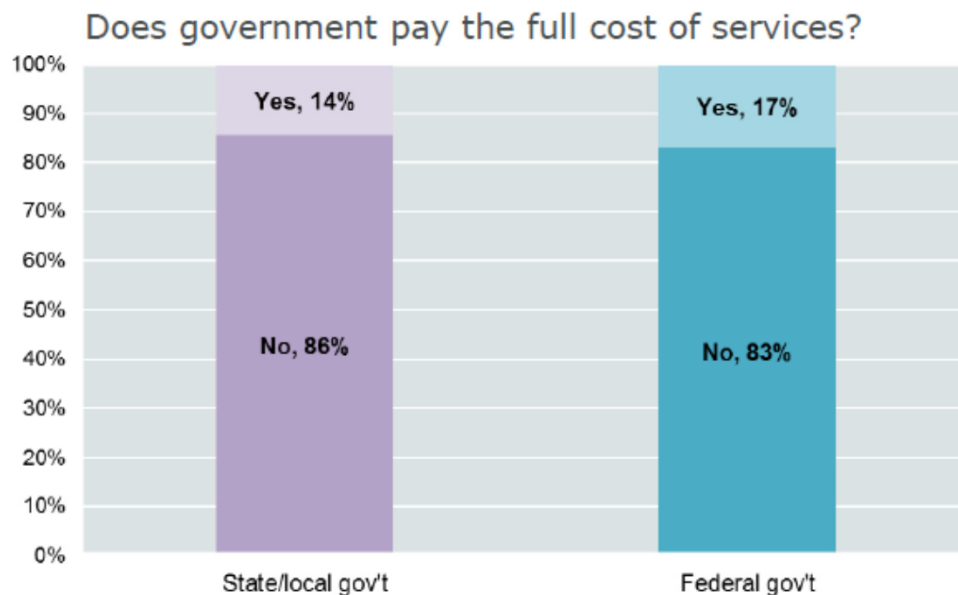
Many Still at Risk

- 34% spent more than they took in in 2012
- Many (>30% in Center survey) struggle with little or no cash reserve
- Government-funded non-profits are particularly vulnerable
 - Late payments
 - Payments insufficient to cover costs of providing services
 - Sequestration

Government Support Rarely Covers the Full Cost of Contracted Services...



- 29% of respondents received Federal funding,
- 47% received state or local contracts.
- 1 in 3 organizations received less gov't money in 2012 than in 2011



Why We Need Gov't Funding

- From 2007-2010, the number of Americans living below the poverty line rose from **44.4 million to 47.3 million**.
- **1 in 45** children in the U.S. was homeless in 2010.

Source: Center on Budget and Policy Priorities

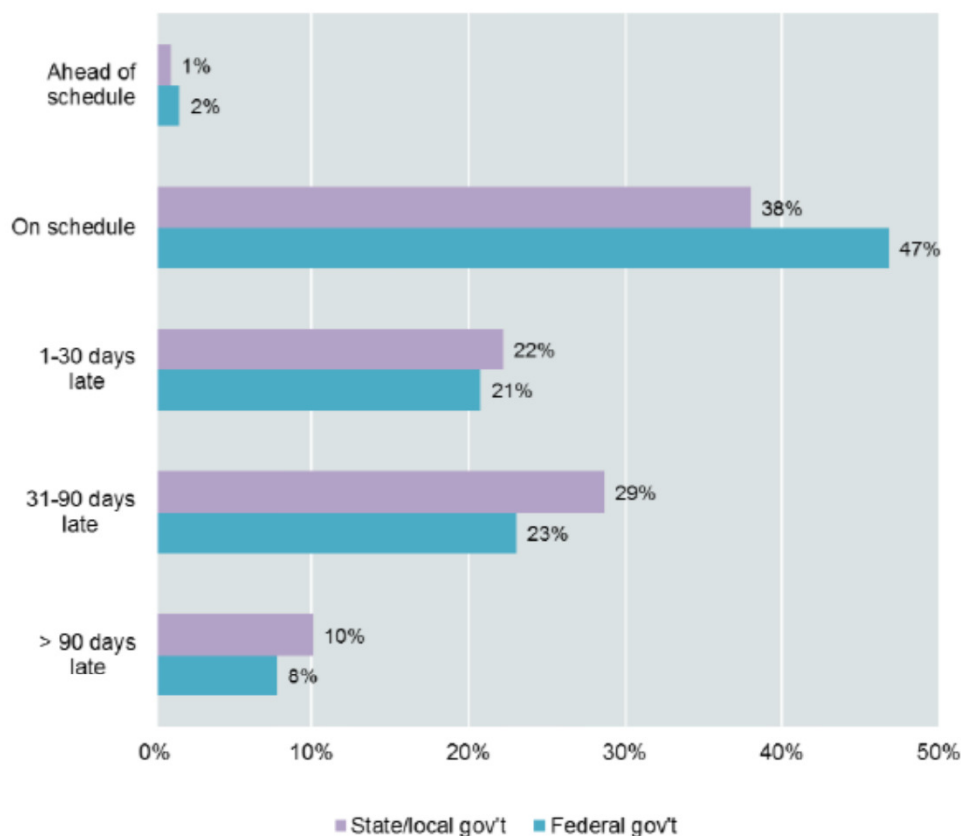
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...And Is Late for the Majority of Recipients



When do you receive payment from the gov't?



"We are funded by the State of Illinois... We cannot get our funds paid without 6 months' delay from the state. Then you have to use a lobbyist to even get the state to pay out on its debts. We have to demonstrate that we have exhausted all reserves, completely maxed out on line of credit, and show that we cannot make the next payroll before Illinois will even pay us the money owed to us..."
-Human Services NPO, IL

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How Non-Profits are Coping

- Seeking new/alternative funding sources
- Increased advocacy for field/constituencies
- Staff cuts, pay freezes/reductions
- Program adjustments
- Increased volunteer recruitment
- Increased collaboration
- Shared services
- Merger discussions small but growing

Is the worst behind us?

Amidst significant uncertainty, some small but encouraging signs:

- Fewer orgs reported decreased funding, deficits in 2012 than previous two years
- Fewer projecting decreased funding, either overall or from major sources

Is the worst behind us?

Funding outlook for 2013

- 42% expect total funding to rise in 2013 vs. 2012 (*but 62% expect expenses to rise*)
- More increases expected in special events, individuals
- More flat funding expected in foundation, corporation, membership, endowment, other major categories – a slight *improvement* vs. 2011 and 2012

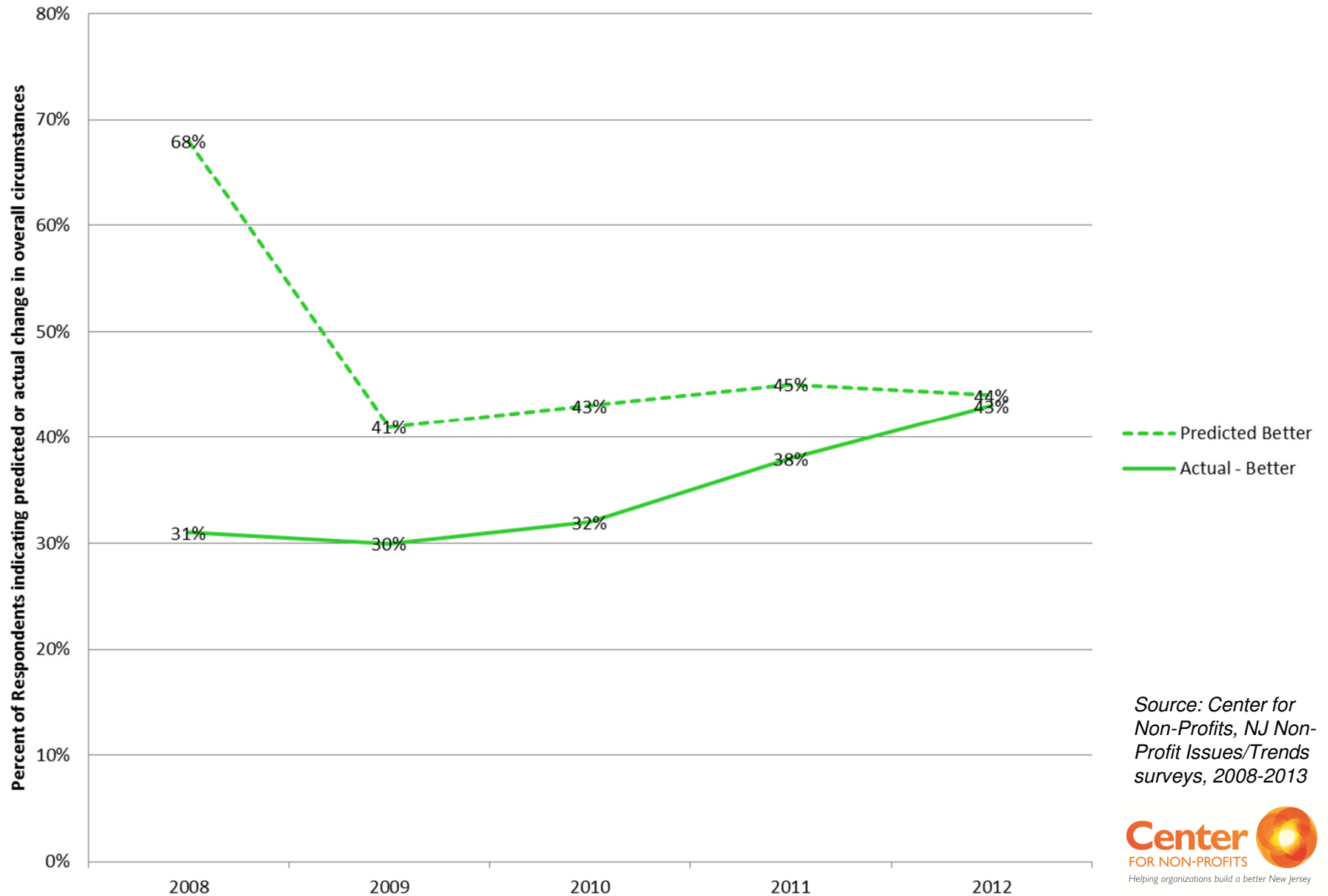
| Projected Funding - Upcoming vs. Previous Year | | | | |
|--|------|------|------|------|
| | 2013 | 2012 | 2011 | 2010 |
| Increase | 42% | 39% | 38% | 38% |
| Decrease | 19% | 18% | 25% | 35% |
| Remain the same | 34% | 39% | 31% | 24% |
| Unknown/not reported | 5% | 5% | 6% | 4% |

Predictions for the Coming Year

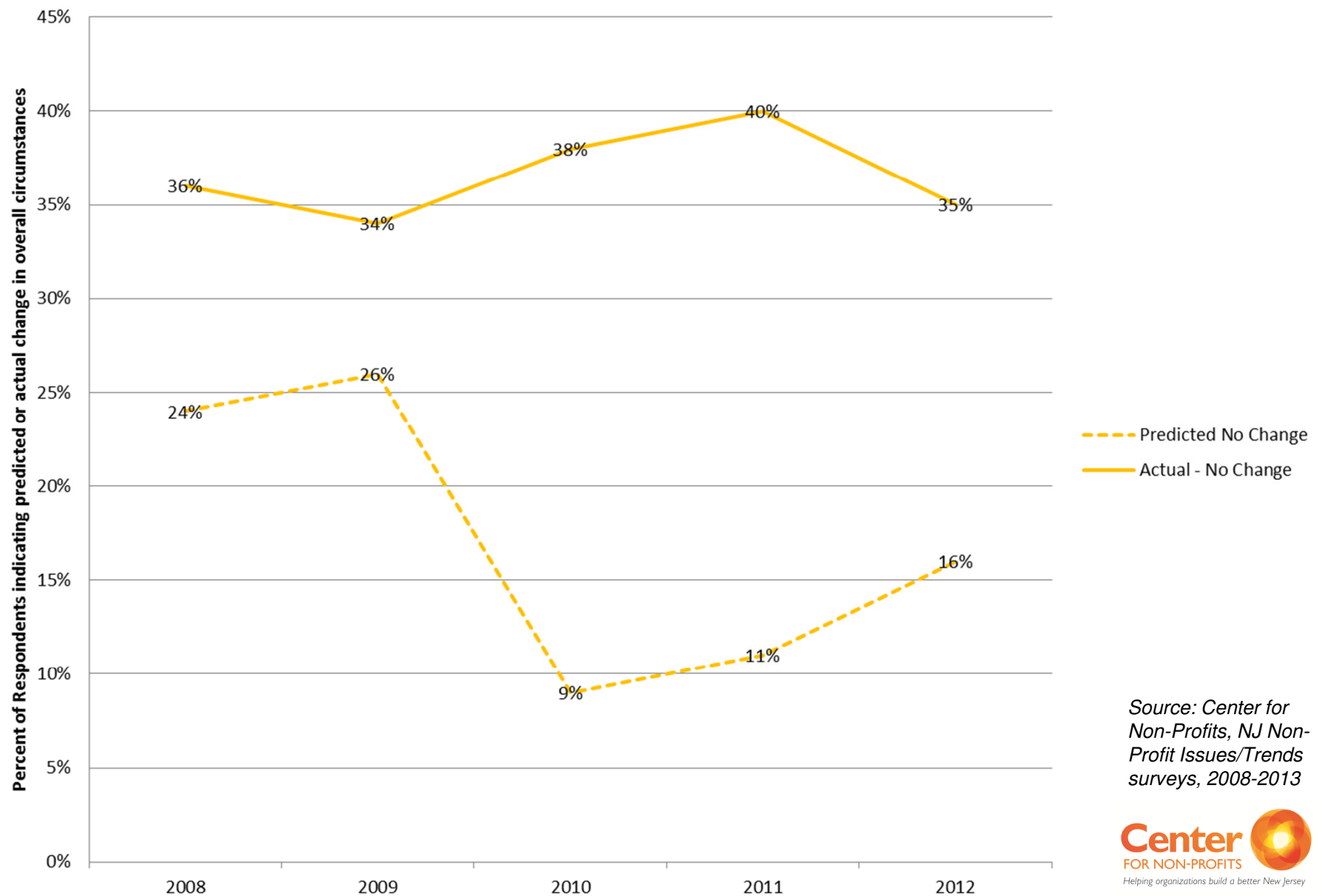
| <i>Overall, one year from now, do you think your organization's circumstances will be better, worse or no different than they are currently?</i> | | | | | | |
|--|------|---------------|---------------|---------------|--------------|---------------|
| Response | 2008 | February 2009 | February 2010 | February 2011 | January 2012 | February 2013 |
| Better | 68% | 41% | 43% | 45% | 44% | 46% |
| Worse | 8% | 33% | 14% | 10% | 8% | 7% |
| No different | 24% | 26% | 9% | 11% | 16% | 15% |
| Unknown/Too early to tell | n/a | n/a | 34% | 34% | 32% | 32% |

How have these predictions panned out?

Comparison - Respondents' Predicted vs. Actual Circumstances, 2008-12



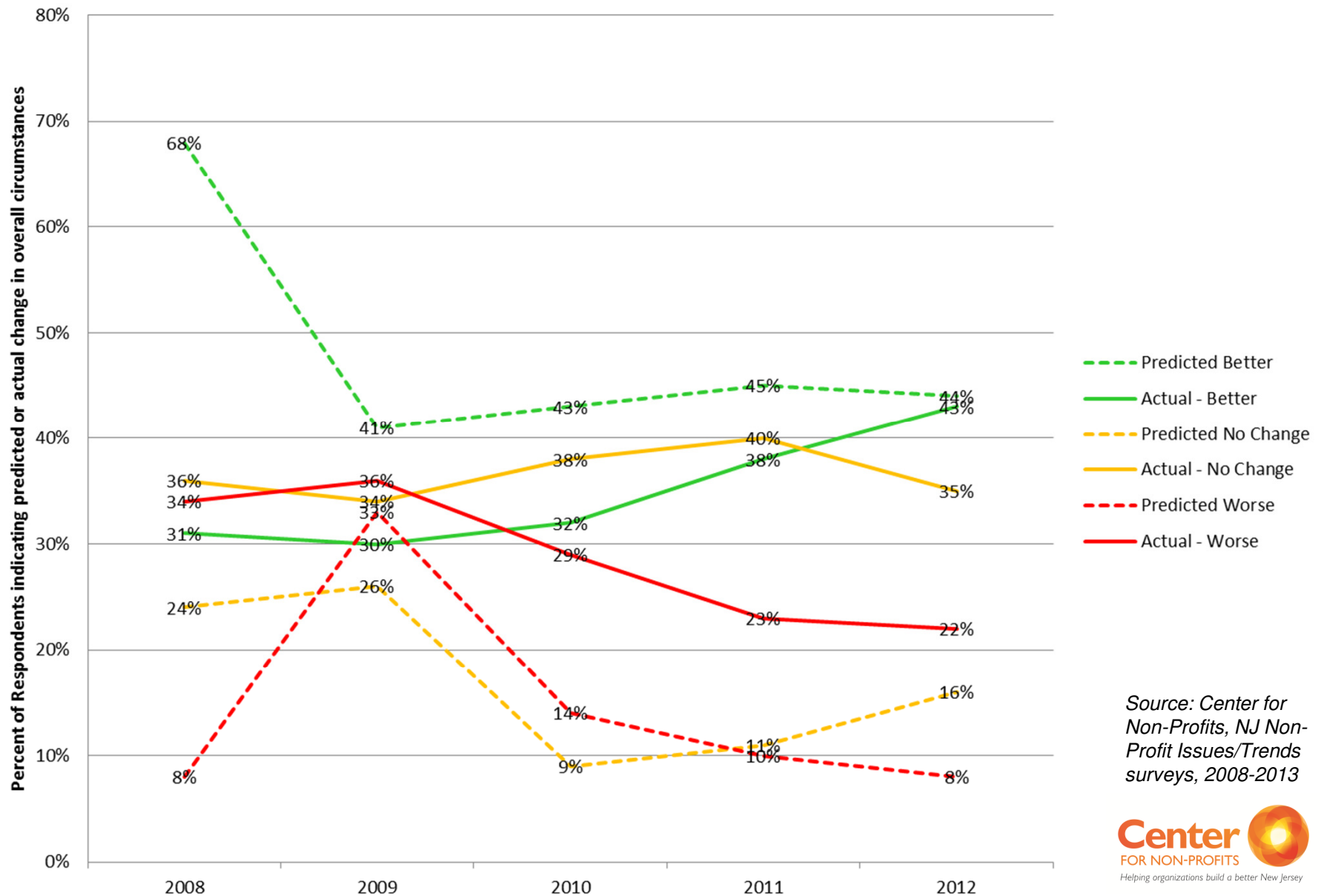
Comparison - Respondents' Predicted vs. Actual Circumstances, 2008-12



Comparison - Respondents' Predicted vs. Actual Circumstances, 2008-12



Comparison - Respondents' Predicted vs. Actual Circumstances, 2008-12



NJ Non-Profits' Top Issues

Top 5 issues affecting individual organization viability (*aside from funding*):

- Financial uncertainty (58%)
- Need for better branding/communications (49%)
- Need for stronger board of trustees (48%)
- Increased benefits/insurance costs (41%)
- Cannot afford enough good staff (29%)
- Increased demand for services (29%)

NJ Non-Profits' Top Issues

Top 5 issues affecting non-profit sector viability in the coming decade:

- Foundation/corporate funding (55%)
- Attracting/retaining capable, committed board members (55%)
- Non-profit infrastructure/capacity building (54%)
- State fiscal policy/budget (41%)
- Federal funding/federal /budget (35% each)

Federal Policy Issues

Sequestration/Deficit Reduction

- \$1.2 trillion in spending cuts
 - Defense
 - Discretionary domestic programs
- Automatic spending cuts began 3/1/2013; \$85 billion in *FY 2013 alone*
- Cuts will continue through 2021
- Many non-profit programs already affected: Head Start, domestic violence, WIC, Meals on Wheels, AIDS services, etc.

Federal Policy Issues

Sequestration/Deficit Reduction

- Need to replace across-the-board cuts with deliberate, focused decision making; engage non-profits in constructive problem-solving
- Need to ***preserve and expand charitable giving incentives***, NOT curtail them

Federal Policy Issues

More challenges to non-profit tax exemptions and benefits

- Charitable giving incentives
- Criteria for tax exemption
- Increased scrutiny of particular sub-sectors: hospitals, universities, veterans' organizations, others

IRS Controversy

- IRS admitted to using certain “catchwords” that targeted exemption applications of conservative groups for additional scrutiny
- Controversy surrounds 501(c)(4)s, NOT (c)(3)s – distinction unclear to public
- Charities risk being hurt by the scandal



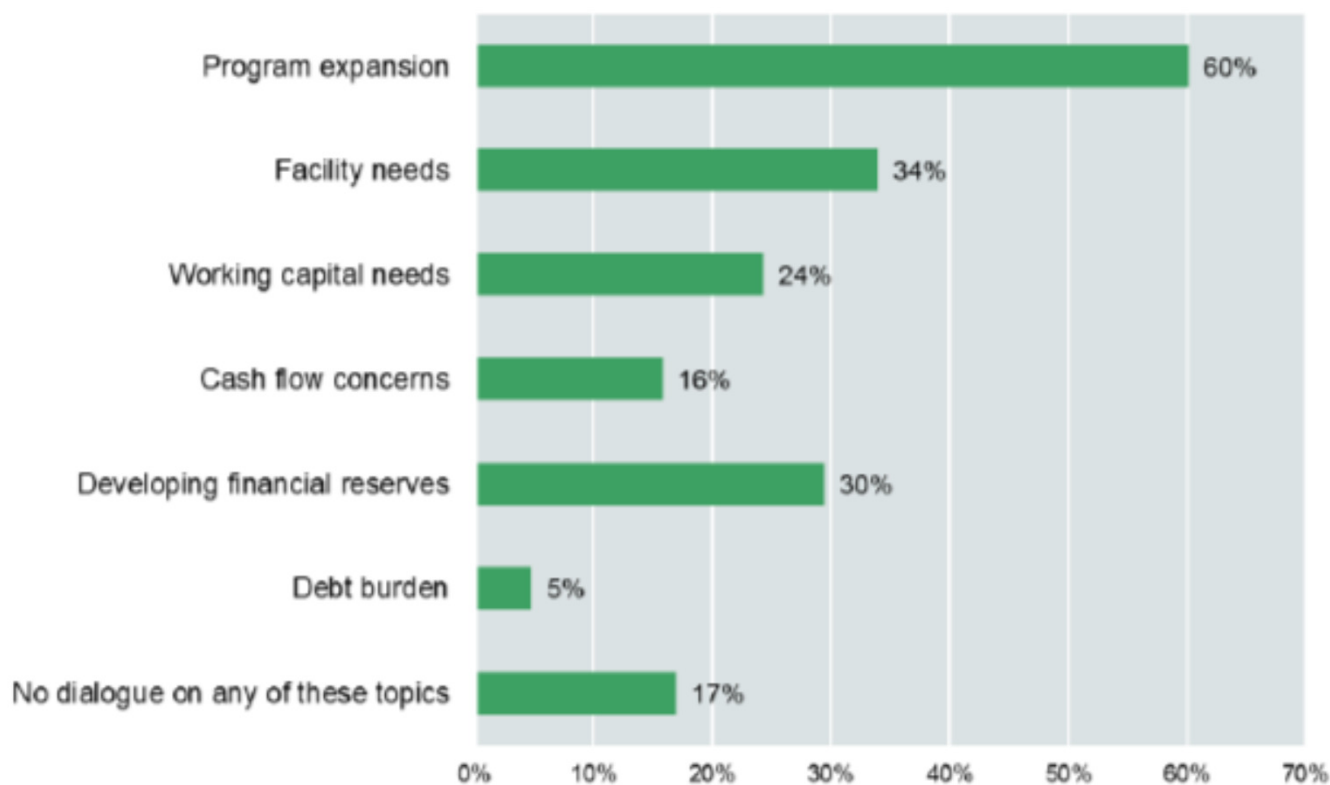
Implications for Funders

- Nonprofit infrastructure investment
- Strengthening governing boards
- Facilitate provision of expertise
- Support increased non-profit involvement in public policy
- Encourage communication/dialogue
- Evaluation

Too Many Nonprofits Feel Uncomfortable Discussing Core Financial Needs



My org can have open dialogue with funders about:



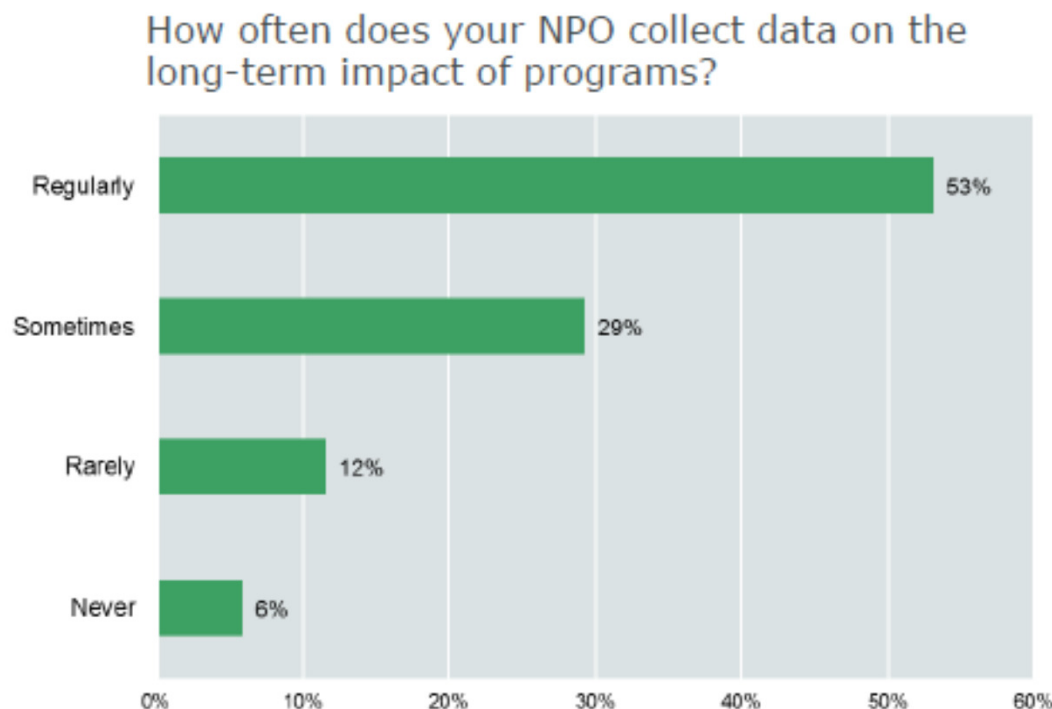
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They Are Responding to the Call for More Impact Measurement...



- In 2012, 54% of survey respondents were asked by funders to measure their long-term impact
- Over half regularly measure long-term impact



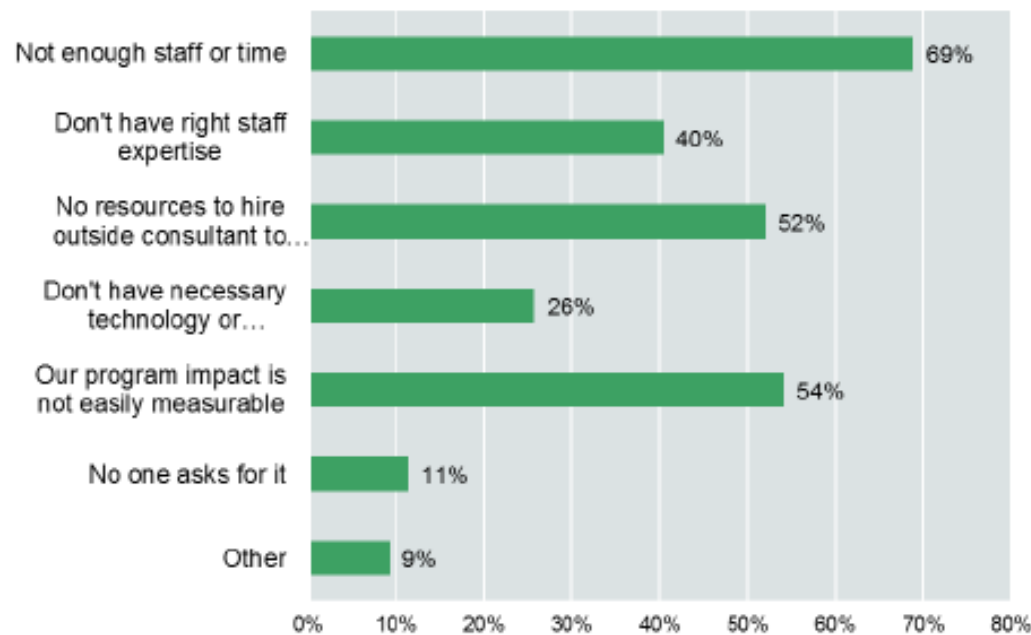
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...Although for Many, It Is Not Easy to Do So



What prevents regular data collection on your long-term impact?



"It's impossible to collect [long-term impact data] due to safety concerns of clients." –Public/Societal Benefit NPO, MN

"It's expensive to do in the right way." –Arts, Culture & Humanities NPO, NJ

"Due to our client base (homeless) it is difficult to track them long-term." –Human Services NPO, NC

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Questions/Feedback?

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items/trends with us!***

THANK YOU!

Linda M. Czipo
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