

## New Jersey Nonprofit Organizations: History and Current Status

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This chapter provides an overview of nonprofit organizations in the state of New Jersey. New Jersey is the eleventh most populated state in the United States. The United States 2012 Census estimated the New Jersey population at 8,821,155. New Jersey is located in the Northern U.S., and borders metropolitan New York, and Philadelphia, Pennsylvania. The report data examines the service program areas served by nonprofit organizations, their program scope, governance, leadership, and funding, sources, and nonprofit sector trends. The findings suggest that nonprofit agencies in New Jersey will need to develop more formative strategies in order to remain financially viable.

## Defining the Nonprofit Sector: Comparing the US and New Jersey

There are currently over 1.6 million nonprofit organizations (NPOs) in the United States, with New Jersey accounting for approximately 28,000 organization, which accounts for a 24% increase since 2000 (Blackwood, Roeger & Pettijohn, 2012). With such an increase comes the need to offset the costs to employing full-time staff members. The nonprofit sector impacts the United State's national economy by employing more than 9% of the US workforce through 1.4 million organizations. Additionally, the nonprofit sector produces 11% of the nation's gross domestic product, generating 8.3% of the nation's wages and salaries. Nonprofits manage \$1.4 trillion in annual revenues and \$3 trillion of the nation's total.

The impact of a sluggish economy has affected nonprofits, as 33% of organizations report reductions in their workforces. According to data collected by Hager, Rooney, & Pollack at The Center for Philanthropy at Indiana University (2002), a third of private charitable donations are received by congregations and other religious faith-based organizations. This sector received 2.5 times more than any other nonprofit sector, with educational organizational organizations receiving the 2<sup>nd</sup> largest share of contributions (13.2%). Human service organizations only received 8.9 of all charitable contributions. Cultural arts and children & family service organizations have experienced the greatest losses. With the increased demand for human service organizations as a result of the recession, nonprofits must do more, with fewer resources. Increased burnout is one of the effects of the downsized

staff to assist with delivery of services to clients.

Overall, the economy has forced many nonprofit organizations to make tough decisions in order to continue operating. Many are looking for answers as to what they can do to ride out the economy. The Center for Nonprofits, in New Jersey, released its annual trends and outlook for the nonprofit sector in New Jersey (2012). The study conducted surveyed 249 nonprofit agencies in the state in 2011 in order to conduct a longitudinal study that reflected their growths and challenges in 2012. Overwhelmingly, three quarters (75%) of those surveyed reported an increase in the demand of services, but 54% of those surveyed also reported that a previous funding source lowered its overall contribution to the agency or denied funding for the year due to economic concerns. It is clear that nonprofit agencies, in New Jersey and nationally, need to consider other ways of fundraising, collaboration, and even mergers/acquisitions in order to stay financially viable.

### Methods

In September 2010, the Center for Nonprofit Management and Governance, School of Social Work, Rutgers University, begun a state-wide research project examining the structure and functioning of nonprofit organizations in New Jersey. The goal of the project was to improve transparency and awareness of the accomplishments and challenges faced by nonprofits in New Jersey. The findings will allow the nonprofit sector to learn about other organizations in New Jersey, and may allow donors and resource centers to better customize their funding and technical assistance services.

The first wave of data collec-

tion began in September 2010 and was concluded in December 2010. Letters were mailed to approximately 8,000 nonprofit organizations inviting them to participate in an online research project. Executive directors, CEO or other authorized staff were asked to complete the survey. We received 268 responses as a result of this effort. The second wave of data collection has begun in February 2011 and was concluded in July 2011. This wave has targeted organizations reporting \$100,000 or more in revenues; because such organizations were underrepresented in the first wave of data collection. We received 255 responses as a result of this effort.

The present report is based on a sample of 404 fully completed surveys. The remaining surveys contain partial data only; therefore, they were not included in this report. The data collected was analyzed using SPSS. The data set included both quantitative and qualitative responses. The information presented in this report is not all-inclusive – additional data exists in the survey, and will be used for future reports and publications.

### Results

#### Description of Participating Organizations

The majority of the participating nonprofit organizations (93%) reported having Federal 501(c) (3) tax exemption status. Many organizations (42%) also reported having the State of New Jersey nonprofit tax exemption. Only a small minority (2%) reported not being a tax-exempt organization, or being a faith-based organization that is not required to receive a tax-exempt determination (4%). Organizations were asked to report their primary purpose or mission. Below is a complete description of the reported pri-

mary purpose or mission of the non-profits surveyed.

The most commonly reported purpose was education; followed by multipurpose human services; youth development; community empowerment; public/society benefit; volunteerism; arts and culture, faith-based, and mental health. Organizations were able to report more than one primary purpose or mission, of which additional areas were covered such as public interest, charitable foundations, and public interest think-tanks.

### **Information about the Clients Served**

Participants were asked to report the number of clients served annually by their organization. The mean number of clients served was 7,568; with a median of 500; and a mode of 500. Additionally, participants were asked to report the type of geographic area they primarily served. The majority of the organizations reported serving suburban areas; about a third reported serving urban areas; and only 13% reported serving rural areas. Furthermore, organizations were asked to report the estimated percentage of clients by gender, age, and race/ethnicity. On average, organizations reported serving slightly more females than males (52% and 48% respectively). The age groups of 5-12; 13-18; and 31-45 were served most frequently. On average, about 50% of the clients served were White; 25% were African-American; 15% were Hispanic; and the rest were clients of other races, such as Native-Americans and Asians.

### **Governance**

Participants were asked who provides governance to their organization. Most respondents indicated that governance is provided primarily by a board of directors or trustees. Some organizations reported that governance is provided primarily by an execu-

tive committee of the board; still others indicated that governance is provided by the founder of the organization; or another source. These results are summed in Table 2.

Participants were also asked to report the average percentage of board members by gender, age, and race/ethnicity. Results indicated that the percentage of male and female board members was roughly equal. Most board members were ages 46 to 60; followed by 31 to 45; and 61 to 75. Noteworthy, board members ages 18-30, as well as 76 and older, appeared to be a small minority among the participating organizations. Finally, when members race/ethnicity was considered, the majority of the board members were White; followed by African-Americans; and Hispanics. Other races accounted for a small minority of the members. These results show that most boards are still relatively homogenous in terms of racial and ethnic composition. The small percentage of Hispanic/Latino board members is particularly alarming.

Participants were asked about their opinion on the importance of diversity among the board members. On a scale of 1 to 5 (1=not important at all; 5=very important), the average score was 3.35; with a median of 4 and a mode of 5. While most respondents provided scores of 4 and 5 (21% and 30% respectively), as many as 20% provided a score of 1, indicating that board diversity was not important at all. Participants were also asked to report whether or not their organization had a resolution or a policy statement on the importance of diversity on the board. Only about one third of the respondents (34%) reported having such a statement/policy. These results further indicate that having a diverse board of directors is not considered to be a priority among many organizations.

Participants were then to report whether board members participate in a variety of fundraising activities. Respondents reported that board members participated in events planning (85%); outreach to donors (79%); and serving on a fundraising committee (78%). Lastly, participants were asked who was responsible for recruiting and mentoring new board members. Most respondents indicated that this was the responsibility of a specific board committee, or the president/CEO/executive director of the organization. A smaller percentage of respondents indicated that recruiting and mentoring board members was the responsibility of the board's chair; the founder of the organization; or key donors.

### **Succession Planning**

Participants were asked about succession planning practices in their organization. More than half of the respondents indicated that they had a succession plan for the board of directors, as well as for the president, the CEO, or the executive director. About 40% reported having a succession plan for the program director. Succession plans for the COO/ CFO and the founder of the organization were reported less frequently. Overall, about 70% of the participating organizations reported a succession plan for at least one of the above mentioned functionalities. It should be noted, however, for some organizations certain functionalities (i.e. COO/CFO) were reported as not applicable.

### **Staffing Patterns**

Participants were asked to report the number of full-time, paid, employees in their organizations. The average number of such employees was 24; however, the median was 1, and the mode was 0. Fully 47% of the participating organizations reported hav-

ing 0 full-time, paid, employees. These results indicate that while some organizations had very large paid staff, many had a limited number of paid employees; or no paid employees at all.

Participants were also asked to report the average percentage of staff by gender, age, and race/ethnicity. On average, female employees were somewhat more prevalent than male employees. The most prevalent age group was 46-60; followed by 31-45; and 18-29. Staff over the age of 75 accounted for a very small proportion of the employees. The majorities of the employees were Whites; followed by African-Americans; and Hispanics. Other racial groups accounted for a small percentage of the employees.

Respondents were asked about the importance of diversity among the staff members. On a scale of 1 (1=not important at all; 5=very important) to 5, the average score was 3.35; with a median of 4; and a mode of 5. Approximately 20% of the respondents indicated that diversity among the staff members was not important at all, in their opinion. Noteworthy, these responses were similar to those provided previously on the importance of diversity among the members of the board.

Participants were asked to report the average annual turnover rate among the staff. The average turnover rate reported was approximately 10%. Furthermore, participants were asked to report whether or not staff reductions were made in the past 12 months, and if so, what kind of considerations influenced the choice of the positions eliminated. Interestingly, the majority of the respondents (74%) indicated that no staff reductions were made in their organization in the past 12 months. Those reporting making staff reductions indicated that "program priorities" was the most prominent consid-

eration in making such decisions.

### Funding and Revenue

Participants were asked to report the annual revenue of their organization in the most recent fiscal year. The most common category reported was \$75,000 to \$3 million (46%); followed by less than \$75,000 (39%). A relatively small percentage of the participating organizations reported having revenues of \$3 million or more. Participants were also asked to report the annual expenses of their organization in the most recent fiscal year. The most commonly reported category was \$75,000 to \$3 million (46%); followed by less than \$75,000 (40%). As expected, only a small number reported having more than \$3 million worth of expenses. These results are summarized in Table 7.

### Operations and Effectiveness

Participants were asked when the organization's most recent annual report was produced. The majority of the respondents indicated that an annual report was produced in the past 12 months. Noteworthy, about 15% of the respondents indicated that their organization has never produced an annual report. Next, participants were asked when the most recent program evaluation, or an assessment of program outcomes, was conducted. Again, the majority of the respondents indicated that an evaluation was conducted in the past 12 months. Nonetheless, more than 20% of the respondents reported that a program evaluation has never been conducted in their organization. Participants were asked to indicate who typically conducts a program evaluation in their organization. Among those conducting an evaluation, most reported that it was conducted by internal program managers. Noteworthy, only a small minority indicated that evaluations were con-

ducted by external consultants.

### Major Challenges to Performance

Participants were asked to report the major challenges to successful performance in their organization. The majority of the respondents named "funding" as the major challenge to successful performance; followed by "attracting and retaining highly skilled staff"; "management"; and "governance".

### Helpful Services

Finally, participants were asked to report whether or not specific training/education services could be helpful to their organization. On a scale of 1 to 5 (1=not helpful at all; 5=most helpful), the service that has received the highest score was "assistance from similar nonprofit organizations"; followed by "obtaining a certificate program in fundraising"; and "participation in a statewide conference on the status of nonprofit sector in New Jersey". The full description of services is presented in Table 10.

Overall, the nonprofit organizations that were surveyed reported both substantial growth and declines in their service provision. These agencies are seeking ways to stay active while dealing with a tough and unforgiving economy. The road ahead for the nonprofit sector in New Jersey and the United States will have to shift to include innovative ways to build support, sustain funding, and strengthen board management and governance. The ability for smaller nonprofit agencies to compete with larger, well-established nonprofit agencies will depend on education and retention of senior level staff while also reflecting the growing diversity in New Jersey.

## Discussion

### Challenges with Data Collection and Data Analysis

We have encountered several challenges during the data collection process. The most significant challenge was calculating the response rate for the survey. Participating organizations were selected from a list of 47,000 nonprofits registered with the IRS in the state of New Jersey. Nonetheless, the accuracy of the list used remains unknown. For instance, some of the registered organizations may no longer be in existence; while others may have changed their location. The letters of invitation were mailed to the addresses listed on the form; however, we are unable to assess how many operative organizations had received it. Therefore, the response rate for this survey is unknown.

In addition, we encountered several challenges with data analysis. First, approximately 100 participants did not complete the full survey. In many instances, only a few questions were completed, while the majority of the survey was left blank. Partial surveys were excluded from this analysis; however, they may be included in future reports. Furthermore, some participants chose not to respond to certain questions on the survey. Therefore, results presented in this report are based on the number of available responses for each question. The survey also did not account completely for smaller, newly formed nonprofit agencies whose revenue is under \$100,000 per year since it was difficult to focus the scope of those agencies.

## Conclusion

Nonprofit organizations in New Jersey are struggling amid a tough economy and it is from the survey conducted that alternate strategies

will need to be utilized to ensure the longevity of the agencies surveyed. Succession planning, program evaluation, and education were some of the areas where improvement can be made to these respective agencies. The role of the Center for Nonprofit Management and Governance at the Rutgers University School of Social Work, is to ensure that the nonprofit sector in New Jersey has the tools necessary remain a viable force.

<b>Table 1: Primary Purpose of the Participating Organizations</b>		
Primary Purpose	Frequency	Percent
Education	92	23%
Human services-multipurpose	65	16%
Youth development	48	12%
Community empowerment/ community organizing	34	9%
Public/society benefit	31	8%
Volunteerism	31	8%
Arts, culture	28	7%
Faith-based, religion, spiritual	27	7%
Mental health	27	7%
Recreation/sport	24	6%
General health	23	6%
Housing/shelter	19	5%
Philanthropy	15	4%
Employment/job related	14	4%
Food/agriculture/nutrition	14	4%
Substance abuse	14	4%
Civil rights/social justice	11	3%
Animal related	9	2%
Environment	8	2%
Gangs/gang-related	5	1%
Science and technology re- search	5	1%
International affairs/national security	3	1%
Legal services	2	.5%
Social science research	1	.5%

<b>Table 2: Provision of Governance to the Organization</b>		
Provision of Governance	Frequency	Percent
Board of directors/trustees	294	73%
Executive committee of board	52	13%
Founder of the organization	41	10%
Other	16	4%

<b>Table 3: Gender, Age, and Race/Ethnicity of the Board Members</b>	
	Average Percent
Board members' gender	
Male	52%
Female	48%
Board members' age	
18 to 30	<5%
31 to 45	25%
46 to 60	48%
61 to 75	21%
76+	<5%
Board members' race/ethnicity	
White	78%
African-American	14%
Hispanic/Latino	4%
Other races	<5%

**Table 4: Board Members' Fundraising Responsibilities: Recruitment and Mentoring of Board Members**

	Frequency	Percent
Board Members' Fundraising Responsibilities		
Event planning activities	333	85%
Outreach to donors	306	79%
Fundraising committees	310	79%
Recruitment and Mentoring of Members		
Board committee	204	52%
President/CEO/executive director	198	50%
Board chair	85	22%
Founder of the organization	57	14%
Key donors	10	3%

**Table 5: Presence of Succession Plans for Key Stakeholders**

Presence of Succession Plan	Frequency	Percent
Board of directors	207	58%
President/CEO/executive director	178	52%
Program director	97	42%
COO/ CFO	57	28%
Founder of the organization	43	26%

<b>Table 6: Staff Members' Gender, Age, and Race/Ethnicity</b>	
	Average Percent
Staff gender	
Male	32%
Female	68%
Staff age	
18 to 30	17%
31 to 45	30%
46 to 60	37%
61 to 75	11%
76+	<5%
Staff race/ethnicity	
White	65%
African-American	17%
Hispanic/Latino	10%
Other races	<10%

<b>Table 7: Annual Revenues and Expenses of the Participating Organizations</b>			
	Frequency	Annual Revenues	Annual Expenses
Less than \$75,000	154	39%	40%
\$75,000 – \$3 million	183	46%	46%
\$3 million – \$10 million	44	11%	11%
More than \$10 million	18	5%	4%

<b>Table 8: Annual Reports and Program Evaluation</b>		
	Frequency	Percent
<b>Annual Report Produced</b>		
Never	57	15%
Within last 12 months	307	78%
Within last 24 months	17	4%
Within last 36 months	3	1%
Within last 48 months	9	2%
<b>Program Evaluation/Assessment Conducted</b>		
Never	88	23%
Within last 12 months	251	66%
Within last 24 months	26	7%
Within last 36 months	5	1%
Within last 48 months	8	2%

<b>Table 9: Major Challenges to Performance</b>		
Major Challenge	Frequency	Percent
Funding	242	62%
Attracting retaining highly skilled staff	42	13%
Management	31	8%
Governance	18	5%
Other	48	12%

<b>Table 10: Services That Could be Helpful for Nonprofits Surveyed</b>	
Service	Average Score (1=not helpful at all; 5=most helpful)
Assistance from similar nonprofits	3.16
Certificate program in fundraising	3.11
Participation in statewide conference on the status of nonprofit sector in NJ	2.85
Distance learning via online courses	2.81
Certificate program in nonprofit management	2.77
Intensive certificate program in nonprofit management (2-3 weekend program)	2.59

## References

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