

NONPROFIT SURVEY 2008-2009

Study of Nonprofit & Social Service Organizations



PREPARED BY:



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FOUNDATION
OF NEW JERSEY
Generations of Generosity
Morristown, New Jersey

2008-2009 Greater NJ/NY Metropolitan Area Study of Nonprofit & Social Service Organizations

The world is constantly changing. It is increasingly impacted by global influences, rapid advances in technology, an economy that has been shaken to the core – both at home and abroad - and an ever deepening concern about social and political issues. The nonprofit community is far from immune to these problems, yet in the midst of all the turmoil, these organizations continue to move forward, doing their best as stewards of the community to fulfill the hopes and dreams of their constituents and supporters. Whether their program is religious or civic, focuses on affordable housing or a cure for cancer, or raises awareness of the vulnerable who have no one else to speak on their behalf, the work goes on.

Passion, commitment and determination drive the thousands of nonprofit organizations that are headquartered in the New Jersey/New York metropolitan area, providing services to these states. It is our goal through this survey to provide additional resources, information and access to best practices for this sector, enabling them to continue their work and achieve success.

The questionnaire was specifically designed to identify the most significant trends that have emerged over the last five years, and use the information to forecast and prepare for the years ahead.

We believe the results are valuable for all who are connected to the nonprofit community, including the organizations, their leaders and volunteers, their advisors and donors, and most of all, those who benefit from their services. If you have any general or specific questions about these results or the methodology used to gather the information, please do not hesitate to contact us for clarification. Additional copies of the survey can be requested by calling Sally Glick, Sobel & Co., at 973-994-9494 or by e-mail at sally.glick@sobel-cpa.com.

This survey was conducted through the efforts of:

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Special thanks to David Lewin, PhD., President and Founder of Statistically Speaking Consulting, who analyzed the raw data and provided his expertise to reach the important conclusions expressed here. Dr. Lewin can be reached at 215-378-7964, by e-mail Lewin@statspeaking.com or on line at www.statspeaking.com.

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Methodology for Conducting the Survey

Goals and Objectives

The three sponsoring organizations, Sobel & Co., Certified Public Accountants and Consultants, The Community Foundation of New Jersey and Semple Bixel Associates, determined that there was a compelling need for current and timely information that would provide practical and applicable insights for all nonprofit organizations in the metropolitan area. Based on the information gathered, it was anticipated that nonprofits would be able to benchmark their own strengths and weaknesses as well as the opportunities and threats they face, using the analysis of the survey data to assist in their decision-making processes.

Critical Components

Working together, they divided the data they sought into seven comprehensive sections. It was acknowledged that changes within these key areas would reflect important trends and highlight major challenges.

The categories are:

1. Size and Scope of the Responding Organizations
2. Donor Development and Marketing Communications
3. Volunteerism
4. Board Governance
5. Strategic Planning
6. Human Resources
7. Technology

Delivery Mechanism

In order to have results that would be statistically sound and would be relevant and meaningful to the nonprofit sector, the survey was distributed by the three sponsors to a wide range of nonprofit organizations.

The survey was available in both hard copy and electronic format, for the convenience of the respondents. Hard copy was by mail and e-mail attachments were also sent, based on the request of the organization. Most importantly, an electronic version was posted on the Sobel & Co. website utilizing Survey Monkey for execution. The link to the website was sent in letters to clients and colleagues as well as via e-mail to encourage participation.

Participation

There were many people who helped to distribute the survey link, including Kate Tomlinson, Publisher of New Jersey Monthly, Kate Muldoon and Bernadette Tiernan at William Paterson University and countless other nonprofit organization leaders who urged their colleagues to participate. As a result, we are excited that more than 115 surveys were completed, covering the metropolitan areas of New Jersey and New York.

“Smaller, local organizations with a long history of serving their community dominate the nonprofit landscape.”

Information about the Respondents

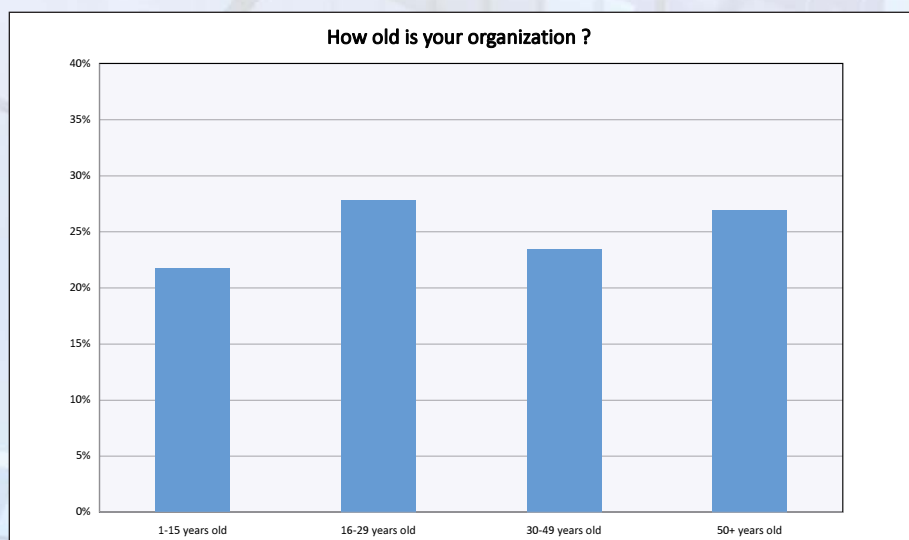
In reviewing the demographics of the respondents there were some interesting facts we uncovered.

First of all, the majority of those completing the survey were organizations that were from 15 to 50 years old. We took this as a very positive sign. It could be interpreted that nonprofit organizations in the metropolitan area have been able to survive over many years because the market has nurtured and sustained the nonprofit sector. It could also mean that the older, more established organizations were more likely to respond to the survey than a younger, less established organization. It is important to note that organizations that last over time typically have a strong and viable vision and mission which serves a valuable purpose for their constituency. Interestingly, 31% of the organizations responding have been around for more than 50 years!

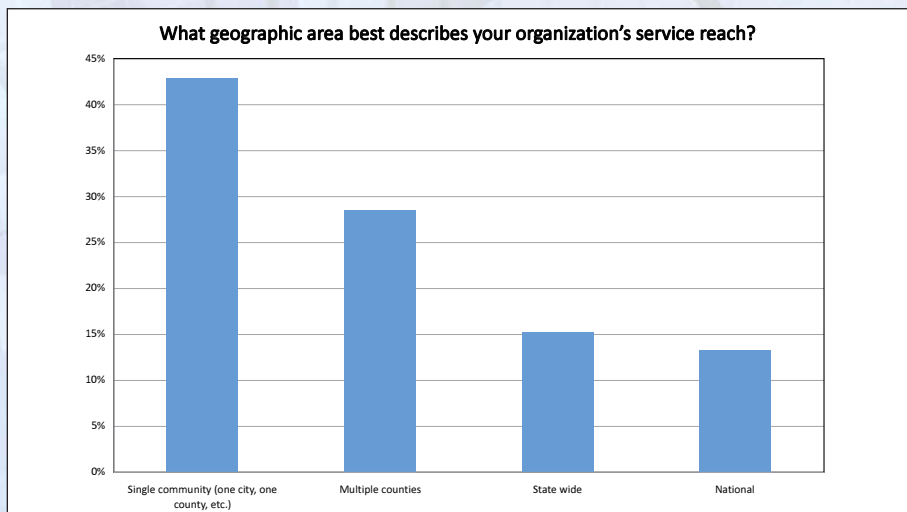
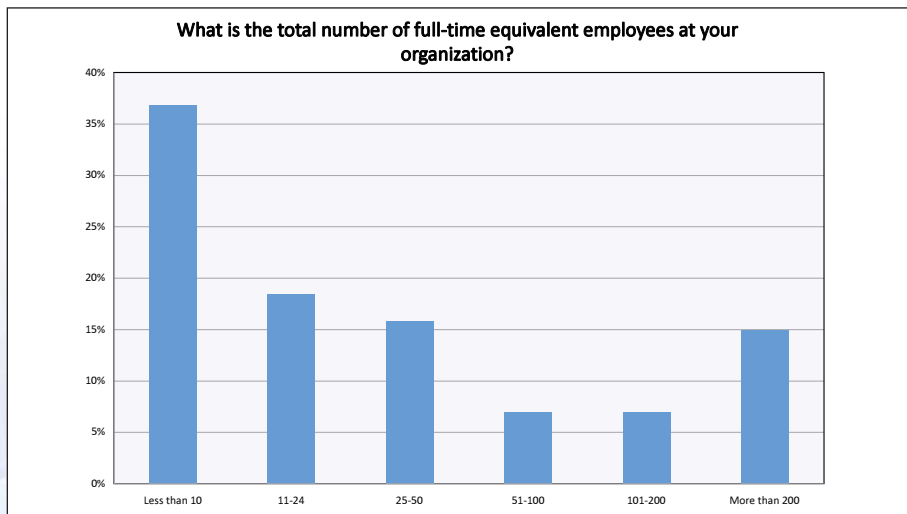
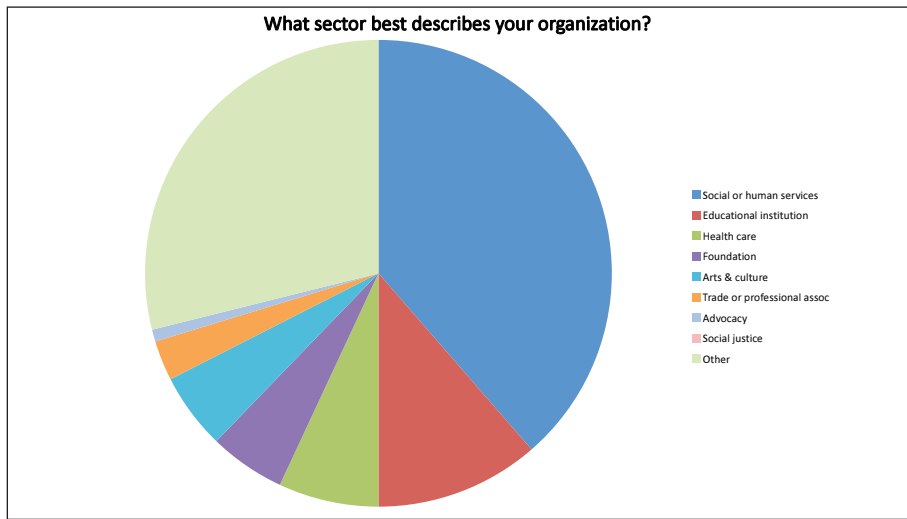
The greatest portion of respondents considered their organizations to be classified in the social or human services category. However, organizations that selected “other” to define themselves were predominantly from educational institutions, religious institutions and housing developments, demonstrating a diverse population of nonprofits participated in the survey.

Regarding the number of paid employees at the organization, the greatest number – almost one half – have less than ten employees. And, not surprisingly, the great majority, over 61%, expect that number to stay the same going forward. This just confirms that these local organizations run with as lean an infrastructure as possible.

When asked to identify their geographic reach, again almost one-half (42.9%) are single community organizations. We believe this substantiates and explains why they have lasted so long in their markets. They are small (under 10 staff) and they have remained focused on their audience, establishing a name and reputation which has helped them remain successful.



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“Future projections are, overall, based on past performance.”

Donor Development, Marketing Communications and Fund Raising

When analyzing the more than 66 question in the survey, those regarding donor development, marketing and fund raising provided some keen insights, especially in light of the current economic turbulence.

A significant number, over 70%, have seen their programming increase over the last five years and even more, 77%, expect programming to continue to increase in the next five years.

That optimistic outlook is based on the fact that more than 85% have seen demand for their services increase and they fully anticipate that the demand will continue to rise over the next five years. This reflects the changes in our society as more people turn to nonprofits for programs and resources. The nonprofit sector needs to be prepared for the continued influx of new users of their services.

Budget information complements these responses, with 76.4% seeing their budgets increase over the last five years and more than 78% expecting the trend to continue over the next five years.

So, if budgets are increasing, and programming is increasing in response to rising demands for services, how will these organizations continue to raise more revenue? Our observations include a concern over the organization's ability to manage this growth. This is where strategic planning will be critical as well as a plan for diversification of their funding portfolio to support the increases in revenue.

Here are some of the ways that funds are being raised by nonprofit groups in the metropolitan are of New York/New Jersey. Local organizations are still relying on the traditional methods of fundraising, with top vote getters including:

- Annual gift campaigns
- Galas
- Direct mail

These types of activities have stayed the same for the past five years for more than half of the organizations.

The time, effort and resources that these events demand must be balanced against the Return on Investment (ROI) that they create. Special events typically cost about 50 cents for every dollar raised. That being said, every organization needs to think strategically about the most effective ways they can raise awareness and generate revenue – while perhaps considering other, more personal approaches going forward.

The good news is that most organizations are taking advantage of online giving, and more expect to in the next five years. They also overwhelmingly participate in grant writing and almost all receive bequests, along with some gift annuities and trusts. Only 21% have a planned giving program in place, but again, the trend is very positive with an additional 28% expecting to implement a program in the future.

What does the future hold?

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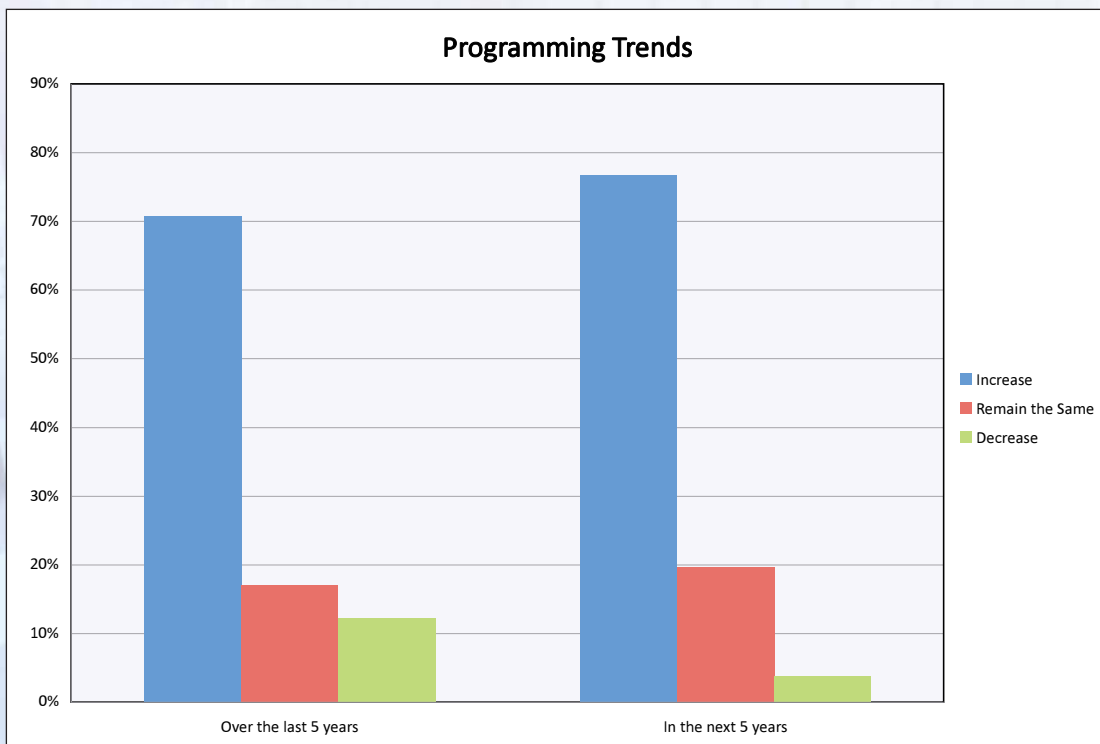
With 52% impacted by public funding cuts, the trend is to attract and retain private donors, something more than two-thirds are already planning to do.

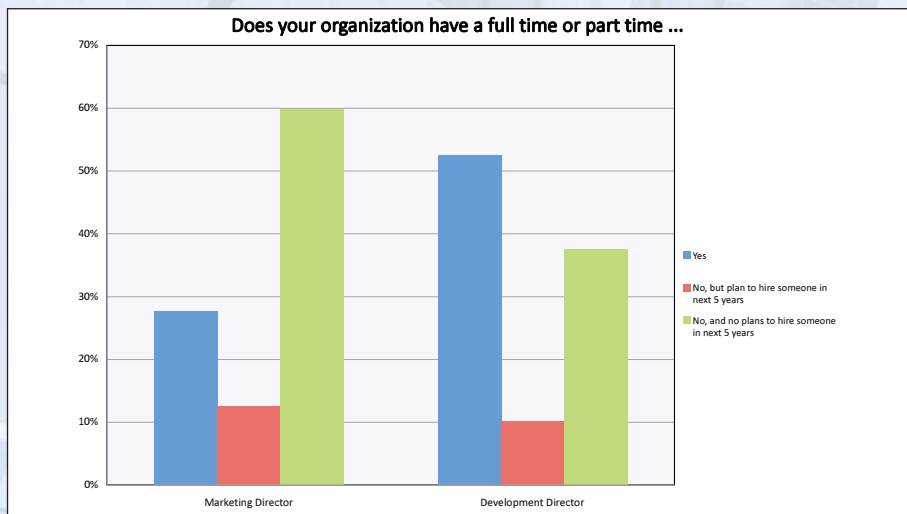
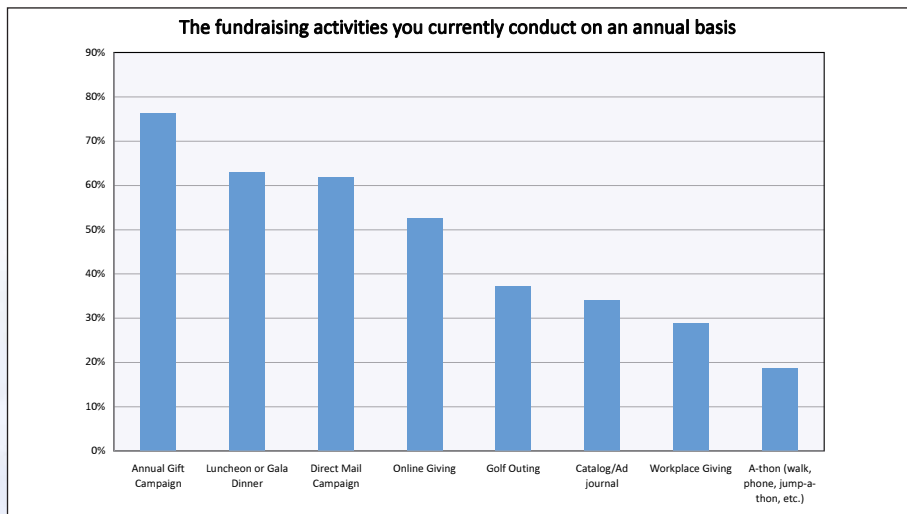
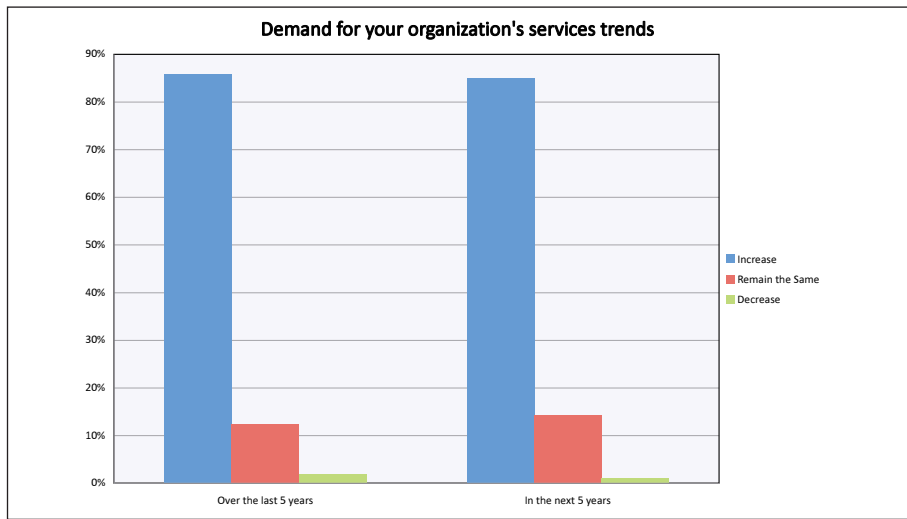
Many have traditionally relied heavily on local corporations for sponsorship. But in an economic downturn, those corporate dollars dry up quickly. This translates into the need for new strategies to identify new targets for funds.

Yet, for all of the emphasis placed on finding new donors, especially by expanding the scope to include private donors who (unlike corporate donors) will build a personal and lasting relationship with the organization, few have the talent on staff to accomplish this critical goal. Just 27% have a full or part time marketer on staff and over 82% do not plan on hiring anyone in this role over the next five years. Likewise, just more than half use the services of a development director. Of those that do not use these services, 78% have no plans to do so over the next five years.

This information leaves one to wonder how the organizations will continue to grow if they overlook the importance of building a loyal following and developing meaningful personal relationships. While Internet marketing and online giving does generate revenue, the consistent support often comes from enhanced marketing communications. This is an area that needs to be reviewed and assessed by all the organizations that are not currently giving much creditability to the marketing role.

With competition from other nonprofits holding steady, these local organizations seem to be somewhat immune to the mergers and reorganizations that are impacting the large national and international nonprofits. More than 91% don't anticipate a merger for their group in the next five years. This seems to make sense considering that most have had the time to build a brand/name recognition in the community and work from a position of strength that could be diluted by a merger.





“The common challenges facing organizations that rely on volunteers remain much the same today as they were five years ago!”

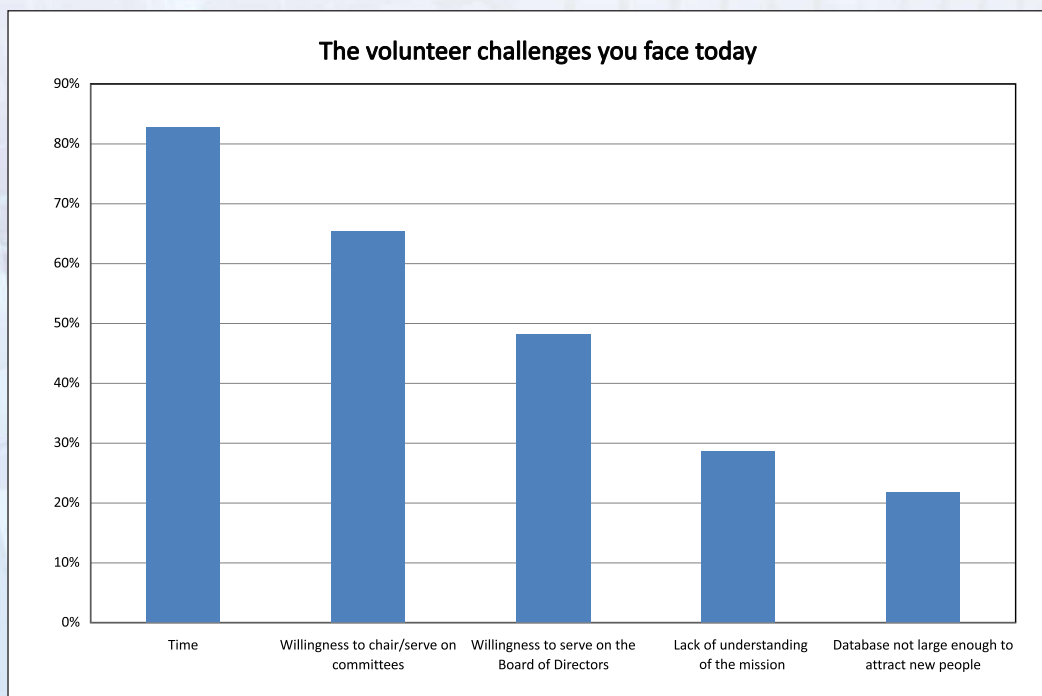
Volunteerism

The lack of time was the primary obstacle most nonprofits face when dealing with volunteer issues. Because of the lack of time available, more than 65% also found that they are having difficulties getting volunteers to serve as committee or board members. This correlation makes sense, because volunteers who are trying to balance work/life schedules are moving away from roles that include heavy time commitments.

This means that a good amount of effort should be spent trying to decide how to overcome the challenges of shrinking time available for philanthropic or volunteerism. Perhaps more committees will meet via web conferencing or teleconference calls or meet less frequently; maybe committees can be reconfigured to handle multiple tasks; maybe some tasks can be outsourced or shared services can be utilized to take the burden off the volunteers.

One area we did not cover in this survey was the impact of the aging Baby Boomers on the availability of volunteers. While some are concerned that the pool of volunteers will become more constricted with an aging population, others feel that either the retiring Boomers will devote even more time to their favorite charities OR the next generation will be as equally committed to philanthropy as their parents and grandparents.

Whatever ingenuity is used, it is clear that volunteers with time to commit are only becoming scarcer and this will need to be addressed in light of the belief that the demand for more programs is increasing over the next five years!



***“Nonprofits are being asked to behave with accountability -
more like corporations - and that’s a good thing!”***

Governance

The public is smarter, more sophisticated, and more concerned about transparency and accountability more today than ever before. The trickle down effect of corporate misconduct has impacted the nonprofit world. Long viewed with highest regard for their mission of “good will and highest integrity” these organizations bear the extra responsibility to behave in an ethical manner as stewards of the community.

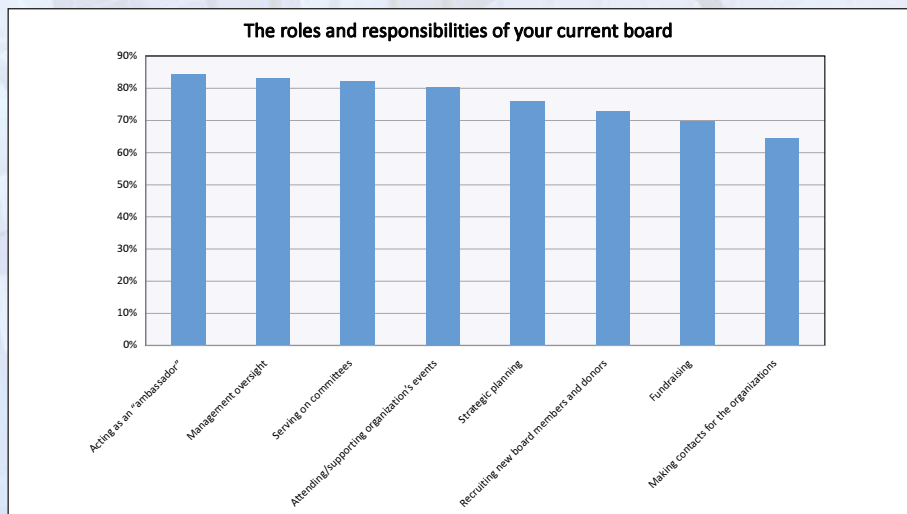
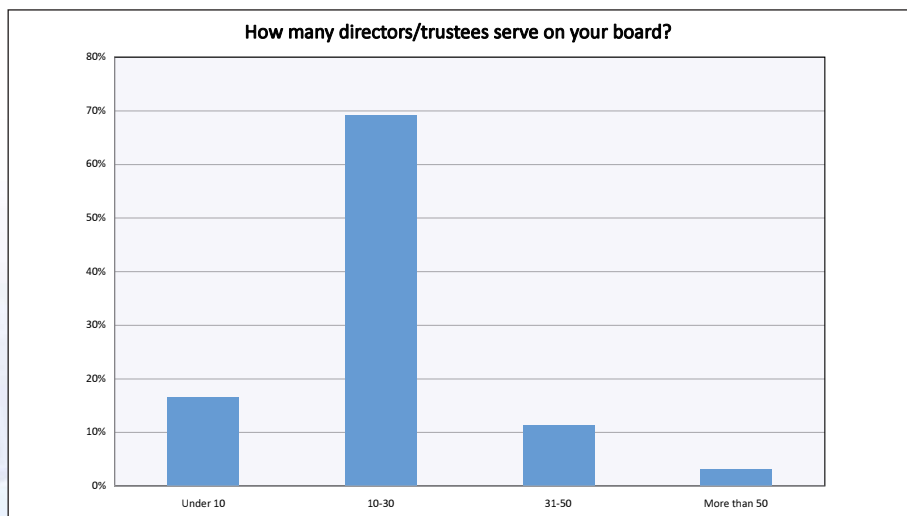
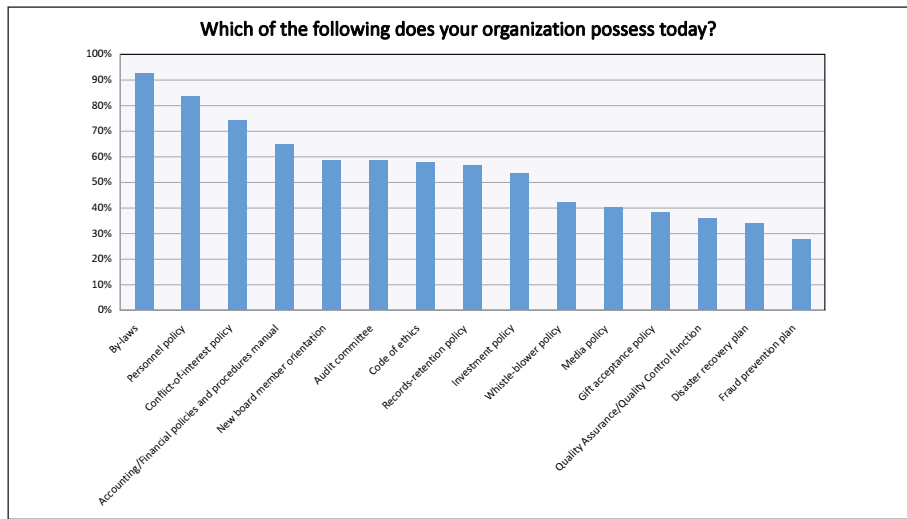
The first indicator is the response to the question regarding how donors want their money spent. 42% do not want their donations used to support operating expenses and it appears that the numbers are growing. This is an indicator that unrestricted funds may be diminishing, and organizations that rely on these types of donations will have to find ways to be more effective and efficient. Over all, the public should expect the nonprofits to have high standards and use the money raised in a judicious manner to further the programs they support.

Nonprofits are beginning, slowly, to replicate some of the activities of the for-profit business community. For example, almost every organization has by-laws, and the majority of the organizations also have a personnel policy, board orientation programs, a conflict of interest policy, and a financial policies and procedure manual. Many – almost 60% - have an audit committee and a code of ethics. Another good sign is the fact that 70% of the organizations with an audit committee have a designated financial expert on the committee to ensure compliance and accuracy. More than 80% have an executive committee and a finance committee. These numbers represent a significant shift towards embracing the more formalized structure that an entity requires to ensure appropriate behavior and accurate reporting which should continue to be a top priority for all Boards.

How are the boards evolving? When term limits are longer, it is hard for boards to be creative and innovative. The majority (22 out of 42) of nonprofits stated that their board members typically serve two three-year terms which enables them to have a continuous flow of new ideas and perspectives. Other findings show that the boards themselves most often are comprised of 10-30 people with the role of ambassador as their most important responsibility. More than 80% of the nonprofits expect their board members to be involved in management oversight, serve on committees and attend events. It is also critical to note that almost 60% say these roles have not changed in the last five years. This leaves a good amount of room for improvement. If the premise is that private individual donors are going to be key drivers in the future, then the board members, in their role as ambassadors, must work more diligently to make contacts and attract new members and donors.

The Baby Boomer generation has had a significant impact on the nonprofit world, and with their retirement looming in the next five to ten years, nonprofits will need to be better prepared in every area, including attracting and retaining board members. A surprising 72% acknowledged no succession plan in place for either the Executive Director or the Board Chairperson. This needs to be an important consideration as exits begin to take place, or the group will not have a seamless leadership transition. This can have a negative impact in many areas, even leading to donor dissatisfaction and lack of confidence.

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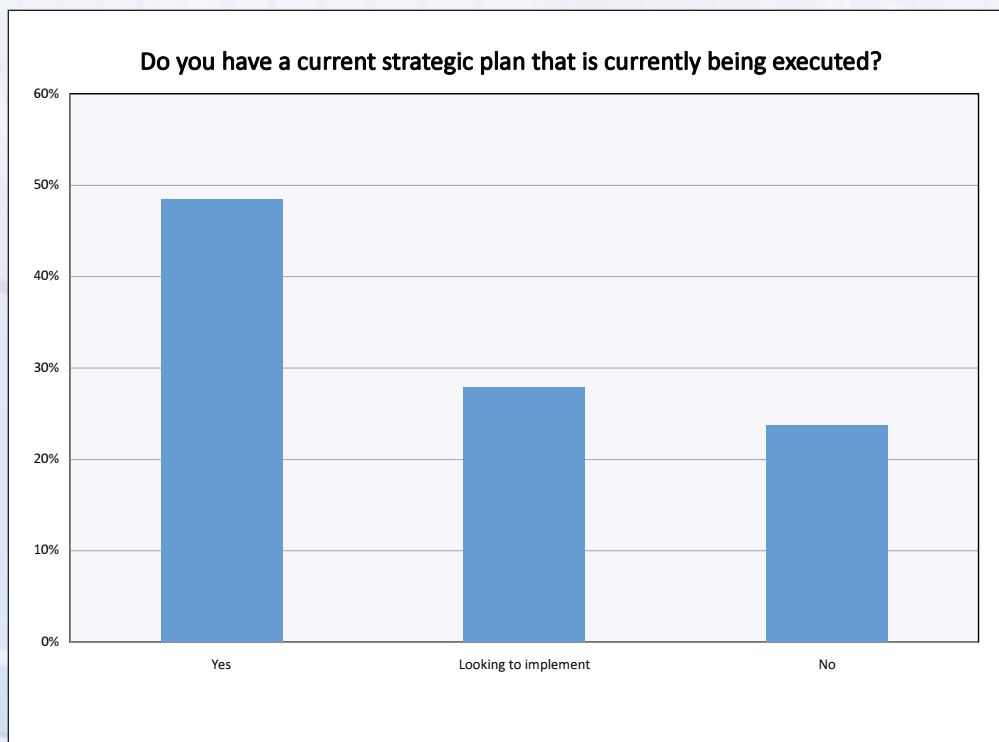
*“With cutbacks and slipping revenue,
behaving more strategically will be critical for future success.”*

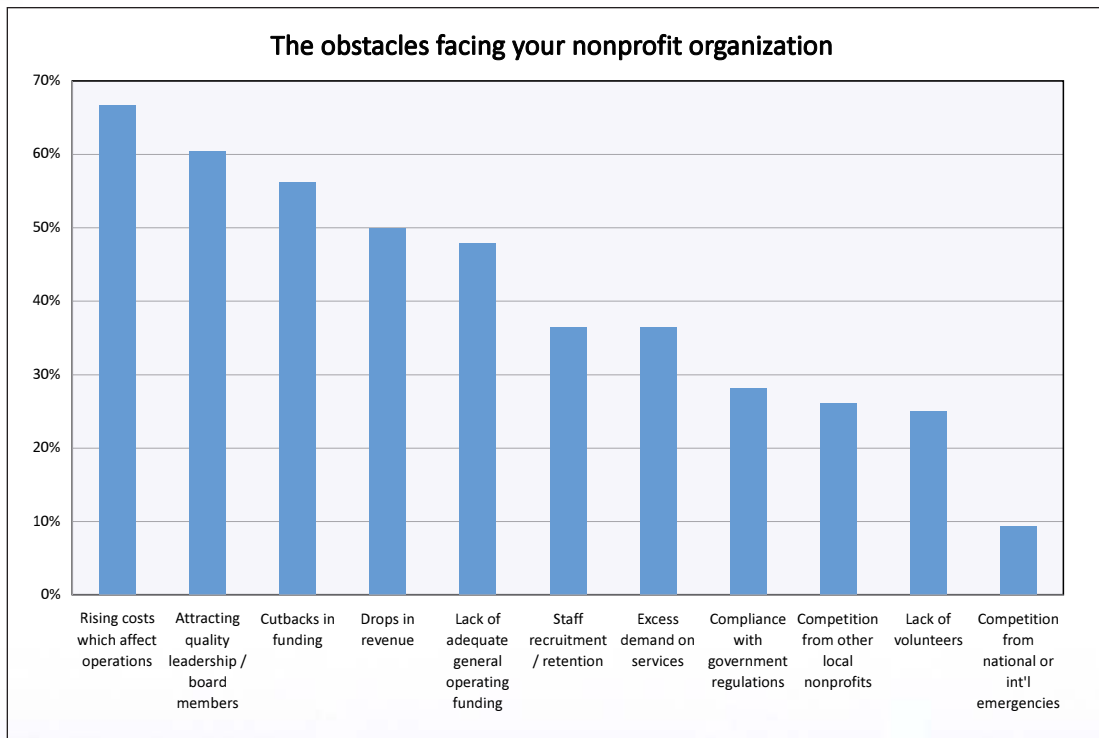
Strategic Planning

About half of the organizations we surveyed said they have a strategic plan in place, and an additional 28% said they are looking to implement a plan. This is an excellent trend that demonstrates the awareness that is building among the nonprofit organizations. The numbers reveal an interesting story: 56% said they face cutbacks in funding and 50% worry about revenue declines. At the same time, 66% worry about rising costs which can impact operations and 60% are concerned over attracting quality leaders. With less money and higher costs, the burden will be on tomorrow’s leaders to act as entrepreneurs, to think outside the box, and to find ways to overcome obstacles. YET – 60% are worried that they do not have the ability to attract the level of leaders that will be able to drive these changes.

The problems have not changed much over the years, but the world is more demanding now. Those organizations that survive will have to behave more thoughtfully, crafting a strategy for the future and being prepared to implement it. The nonchalant attitude of previous generations is gone now and organizations need to be prepared to take up the challenges and address them head on.

Some of the key issues that are evident in these survey results that will need to be reviewed and contemplated include staffing – as well as how to compensate employees – fund raising activities, private donor development and leadership.



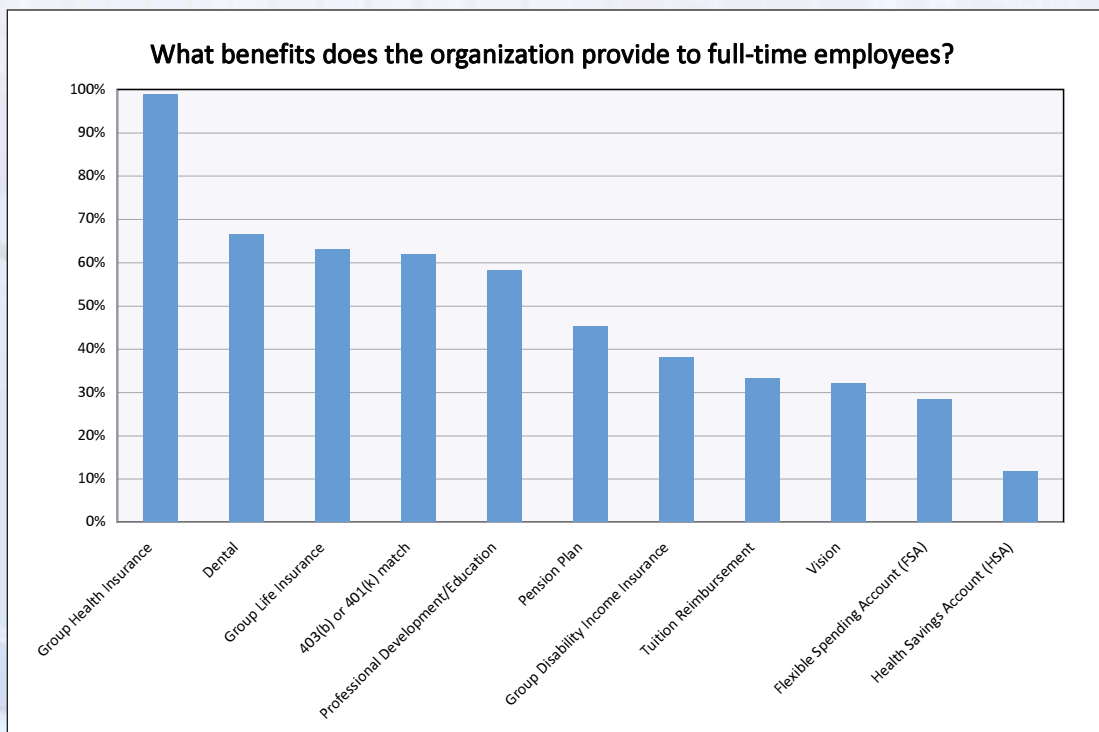


“With programming increasing and volunteerism decreasing, the spotlight will be more and more on the abilities of the paid staff.”

Human Resources

Attracting and retaining quality staff is a top concern in every organization across the country. Nonprofits feel the pinch even more so because they often cannot compete with corporate salaries and benefits packages. The one thing they do have, though, is their reputation and their passion for helping others. This often compensates for some of the areas where they are lacking. But, no matter how dedicated the staff may be, they still need to have a reasonable salary and benefits. The positive news is that 99% of the nonprofits responding said they offer group health insurance, with the majority providing dental, group life and a 403 (b) or 401 (k) match. Vacation time is almost universal and paid time off occurs in more than 64% of the organizations. Professional education and development is paid for in more than half the organizations and in 82% of the cases, salaries rose over the last five years.

There is more to a good culture than paid benefits though. It is also important to provide an environment where the employees can grow and thrive. The responses to this survey show that staff evaluations are performed, most organizations have an employee manual, goal setting is in place and a great many have an orientation process for new employees. All this speaks volumes about the nonprofit’s changing attitude towards employees – focusing more on enhancing their careers and providing guidance, mentoring and feedback to help them grow professionally.



“The benefits of using technology continue to grow, helping organizations be more efficient while raising more money.”

Technology

The local nonprofits that replied to our survey are beginning to leverage the technology of the 21st century to their advantage.

Technology is impacting attracting and tracking donors, marketing and branding, committee meetings and book-keeping, to list just a few areas that are most significant.

Of those who replied to the survey, 60% use online giving and more than half of those who replied “No” to this question said they expect to adopt this over the next five years. While we did not ask if the organizations have websites, we expect that today the answer would be a resounding YES. The difference is in how the website is used to build a brand, create a bond to the donors, and attract users of their services or programs. This is often the domain of a marketing professional, and with few organizations engaging a marketer full or part time, these technology tools are not being used to their fullest potential. The good news is that this can be remedied and technology can be used as organizations move forward into uncharted waters.

Technology is also impacting record keeping. While the majority, 55%, use QuickBooks for their accounting package, Peachtree is used fairly often as well. Some organizations are also identifying, tracking and monitoring donors through DonorPerfect, Raiser’s Edge, Giftmaker, SAGE, and Fund EZ. This is another good sign that organizations that want to be leaner, more targeted and more profitable are beginning to use the tools that will help them achieve their mission.



Conclusion

Throughout generations, we have seen significant changes, challenges, and broad successes in the nonprofit sector. Each organization – whether a small nonprofit that provides a meal on Sunday afternoons to the poor, or a large nonprofit that is nationally recognized for serving millions of people – has a large role to play in society. Once thought of as “do-gooders,” nonprofits are now largely viewed as businesses that provide a critical solution to many of society’s challenges.

Based on our findings, we see trends that show great promise, growth and opportunities. While there are certainly difficulties ahead for the nonprofit sector – influenced daily by global events and decisions – it is more evident that the practices being implemented now by the nonprofit community will allow for sustainable futures.

When looking at development/fundraising and marketing, it is essential that the nonprofit community consider the role that money plays in their organization. Generating income requires thoughtful, creative planning. More so, once this plan is developed, it requires implementation. Donors are savvy. They are business oriented. They believe in impact. And they give because they have built a relationship with the organization or have a passion for the cause and they trust that their investment will be used properly. As we prepare for the next generation of donors, it is imperative that the nonprofit community effectively communicate each aspect of its program as if they are “selling a product.” This mentality is based on the idea that the mission of an organization is the product, and the vision is the return on an investment. Through the process of identifying, cultivating, soliciting, recognizing and stewarding past, current and future donors, opportunities will present themselves for the organizations to support their expansions – whether programmatic, endowment/reserve funds or facilities wise.

It is also imperative that nonprofits recognize that in economic downturns, there is no need to “stop” fundraising. Rather this is the best time for increasing these activities because this may be just the time when the organization is most needed by the constituents. Economic downturns provide opportunities to engage donors more closely in the mission and most importantly, allow the organization to take a step back, refocusing and planning for its future.

Accountability, transparency and responsibility all play significant parts in the success of nonprofit fundraising. Through strong staff and board leadership, transparent accounting practices, and strategic communications with donors, the nonprofits can, and will, reaffirm and build the trust necessary to pursue future fundraising goals. While tactics and methods change over time, for example, online giving, phone campaigns, and blogs over press releases, the actual process to achieve fundraising success remains constant. Every organization has a responsibility to diversify its donor base. Reliance on government funding, corporate and foundation support, and “the Boomer” generation, is common. But as these sources cut back, now is the time for the nonprofit organizations to enhance their donor portfolios, increase individual giving (74% of giving in America is from individuals), implement strong Planned Giving programs and communicate with the Generation X donors. Action on all fronts will result in future success.

About the Sponsors



Sobel & Co. is a regional certified public accounting and consulting firm with headquarters in Livingston, New Jersey. The firm has been providing traditional and nontraditional services for a wide range of companies, most especially for nonprofit and social service organizations and foundations in the metropolitan area of New York/New Jersey. Since its inception in 1956, Sobel & Co. has combined the strength of a regional firm that has national and international resources with a hands-on approach backed by real world industry experience and skills to help clients remain successful. The professionals at Sobel & Co. continuously review their clients' unique situations and offer recommendations for improvement and relevant solutions to help them achieve their goals.



Semple Bixel Associates is a fund-raising and management consulting firm. Since 1976, they have served over 350 organizations – mentoring and helping them to succeed in the increasingly competitive arena of nonprofit fund raising. Semple Bixel Associates facilitates and promotes philanthropy, but theirs is not a cookie cutter approach. Each client is unique, therefore they offer customized strategies that work within the client's timeline and budget. Most importantly, Semple Bixel Associates represents almost 32 years of experience and confidence in the fund-raising arena.

COMMUNITY
FOUNDATION
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The Community Foundation of New Jersey is an alliance of families, businesses and foundations that work together to create lasting differences in lives and communities – today and tomorrow. Donors who establish a charitable fund with Community Foundation have the opportunity to focus charitable dollars on their timetable – on causes, organization and communities they believe in – to achieve their desired impact. The Community Foundation is a platform where ideas are implemented for good. They are a shared, cross-generational response of like-minded individuals to current challenges and future needs. It is a place where change takes hold and giving becomes a legacy.



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