

Imagine Canada's Sector Monitor

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Foreword

As we start a new year, I am extremely pleased to present the results of our latest *Sector Monitor*. This edition was the second conducted in 2011 and the fifth since the beginning of the program in late 2009.

For the first time, we present results from our new expanded survey sample. Starting with the fourth wave of the *Monitor*, we expanded the survey to include a large number of organizations that we had not previously surveyed. These organizations were drawn randomly from the population of Canadian charities and supplemented the existing sample drawn from the memberships of our partner organizations. This addition almost doubles the number of charities surveyed by the *Sector Monitor* and provides better insight into the situation faced by smaller charities. This report compares findings from mid- and late 2011 from this expanded survey sample.

While survey findings from mid-2011 suggested increased optimism, this trend does not appear to have continued. Instead, most late 2011 results show little change from mid-2011:

- The percentage of organizations under high stress has remained essentially unchanged.
- The percentages of organizations reporting increased demand, difficulty fulfilling their missions and threats to their existence are also consistent with mid-2011 results.
- The financial outlook, as predicted by charities, remains substantially unchanged. That said, there are some indications that financial conditions have become somewhat more challenging over the previous six months.
- Charity leaders are somewhat less optimistic about being better able to carry out their missions in the near- to medium-term.

We hope these results, from our improved and expanded sample population, are useful to you. As ever, we would love to hear and comments or ideas that you might offer.

Marcel Lauzière
President & CEO Imagine Canada



About Imagine Canada

Imagine Canada is a national charitable organization whose cause is Canada's charities and nonprofits. We reinforce the sector's collective voice, act as a forum and meeting place and create an environment in which organizations contribute to building stronger communities.

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- National Alliance for Children and Youth
- Philanthropic Foundations Canada
- Pillar Nonprofit Network
- The Salvation Army Canada
- TechSoup Canada
- United Way of Canada
- United Way of Winnipeg
- Vancouver Foundation
- Volunteer Canada
- West Island Community Shares
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- YWCA Canada

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Finally, we would like to thank the 2,255 charity leaders from across Canada and from across the sector who responded to the *Sector Monitor* and the thousands who downloaded previous *Sector Monitors*. The success of this research is due to your contributions and we are very grateful for the time you took to participate and to consider our findings.

Photos featured on the cover of this version of the *Sector Monitor* courtesy of Imagine Canada members: Cystic Fibrosis Canada, Stellula Music in Schools, and World Vision.

Highlights

Demand remains high and many charities continue to experience difficulty carrying out their mission.

- Roughly half of charity leaders say that demand is higher than a year ago and a similar number report difficulty carrying out their mission.
- The percentages of organizations reporting these challenges remain unchanged from mid-2011.

A significant minority of charities regard themselves as being at risk.

- In both mid-2011 and late 2011, just over a quarter of respondents agreed that the existence of their organization is at risk.

Signs of stress are relatively widespread.

- Just under half of charities appear to be under stress. Roughly one in seven are under high levels of stress.
- Stress levels remain unchanged from mid-2011.

Broadly speaking, the financial picture is somewhat soft.

- Compared to mid-2011, charity leaders are slightly less likely to report increased

revenues and more likely to report that revenues have remained stable.

- Organizations are less likely to report stable expenditures and slightly more likely to report that expenditures have dropped, suggesting that some organizations have needed to control spending.

There has been little to no change in human resources.

- Roughly two thirds of organizations report that their paid staff levels and their volunteer levels have remained about the same over the previous year, unchanged from mid-2011.

Leaders are more pessimistic than in mid-2011.

- The percentages of leaders predicting that their organizations will be stronger in terms of their ability to perform their mission over the near- to mid-term have dropped from mid-2011.
- Roughly two-fifths of leaders forecast increased demand for their products and services over the next three to four months, unchanged from mid-2011.

Introduction

Imagine Canada's *Sector Monitor* is intended to provide timely information concerning the health, vitality, and major issues facing Canada's charitable and nonprofit sector. It regularly surveys leaders of registered charities concerning current operating conditions, their predictions for the future and key issues for sector stakeholders. A major focus of the program has been tracking change in the aftermath of the economic downturn of late 2009. We continue to focus on this issue as the global economic uncertainty lingers.

A total of 2,255 leaders of registered charities responded to this fifth *Sector Monitor* survey, which was conducted between November 2 and December 3, 2011.¹ As usual, we have weighted responses by region, organization size, and activity area to produce estimates that are more representative of Canadian charities as a whole. For the fourth and fifth waves of

¹ This edition of the online survey was sent to the leaders of 7,628 registered charities, producing a gross response rate of 30%. Participation was limited to charities with annual revenues of \$30,000 or more that were not religious congregations. We limited participation to registered charities in order to allow for comparison with information available from Canada Revenue Agency.

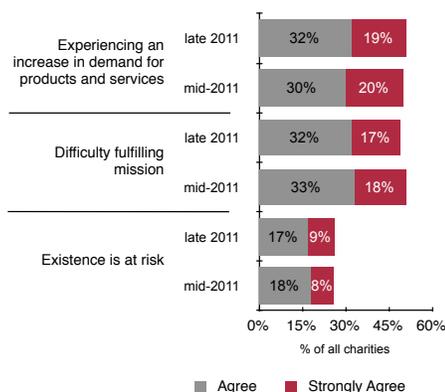
the *Sector Monitor*, we supplemented our established sample with a new randomly-drawn sample of registered charities that had not previously participated in the survey. This new sample has changed the characteristics of the respondent pool sufficiently that throughout this report we draw direct comparisons only between the fourth and fifth waves of the survey.

THE NEW SAMPLE

This edition of the *Sector Monitor* presents results from a much larger number of charities than did previous editions. Starting with the fourth wave of the *Monitor* in mid-2011, we significantly expanded the number of charities asked to participate in the survey. In addition to our established practice of surveying a convenience sample of charities drawn from among the memberships of our partner organizations (see page 2 for a complete listing of partner organizations), we also surveyed approximately 3,500 leaders of randomly selected charities that had not previously been part of the survey.² This new probabilistic sample was added to our analysis in order to ensure that our sample was more representative of the population of Canadian charities. Compared to the existing convenience sample, the new random sample includes more charities:

- with annual revenues less than \$500,000, particularly charities with annual revenues between \$30,000 and \$149,999;
- from Quebec; and
- with less than 5 paid staff, particularly charities with no paid staff.

Figure 1: Approximately half of organizations report increased demand for products and services and difficulty fulfilling their mission. Roughly a quarter say their existence is at risk.



Although previous editions of the *Sector Monitor* weighted responses by region, organization size, and activity area to produce more representative estimates, there are limits to what can be achieved by weights alone. The addition of this new sample gives increased insights into the groups of charities described above and very likely produces estimates for the total population of charities that are more accurate. However, the downside of this change is that direct comparisons should not be drawn from the results presented in this report and those presented in the previous four highlights reports.

Impact of Current Economic Conditions

With minor variations, results from this edition of the *Sector Monitor* are broadly consistent with those from previous editions. Asked about how their organizations are doing in the context of current economic conditions, about half of charity leaders report that their organizations are experiencing increased

² This random selection of charities was stratified on the basis of region, organization size, and activity area in order to ensure that the sample was broadly representative of the population of Canadian charities as a whole.

Figure 2: Just over one organization in four forecasts difficulty covering expenses at some point within the next year.

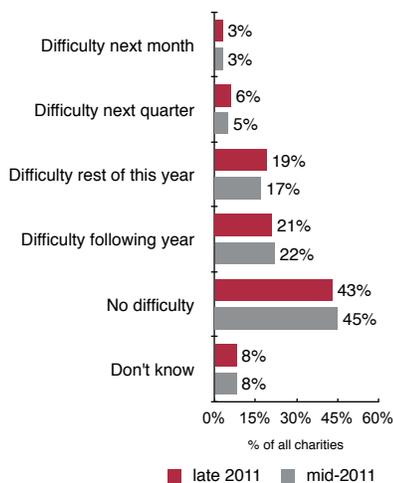
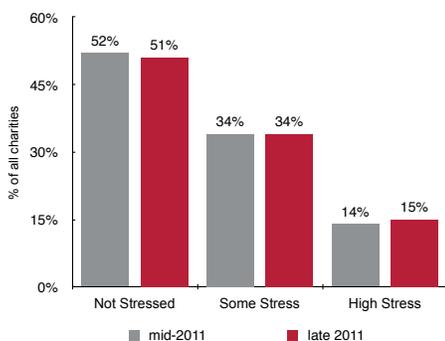


Figure 3: One charity in seven is under high levels of stress.



demand for their products and services and a similar percentage report that they are having difficulty fulfilling their mission (see Figure 1). Just over a quarter report that their organization's existence is at risk. There has been no statistically significant change in these responses from mid-2011.³

As in previous waves of the *Monitor*, a small but significant group of charities predicted that they would have difficulty covering expenses over the near to medium term. About one in ten organizations reported that they would have difficulty covering expenses at some point within the next quarter (see Figure 2). About one in five predicted difficulty between the next quarter and the next year, and a further one in five predicted difficulty at some point during the year beyond that. Roughly two fifths of leaders predicted no difficulty covering expenses within the next two years. Again, these figures have not changed in any statistically significant way since the middle of 2011.

STRESS LEVELS

Responses from the previous four questions are used to assess the level of stress that organizations are under.⁴ Currently, about one charity in seven is under high stress, unchanged from mid-2011 (see Figure 3). Some types of charities appear to be under more stress than others. For example, foundations were less likely to report being under high stress than were operating charities (see Table 1). Other groups of charities that were statistically less likely to report being under high stress included:

- charities with annual revenues of \$1.5 million or more;
- Philanthropic Intermediaries and Voluntarism Promotion organizations;
- organizations located in the Prairies; and
- organizations with either no paid staff or between 25 and 99 paid staff.

Conversely, some charities appear to be under more stress, including:

- those with annual revenues between \$30,000 and \$149,999;
- Social Services organizations;
- organizations from Quebec and British Columbia; and
- organizations with between one and four paid staff members.

The patterning in stress levels appears to be broadly consistent with that seen in previous *Sector Monitors*.

³ Unless otherwise noted, in this report we discuss only differences between groups of charities and editions of the *Sector Monitor* that are statistically significant at the 0.05 level. However, not every statistically significant difference is discussed in the text.

⁴ Respondents strongly agreeing that they had difficulty fulfilling their mission, strongly agreeing that they were experiencing increased demand, and agreeing that the existence of their organization was at risk were assigned points for each of these responses. Organizations that forecast difficulty covering expenses within the next 12 months were also assigned points based on how immediate the forecast difficulty was. Based on how many total points they amassed, charities were assessed as having no appreciable stress, some stress, or high stress. The criteria for assigning these points and level of stress are consistent with those used in prior *Sector Monitors*.

TABLE 1: Patterns of organizational stress remain largely unchanged.

	Not Stressed	Some Stress	High Stress
All Charities	51%	34%	15%
DESIGNATION			
Operating charity	48%	35%	17%
Foundation	68%	27%	4%
ANNUAL REVENUES			
\$30,000 to \$149,999	50%	30%	20%
\$150,000 to \$499,999	45%	39%	16%
\$500,000 to \$1,499,999	50%	36%	13%
\$1,500,000 to \$4,999,999	53%	41%	6%
\$5,000,000 or more	67%	31%	2%
ACTIVITY AREA			
Arts, Culture, Sports & Recreation	50%	34%	15%
Education & Research	49%	35%	15%
Health	50%	31%	18%
Social Services	45%	37%	18%
Philanthropic Intermediaries & Voluntarism	67%	29%	5%
Other	47%	34%	19%
Unknown	44%	44%	12%
REGION			
BC	50%	32%	18%
AB	55%	34%	11%
PR	67%	24%	9%
ON	52%	35%	13%
QC	42%	37%	20%
AT	49%	38%	13%
PAID STAFF SIZE			
No paid staff	66%	24%	10%
1 to 4	47%	33%	20%
5 to 9	45%	41%	14%
10 to 24	43%	40%	16%
25 to 99	55%	38%	6%
100 or more	65%	26%	9%

THE BOTTOM LINE: FINANCIAL AND HUMAN RESOURCES

Currently available key indicators show that both human and financial resources for the private sector have increased somewhat over the previous year. Operating revenues for Canadian businesses increased by approximately 6.8% between the third quarter of 2010 and the third quarter of 2011 (Statistics Canada, n.d.-a). It is important to note that there has been significant unease in the global economy since the first half of 2011 and it is unclear whether this is fully reflected in this

preliminary data. In terms of human resources, preliminary estimates for employment in December show that, although there have been fluctuations over the previous year, the national unemployment rate currently stands at 7.5%, down 0.1% from one year ago. Over the same period, the total number of Canadians employed has increased by approximately 199,200 – equivalent to an increase of approximately 1.1% (Statistics Canada, n.d.-b).

Financial resources. The financial situation for charities appears to be slightly less favourable than in mid-2011. Although a majority of charities report that revenues have remained about the same, compared to a year ago, the percentage reporting that revenues have increased has dropped, compared to mid-2011 (see Table 2). On the other side of the ledger, charity leaders are much more likely to report that expenditures have increased over the previous year (about half report this). In comparison to mid-2011, the percentage reporting constant expenditures has dropped slightly. Collectively, this suggests that there is increased financial pressure on charities compared to six months ago.

TABLE 2: About half of charity leaders reported that revenues remained about the same over the previous year, while a similar percentage reported that expenditures increased over the same period.

	mid-2011	late 2011
REVENUES		
Increased	26%	22%
Remained about the same	47%	51%
Decreased	27%	27%
Average change	0.77%	-0.66%
EXPENDITURES		
Increased	46%	49%
Remained about the same	44%	39%
Decreased	10%	12%
Average change	5.45%	4.74%

As with previous waves of the *Sector Monitor*, the situation for foundations appears to be somewhat more favourable. Foundations are less likely than operating charities to report that revenues have decreased over the previous year. They also report that, on average, revenues have increased by just over 4%, compared to the average decrease of 1.6% reported by operating charities (see Table 3). Similarly, foundations are less likely than operating charities to report increased expenditures and more likely to report that expenditures have held steady.

TABLE 3: Operating charities are more likely than foundations to report that revenues have decreased and expenditures increased over the previous year.

	All Charities	Operating Charities	Foundations
REVENUES			
Increased	22%	21%	27%
Remained about the same	51%	50%	55%
Decreased	27%	29%	19%
Average change	-0.66%	-1.57%	4.06%
EXPENDITURES			
Increased	49%	51%	35%
Remained about the same	39%	37%	53%
Decreased	12%	12%	12%
Average change	4.74%	5.19%	2.40%

Foundations report that expenditures have increased by an average of 2.4%, compared to 5.2% for operating charities.

Human resources. Overall, charity leaders report comparatively little change in their human resources over the previous year. As in mid-2011, about two thirds of charity leaders report that the number of paid staff their organization employs is about the same as one year ago (see Table 4). Leaders are slightly more likely to report that paid staff has increased, as opposed to decreased. In terms of volunteer resources, the picture is very similar. Again, about two thirds of leaders report that the number of volunteers their organization engages has remained about the same, compared to one year ago and more report that

TABLE 4: The dominant human resources picture is stability, for both paid staff and volunteers.

	mid-2011	late 2011
PAID STAFF		
Increased	21%	21%
Remained about the same	66%	65%
Decreased	13%	14%
Average change	4.20%	3.18%
VOLUNTEERS		
Increased	22%	21%
Remained about the same	67%	68%
Decreased	11%	11%
Average change	3.37%	2.38%

volunteers have increased than report that they have decreased. The differences in responses between mid-2011 and late 2011 do not rise to the level of being statistically significant.

Broadly speaking, operating charities and foundations are reporting similar experiences with regard to their human resources. The only exception appears to be that foundations are more likely to report that paid staff levels have remained constant over the previous year (see Table 5).

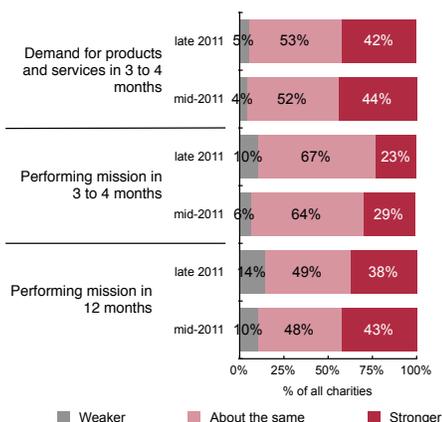
TABLE 5: Foundations are somewhat less likely to report that paid staff numbers have declined.

	All Charities	Operating Charities	Foundations
PAID STAFF			
Increased	21%	22%	18%
Remained about the same	65%	63%	75%
Decreased	14%	16%	7%
Average change	3.18%	2.98%	4.26%
VOLUNTEERS			
Increased	21%	21%	20%
Remained about the same	68%	67%	73%
Decreased	11%	12%	6%
Average change	2.38%	2.35%	2.53%

Confidence in the Future

Compared to mid-2011, charity leaders appear to have less confidence in the future over the near- to medium-term. Just under one quarter of leaders predict their organizations will be stronger at performing their mission in three to four months (see Figure 4). Just over a third predict that they will be stronger at performing their mission in a year's time. The percentages of leaders making both of these predictions are down from mid-2011 and the percentages predicting that they will be weaker are up slightly. This decline in optimism does not appear to be driven by demand, at least over the near-term, as demand has remained unchanged since mid-2011.

Figure 4: Charity leaders are less optimistic about the future.



The general sense of pessimism is shared by both operating charities and foundations and both groups are driving the downturn in confidence. Responses for the two groups are virtually indistinguishable, with very similar percentages forecasting increased demand and predicting that they will be stronger in the near- to medium- term (see Table 6). The only statistically meaningful difference between foundations and operating charities is that foundations are somewhat less likely to predict that demand will be weaker in three to four months.

TABLE 6: Leaders of operating charities and foundations have remarkably similar predictions for the future.

	All Charities	Operating Charities	Foundations
DEMAND IN 3 TO 4 MONTHS			
Stronger	42%	43%	41%
About the same	53%	52%	58%
Weaker	5%	6%	1%
PERFORMING MISSION IN 3 TO 4 MONTHS			
Stronger	23%	23%	23%
About the same	67%	67%	70%
Weaker	10%	10%	7%
PERFORMING MISSION IN 12 MONTHS			
Stronger	38%	37%	40%
About the same	49%	49%	50%
Weaker	14%	14%	10%

Conclusion

The results of this *Sector Monitor* indicate that charity leaders are somewhat less optimistic that their organizations will be stronger, in terms of their ability to carry out their missions, over the near- to medium-term. However, there is little that we can point to in the way of changes in the operating environment to drive this. Organizations do not appear to be under substantially more stress and leaders are not substantially more likely to forecast difficulty covering their expenses. The only notable change in the operating environment recorded by the survey is that somewhat fewer charities reported increased revenues, compared to mid-2011. It seems likely that a large part of this reduced optimism may have to do with the unsettled nature of the global economy and uncertainty about how Canada (and Canadian charities) will be affected by it.

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