

Imagine Canada's Sector Monitor

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Foreword

I am delighted to present the results of Imagine Canada's third *Sector Monitor*. This version of the *Monitor* is particularly significant because it marks the completion of our first year of regular surveys.

We are very grateful for the support we have received from leaders across the sector. Each time we fielded the survey over 1,500 leaders responded and the number of respondents has grown with each edition. We have also seen thousands of downloads of reports, factsheets and presentations from Imagine Canada's website.

A major focus of the *Sector Monitor* program is tracking the health and vitality of the nonprofit and charitable sector. This report presents results from late 2010 for our core set of tracking questions. For the sector, the results are mixed. On one hand, the level of organizational stress appears to have receded; on the other hand, revenues still appear to be stagnating and are increasingly outpaced by expenditures. Perhaps more alarmingly, small organizations appear to be losing a steady trickle of paid staff.

In addition to tracking the effects of economic conditions, this latest survey explored the key public awareness and policy work many charities are involved in. These results will be released in a separate report in early March. In the interim, a factsheet presenting highlights can be downloaded from the [Sector Monitor section of the Imagine Canada website](#), as can other factsheets and presentations summarizing results from this and previous *Sector Monitors*.

We are extremely gratified that the first year of the program has been such a success and we look forward to a busy year exploring new areas of inquiry and new ways of presenting and applying the results. As always, we would welcome any comments or ideas you might have regarding the program.

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 enabling environment in which organizations contribute to building stronger communities.

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- Habitat for Humanity Canada
- Health Charities Coalition of Canada
- Philanthropic Foundations Canada
- The Salvation Army Canada
- TechSoup Canada
- United Way of Canada
- United Way of Winnipeg
- Vancouver Foundation
- Volunteer Canada
- West Island Community Shares
- YMCA Canada
- YWCA Canada

Additionally we would like to acknowledge the generous financial support of The Muttart Foundation and the Government of Canada's Social Development Partnerships Program. The opinions and interpretations in this report are those of the authors and do not necessarily reflect those of the Government of Canada.

Finally, we would like to thank the more than 1,600 charity leaders from across Canada and from across the sector who responded to this version of the *Sector Monitor* and the thousands who have downloaded results from previous editions. The success of this research is due to your contributions.

Photos featured on the cover of this version the *Sector Monitor* courtesy of Imagine Canada members: Hope Air, Children's Cottage Society, and The Salvation Army, Ontario Central Division.

Highlights

Demand continues to be a key challenge.

- Over half of charities continue to experience increased demand for their products and services.

Stress levels have receded slightly.

- From a high in mid-2010, the percentage of charities under high stress has receded to late 2009 levels.
- The decrease appears to be driven largely by a drop in the number of organizations in moderate danger of going out of existence and having significant difficulty carrying out their missions.

Revenues have continued to stagnate and are increasingly outpaced by expenditures.

- Charities are most likely to report that their revenues are unchanged and their expenditures have increased. By comparison, aggregate business data shows an increase in operating revenue over the past year.
- On average, total revenues have decreased slightly while expenditures have increased by almost 5%.

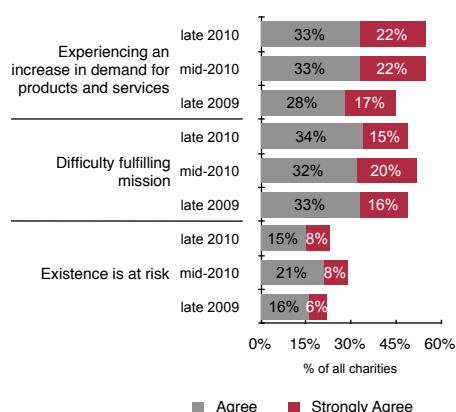
While most organizations report that paid staff numbers have held steady, small organizations appear to be losing a steady trickle of paid staff.

- Over half of organizations report that paid staff numbers have remained about the same. The number of charities reporting this is unchanged since late 2009.
- Although the national unemployment rate has improved, average paid staff numbers have dropped slightly. This decrease is driven by organizations with between one and four paid staff, which have consistently reported decreases since late 2009.

Although leaders forecast increased demand, confidence in the future remains high.

- As in previous surveys, about half of leaders predict increased demand for their organization's products and services in three to four months.
- Over a quarter say they will be stronger in three to four months while just under half predict they will be stronger in a year.

Figure 1: Demand has increased from a year ago.



Introduction

The *Sector Monitor* is an ongoing program designed to track the health and vitality of Canada's charitable and nonprofit sector via regular online surveys of charity leaders. The *Monitor* is conducted three times a year and this third report marks the completion of our first year. Throughout this report, findings are compared to those from the first two versions of the *Sector Monitor* conducted in late 2009 and mid-2010. As with previous versions of the *Monitor*, a major focus is on tracking the ongoing effects of the economic downturn.

This report summarizes the responses of 1,625 leaders of registered charities from across Canada and across the sector who answered our third online survey between October 28 and November 24, 2010.¹ Responses have been weighted by region, organization size and activity area to produce estimates that are more representative of Canadian charities overall.

¹ The survey was sent to the leaders of 3,816 registered charities with annual revenues of \$30,000 or more that are not religious congregations. We received complete responses from 1,625 of these leaders, for a total response rate of 42%. We limited the survey to registered charities to allow for direct comparison with information available from the Canada Revenue Agency.

Figure 2: The majority of leaders continue to predict difficulty covering expenses in the next two years.

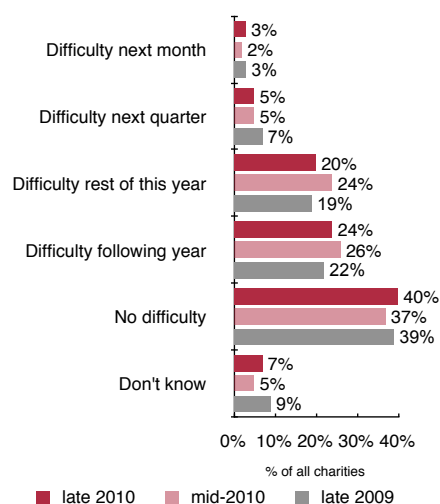
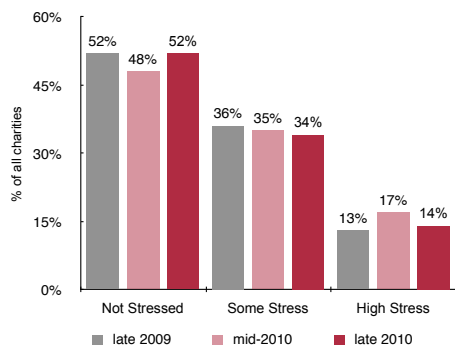


Figure 3: Almost half of organizations are under stress; just over one in seven are under high stress.



² Unless otherwise noted, in this report we discuss only differences between the different versions of the Sector Monitor that are significant at the 0.05 level. However, not every significant difference is discussed in the text.

³ Those strongly agreeing they had difficulty fulfilling their mission, strongly agreeing they were experiencing increased demand and agreeing their existence was at risk were assigned points for each of these responses. Organizations that forecast difficulty covering expenses within the next 12 months were assigned points based on how immediate the difficulty was. Based on how many points they amassed, charities were assessed as having no significant stress, some stress or high stress. The criteria for assigning points and level of stress are the same across all three Sector Monitor surveys except the questions in the latest two versions refer to "economic conditions" rather than to "the economic downturn."

Impact of Current Economic Conditions

Overall, the results for this version of the *Sector Monitor* are somewhat more positive than expected given the findings of the previous version. Although many charities continue to report challenges, slightly fewer are doing so than in mid-2010. Overall, the pattern of response from this version of the survey is much more like that in late 2009.

Currently, over half of charity leaders report their organizations are facing increased demand because of economic conditions and about half report difficulty carrying out their mission (see Figure 1). The percentage of organizations reporting increased demand jumped significantly between late 2009 (45%) and mid-2010 (54%) and it continues to be high.² Conversely, the percentage of organizations reporting difficulty carrying out their mission has remained fairly consistent from late 2009. Currently, just under a quarter of organizations (23%) report that their existence is at risk. Although slightly more organizations reported being at risk in mid-2010, the most recent figure is consistent with findings from the first survey in late 2009.

Compared to the first *Sector Monitor*, charity leaders are slightly more likely to predict difficulty covering expenses over the medium-term (i.e., at some point in the next four to 24 months). Over one quarter forecast that their organization will have difficulties covering expenses at some point within the next 12 months, with a significant minority forecasting difficulty within the next three months (see Figure 2). Another quarter of leaders predict difficulty during the subsequent year (i.e., at some point between 13 and 24 months from now). Most of the balance (40%) say they will not have problems covering expenses.

STRESS LEVELS

As in previous *Sector Monitors*, we used responses to four questions to assess the degree of stress charities are experiencing.³ Currently, 14% of charities are under high stress (see Figure 3). The percentage of organizations currently under high stress is almost identical to late 2009 (13%). The elevated stress seen in mid-2010 seems to have been driven largely by the numbers of organizations strongly agreeing that they were having difficulty fulfilling their mission and/or moderately agreeing that their existence was at risk.

As in previous versions of the *Sector Monitor*, some types of charities are more likely to be under stress than others. For instance, just under one in seven operating charities is under

TABLE 1: Some charities are more stressed than others.

	Not Stressed	Some Stress	High Stress
All Charities	52%	34%	14%
DESIGNATION			
Operating charity	48%	36%	15%
Foundation	71%	23%	6%
ANNUAL REVENUES			
\$30,000 to \$149,999	53%	29%	17%
\$150,000 to \$499,999	39%	46%	16%
\$500,000 to \$1,499,999	54%	34%	13%
\$1,500,000 to \$4,999,999	60%	34%	5%
\$5,000,000 or more	70%	25%	5%
ACTIVITY AREA			
Arts, Culture, Sports & Recreation	51%	33%	16%
Education & Research	52%	35%	13%
Health	55%	28%	17%
Social Services	44%	40%	16%
Philanthropic Intermediaries & Voluntarism	65%	29%	6%
Other	53%	37%	10%
Unknown	40%	36%	23%
REGION			
BC	50%	31%	19%
AB	42%	41%	17%
PR	63%	29%	8%
ON	49%	39%	13%
QC	61%	29%	10%
AT	40%	46%	13%
PAID STAFF SIZE			
No paid staff	64%	21%	15%
1 to 4	52%	31%	18%
5 to 9	47%	44%	9%
10 to 24	43%	45%	13%
25 to 99	51%	36%	13%
100 or more	72%	26%	3%

high stress, compared to just over one in sixteen foundations (see Table 1).⁴ Similarly, organizations with smaller annual revenues and one to four paid staff are more likely to be under high stress, as are British Columbia organizations.

A number of groups of charities are less likely than others to report high stress. These include:

- foundations;
- charities with annual revenues of \$1.5 million or more;

⁴ The term operating charity is used in this report to refer to charities that are neither public nor private foundations. The overwhelming majority (88%) of the approximately 85,000 registered charities in Canada are operating charities.

- charities in the Philanthropic Intermediaries and Voluntarism activity area;
- charities in the Prairies; and
- charities with 100 or more paid staff.

Broadly speaking, the pattern of stress seen in this version of the *Sector Monitor* is quite similar to that seen in the first version of the survey in late 2009.

THE BOTTOM LINE: FINANCIAL AND HUMAN RESOURCES

While a few key indicators seem to show a Canadian economy recovering from the economic downturn, this has not yet translated into increased resources for charities. Preliminary estimates show the national unemployment rate has dropped by an estimated 0.8% compared to a year ago and total employment has increased by almost 370,000 Canadians (Statistics Canada, n.d.-a). However, *Sector Monitor* respondents report that, on average, the number of people they employ dropped slightly over the same period. Similarly, although Canadian businesses reported that seasonally adjusted operating revenues consistently increased through late 2009 and the first three quarters of 2010 (showing a total year-over-year increase of 3.7% for Q3 2010 / Q3 2009, Statistics Canada, n.d.-b), *Sector Monitor* respondents say that, on average, their revenues decreased slightly.

Financial resources. The dominant picture presented by survey responses is of a sector where revenues for most organizations are continuing to hold steady or decline, while expenditures are

TABLE 2: Charities have consistently reported expenditures outpacing revenues.

	late 2009	mid-2010	late 2010
REVENUES			
Increased	31%	23%	24%
Remained about the same	37%	42%	46%
Decreased	32%	35%	30%
Average change	-0.75%	-1.10%	-0.43%
EXPENDITURES			
Increased	42%	40%	46%
Remained about the same	36%	43%	37%
Decreased	22%	17%	17%
Average change	4.53%	3.79%	4.75%

increasing. Currently nearly half of charities say their revenues are about the same as they were a year ago and a similar number say expenditures have increased over the same period (see Table 2). The number of organizations reporting unchanged revenues has increased slightly since late 2009, as has the number reporting increased expenditures. On average, charities report that revenues have dropped by approximately 0.4% compared to this time last year, while expenditures have increased by 4.8%.

TABLE 3: Foundations are less likely than operating charities to report decreased revenues and more likely to report that expenditures held steady.

	All Charities	Operating Charities	Foundations
REVENUES			
Increased	24%	23%	26%
Remained about the same	46%	45%	51%
Decreased	30%	32%	24%
Average change	-0.43%	-0.57%	0.50%
EXPENDITURES			
Increased	46%	46%	42%
Remained about the same	37%	35%	48%
Decreased	17%	19%	10%
Average change	4.75%	3.77%	9.77%

Compared to six months ago, foundations appear to be in a much better position. They report that, on average, their expenditures have risen by 9.8% year-over-year (see Table 3). Two-fifths (42%) say expenditures have increased, compared to 24% in mid-2010. As in mid-2010, they are more likely than operating charities to report that revenues have increased or remained steady.⁵ Conversely, operating charities seem largely to be treading water, with both revenue and expenditure figures largely unchanged since mid-2010.

Human resources. Overall, the sector's human resources situation is stable. The figures reported by charity leaders have been quite consistent over the past 12 months. However, there are worrying indications that the sector is losing paid staff. The numbers are not large, but if the trend continues it may have serious ramifications.

As in previous versions of survey, over half of charity leaders report that their paid staff numbers remained about the same (see Table 4). On average, however, total paid staff complements decreased by 2.3% compared to a year ago. Operating charities

⁵ Significance = 0.066

TABLE 4: Although paid staff numbers show small decreases, the dominant human resources picture is stasis.

	late 2009	mid-2010	late 2010
PAID STAFF			
Increased	22%	22%	22%
Remained about the same	58%	58%	59%
Decreased	20%	20%	19%
Average change	2.15%	-3.44%	-2.34%
VOLUNTEERS			
Increased	32%	24%	23%
Remained about the same	59%	60%	65%
Decreased	9%	16%	13%

are in a somewhat worse situation than foundations, reporting an average drop of 3.2% compared to an average increase of 1.9% for foundations (see Table 5).

The average decrease in paid staff numbers is being driven by organizations with between one and four paid staff, which have reported an average decrease in paid staff in all three editions of the *Sector Monitor*. Although the size of these decreases is small, the trend is consistent and worrisome. Loss of even a small fraction of a full-time equivalent position represents a serious decrease in available human resources to these organizations.

The volunteer picture has not changed greatly from mid-2010. Two-thirds of charities report that their volunteer numbers have remained about the same and almost a quarter report that they

TABLE 5: Operating charities continue to show average decreases in paid staff.

	All Charities	Operating Charities	Foundations
PAID STAFF			
Increased	22%	21%	26%
Remained about the same	59%	59%	60%
Decreased	19%	20%	14%
Average change	-2.34%	-3.17%	1.92%
VOLUNTEERS			
Increased	23%	24%	18%
Remained about the same	65%	62%	76%
Decreased	13%	14%	7%

have increased (see Table 4). Foundations are more likely than operating charities to report that their volunteer numbers have remained steady (76% vs. 62%, see Table 5).

Confidence in the Future

The remarkable degree of confidence charity leaders have in the future of their organizations continues to be a consistent feature of the *Sector Monitor*. Over the previous year, leaders have been unwavering in their confidence.

In all three editions of the *Sector Monitor*, just under half of leaders (44%) predict their organization will be better able to carry out its mission in twelve months (see Figure 4). Similarly, just over a quarter predict they will be stronger in the next three to four months and about half say demand for their products and services will be stronger over the same period.

As in the last *Sector Monitor*, leaders of operating charities are more likely than leaders of foundations to predict increased demand in the next three to four months (see Table 6).

Foundation leaders are more confident that their organization will be better able to carry out its mission in 12 months. Just over a quarter of both predict stronger performance in three to four months. Interestingly, across all three questions both groups are slightly less likely to predict greater weakness than they were six months ago.

Figure 4: Overall levels of confidence for the future have been unchanged since late 2009.

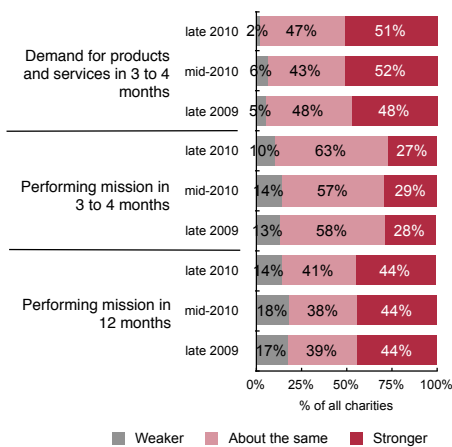


TABLE 6: Operating charities are more likely to predict increased demand while foundation leaders are more optimistic about their ability to perform their mission in the next year.

	All Charities	Operating Charities	Foundations
DEMAND IN 3 TO 4 MONTHS			
Stronger	51%	52%	43%
About the same	47%	46%	54%
Weaker	2%	2%	3%
PERFORMING MISSION IN 3 TO 4 MONTHS			
Stronger	27%	26%	29%
About the same	63%	63%	63%
Weaker	10%	10%	8%
PERFORMING MISSION IN 12 MONTHS			
Stronger	44%	42%	54%
About the same	41%	42%	38%
Weaker	14%	15%	8%

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Conclusion

Findings of this most recent *Sector Monitor* are somewhat mixed. Fewer organizations appear to be under high stress than was the case in mid-2010. However, demand continues to be high and there are few if any signs that financial and human resources have significantly increased for most charities. To the contrary, there are signs that the smallest organizations are consistently losing paid staff and expenditures continue to outpace revenues. Despite these challenges, sector leaders remain remarkably confident in the future.

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