Sector Monitor

David Lasby, MPhil, Director, Research
Cathy Barr, PhD, Senior Vice-president

Vol. 3, No. 2

IN THIS REPORT

Foreword

I am pleased to say that the findings from this edition of the Sector Monitor are more optimistic than they were six months ago. Previously we reported that the confidence of charity leaders had dropped over the course of 2011 and early 2012. Leaders were more likely than they had been previously to predict that their organizations would be weaker in the short- and medium-term and to predict decreases in financial and human resources. Today, it appears that that trend has not continued and may even be beginning to reverse:

- The percentages of charity leaders predicting that they will be weaker in the near- and medium-terms have not continued to increase.
- Similarly, the percentages of charity leaders predicting decreases in key human and financial resources have also not continued to increase.
- While the size of the shifts in individual measures is not currently large enough to be statistically certain that this marks a reversal, multiple indicators are showing small shifts in a more optimistic direction.

However, this is not to say that all news in the current *Sector Monitor* is positive. We continue to see some signs that the financial pressures are increasing, as indicated by a steady increase in the number of leaders saying that their charity will have difficulty covering expenses at some point between four months and a year into the future. Similarly, the number of charities showing signs of being under high stress remains stubbornly high at approximately one in seven.

It is becoming increasingly clear that the patterns of organizational pressure seen in the Sector Monitor are the result of a mix of systemic and period-specific pressures. Some patterns appear to be relatively unchanging and are driven primarily by characteristics of charities like the number of paid staff they employ. Others are more changeable and appear to be driven by environmental differences, such as the region in which the charity is located. Our work to date highlights the importance of seeking to document these patterns more fully so that we and our stakeholders are better able to understand the specific challenges faced by different kinds of charities.

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.

ISSN 1923-3647

IMAGINE CANADA
2 Carlton Street, Suite 600, Toronto, ON M5B 1J3
PHONE: 416 597 2293 or TOLL-FREE at 1 800 263 178
E-MAIL: info@imaginecanada.ca
www.imaginecanada.ca

Acknowledgements

We would like to thank the following partner organizations for their assistance with the *Sector Monitor*:

- Big Brothers Big Sisters of Canada
- Boys and Girls Clubs of Canada
- CanadaHelps
- Canadian Conference of the Arts
- Community Foundations of Canada
- Community Foundations of Ottawa
- Food Banks Canada
- Foundation of Greater Montreal
- Habitat for Humanity Canada
- Health Charities Coalition of Canada
- HR Council for the Nonprofit Sector
- National Alliance for Children & 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
- YMCA Canada
- YWCA Canada

We would like to thank the 1,909 charity leaders from across Canada and from across the sector who responded to the *Sector Monitor* and the thousands who downloaded previous *Sector Monitor*s. 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.

Highlights

The previous trend of a decline in confidence levels appears to have stopped.

- The percentages of leaders predicting increases in revenues, expenditures, and paid staff have not continued to drop.
- Similarly, the percentages of leaders predicting that they will be stronger in the near- and medium-term have not continued to drop.

However the trend of increasing financial pressures appears to be continuing.

- The percentage of leaders saying that their organization will have difficulty covering expenses at some point between four months and a year into the future has continued to increase.

Levels of human and financial resources appear to have remained constant.

- The percentages of leaders reporting that financial and human resources have increased or decreased over the previous year are entirely consistent with percentages reported since mid-2011.

Level of confidence in the future varies with organizational stress and predicted capacity to deliver on mission.

- Leaders of charities showing indications of organizational stress are more likely to predict increased demand and to predict that they will be less able to carry out their missions in the future.
- Leaders of under-stress charities are also more likely to predict decreases in human and financial resources, as are leaders of charities who predict decreasing relative capacity.

Introduction

A key goal for the *Sector Monitor* program is to provide sector leaders and stakeholders with current information about the health of the sector. Leaders of operating charities are asked a series of tracking questions that seek to document the recent experiences of their organization. These tracking questions focus on uncovering shifts in current operating conditions, such as changes in demand and ability to obtain the resources organizations need to carry out their mission, as well as predictions for the future. The overarching narrative of the program since its inception has been documenting developments from the global economic downturn that began in late 2008, tracking the slow recovery from that period of extreme dislocation. The current edition of the *Sector Monitor* continues this inquiry.

A total of 1,909 leaders of registered charities responded to this edition of our online survey, which was conducted between November 7, 2012 and January 4, 2013.[1] Responses have been weighted by region,

1 This edition of the survey was sent to the leaders of 5,765 registered charities, producing a gross response rate of 33.1%. Participation was limited to charities with annual revenues of $30,000 or more that were not religious congregations. We limit participation to registered charities in order to allow for comparison with information available from Canada Revenue Agency.

organization size, and activity area to produce estimates that are more representative of Canadian charities as a whole. This report will focus on trends over the previous two years, from mid-2011.

Figure 1: The previous trend of increasing demand appears to have stopped, while other factors have held steady.

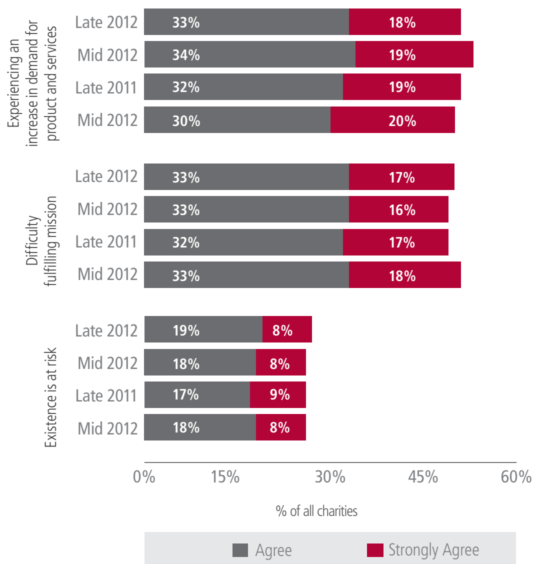
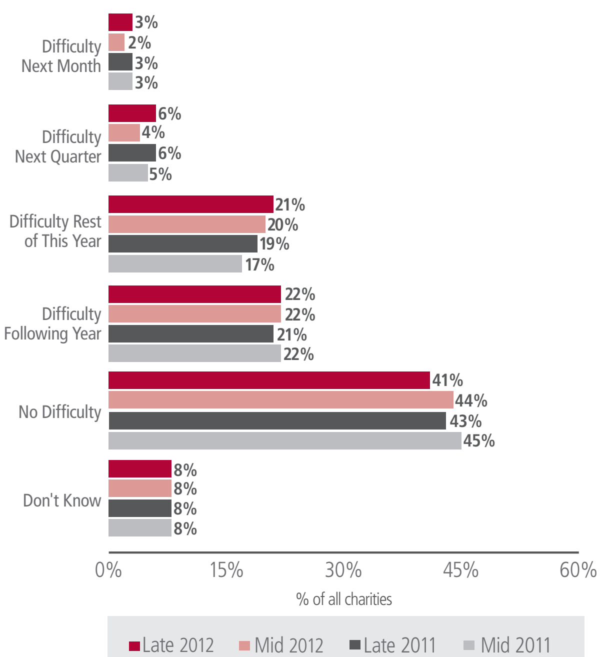


Figure 2: The percentage of organizations predicting difficulty covering expenses at some point during the next two years has increased from two years ago.



2 Unless otherwise noted, this report focuses on changes that are statistically significant at least at the .05 level.

Impact of Current Economic Conditions

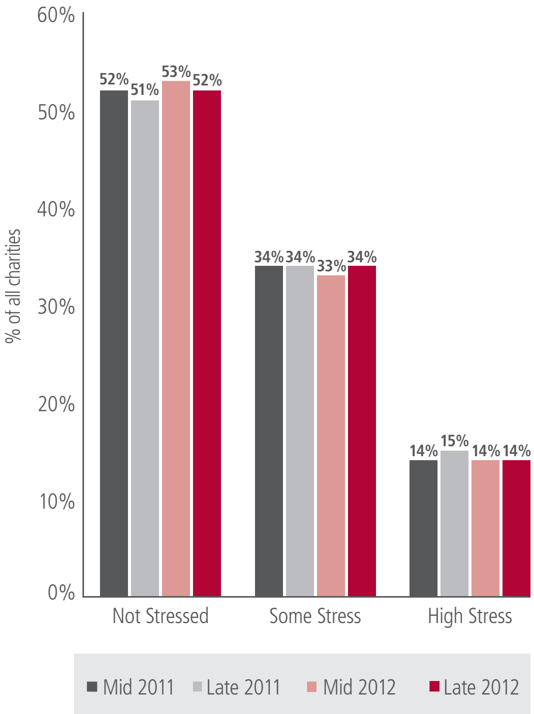
Currently, charity leaders are about as likely to report most external economic challenges as they have been in the past. As in previous waves of the Sector Monitor, roughly half said that current economic conditions meant they were experiencing increased demand and were having difficulty fulfilling their missions (see Figure 1). Just over a quarter said that current conditions were causing their organization's existence to be at risk. Compared to the last *Sector Monitor* in mid-2012, there do not appear to have been any statistically meaningful shifts to these challenges.[2] The previous trend of increasing demand seen from mid-2011 through mid-2012 does not appear to have continued. Only time will tell if late 2012 marks a new phase or even the beginning of a reversal in the previous trend.

In contrast to the consistency seen with external economic challenges, charity leaders are more likely than they have been in the past to predict difficulty covering expenses within the next two years. Although the numbers of leaders predicting difficulty within the next month or quarter have remained fairly small, fully a fifth reported that they would have difficulty at some point between four months and a year from the date of the survey and another fifth predicted difficulty within the year following (see Figure 2). The number of leaders predicting difficulty at some point between four months and a year into the future has consistently grown from mid-2011 through the latest wave of the survey. This seems to indicate that even though charities do not appear to be experiencing increased pressure from external economic challenges, the level of uncertainty with regards to their finances is increasing.

STRESS LEVELS

Although slightly more leaders are forecasting difficulty covering their organization's expenses within the next year, this does not appear to be driving significantly higher stress levels among charities. As in previous waves of the *Sector Monitor*, about one charity in seven showed signs of being under high stress, one in three appeared to be under some stress, and the remaining half showed no significant signs of being under stress

Figure 3: Stress levels appear to be holding steady.



— at least as measured by our questions (see Figure 3).[3] These figures have remained remarkably consistent since at least mid-2011.

As in previous editions of the *Sector Monitor*, some types of charities were more likely to be under stress than others. For instance, charities with annual revenues of $30,000 to $149,999 stand out as being more likely than others to be under high stress (see Table 1). Other groups of charities were less likely to be under high stress, including:

- foundations;
- charities with annual revenues of $1.5 million or more;
- philanthropic Intermediaries and Voluntarism Promotion organizations;
- organizations located in Alberta and the Prairies; and
- organizations with no paid staff.

Superficially, the likelihood of being under high stress appears to decrease significantly with increases in paid staff size. However, this pattern appears to be driven more by *other* characteristics that charities with large paid staffs tend to possess (i.e., large revenues, the activity areas they tend to operate in, etc.). Once these additional characteristics are taken into account, the likelihood of being under high stress actually appears to *increase* slightly.

Again, these patterns of stress are fairly consistent with patterns seen in previous *Sector Monitors*. Given the high degree of consistency over time, it seems increasingly likely that these variations are driven by some combination of systemic factors deriving from the characteristics of charities (e.g., the size of a given charity, the activity area it operates in, etc.) and relatively slow moving environmental factors (e.g., generally more favourable economic conditions in Alberta and the Prairies).

3 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 are broadly consistent with those seen in previous editions of the *Sector Monitor*.

	Not Stressed	Some Stress	High Stress
All Charities	**52%**	**34%**	**14%**
DESIGNATION			
Operating charity	49%	35%	16%
Foundation	66%	29%	5%
ANNUAL REVENUES			
$30,000 to $149,999	50%	31%	19%
$150,000 to $499,999	47%	38%	16%
$500,000 to $1,499,999	51%	35%	13%
$1,500,000 to $4,999,999	61%	29%	10%
$5,000,000 or more	72%	25%	3%
ACTIVITY AREA			
Arts, Culture, Sports & Recreation	54%	32%	13%
Education & Research	53%	35%	12%
Health	54%	29%	17%
Social Services	47%	37%	17%
Philanthropic Intermediaries & Voluntarism	69%	26%	5%
Other	49%	35%	16%
Unknown	47%	33%	20%
REGION			
British Columbia	51%	33%	16%
Alberta	61%	28%	11%
Prairies	64%	25%	11%
Ontario	52%	32%	15%
Quebec	47%	37%	16%
Atlantic	54%	33%	13%
PAID STAFF SIZE			
No paid staff	74%	18%	8%
1 to 4	49%	34%	17%
5 to 9	46%	37%	17%
10 to 24	44%	41%	15%
25 to 99	54%	36%	10%
100 or more	57%	34%	9%

THE BOTTOM LINE: FINANCIAL AND HUMAN RESOURCES

Charities draw on financial and human resources to carry out their missions. In order to assess potential changes in the amount of resources available to charities, the *Sector Monitor* asks leaders of individual charities whether the level of financial and human resources they are currently harnessing has changed compared to one year prior to the survey. Increases in financial and human resources are interpreted as general indications of health, while decreases are taken as indicators of increased pressure on organizations and potentially reduced organizational capacity. Overall, there appears to have been little to no meaningful variation in the availability of human and financial resources from mid-2011 through to late 2012.

FINANCIAL RESOURCES

As in previous editions of the *Sector Monitor*, about half of charity leaders reported that revenues are about the same as a year ago; just under a quarter said they have increased and just over a quarter, decreased (see Table 2). In terms of expenditures, almost half reported no change compared to a year ago; just over two fifths said expenditures have increased and a tenth, decreased. There are no statistically significant trends readily visible in the data.

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	mid-2012	late 2012
REVENUES				
Increased	26%	22%	22%	24%
Remained about the same	47%	51%	53%	50%
Decreased	27%	27%	26%	26%
Average change	**0.77%**	**-0.66%**	**-0.61%**	**-1.15%**
EXPENDITURES				
Increased	46%	49%	42%	44%
Remained about the same	44%	39%	48%	46%
Decreased	10%	12%	10%	10%
Average change	**5.45%**	**4.74%**	**4.06%**	**3.84%**

HUMAN RESOURCES

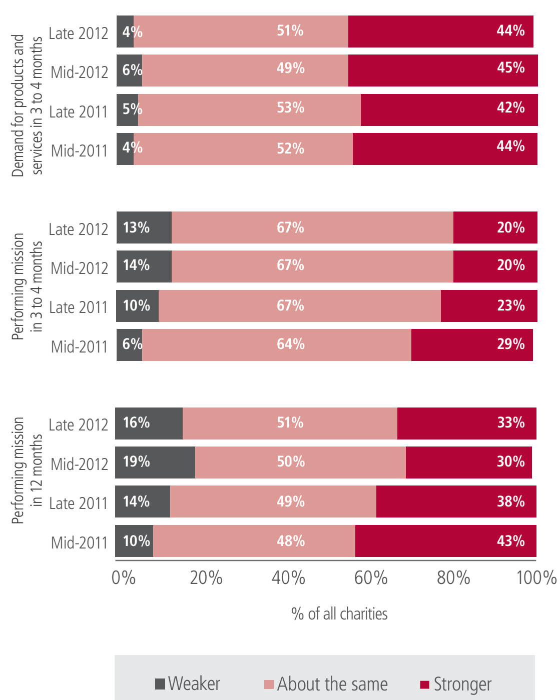
Roughly two thirds of charity leaders reported that the number of paid staff and volunteers their organization engages remained about the same as a year ago (see Table 3). Just over a fifth of leaders reported that these numbers have increased. Leaders were slightly more likely to report decreases in paid staff than in volunteer numbers (16% vs. 11%). As with financial resources, there appear to be no statistically significant trends in these figures.

Table 3: The dominant human resources picture is stability, for both paid staff and volunteers.

	mid-2011	late 2011	mid-2012	late 2012
PAID STAFF				
Increased	21%	21%	22%	22%
Remained about the same	66%	65%	64%	62%
Decreased	13%	14%	14%	16%
Average change	**4.20%**	**3.18%**	**3.66%**	**4.98%**
VOLUNTEERS				
Increased	22%	21%	20%	23%
Remained about the same	67%	68%	68%	66%
Decreased	11%	11%	11%	11%
Average change	**3.37%**	**2.38%**	**2.12%**	**2.39%**

Confidence in the Future

Figure 4: The percentages of leaders predicting they will be better able to perform their mission have not continued to drop.



The previous edition of the *Sector Monitor* found evidence of a decline in confidence among Canada's charity leaders. Current indications are that this decline has not continued and may be starting to reverse. In the most recent survey, the percentage of leaders predicting increased demand over the next three to four months was consistent with findings from the previous two years (see Figure 4). The previous trend, which saw consistent decreases in the percentages of leaders predicting that their charities would be stronger over the near- and medium-terms, appears to have stopped. As in mid-2012, one fifth of leaders predicted their organization would be stronger at performing its mission in three to four months. One third of leaders predicted that their organization would be stronger in a year. Unfortunately, the difference between the most recent figure and the mid-2012 figure is not sufficiently large to confirm that this is a statistically significant reversal. However, we can reliably say that although confidence is lower than in mid-2011, the declining trend does not appear to have continued. Only time will tell if this represents the beginning of a reversal.

Predictions regarding future levels of financial and human resources may also indicate that the decline in confidence has not continued and could be starting to reverse. Roughly two thirds predicted that revenues and expenditures would remain unchanged (see Figure 5) and roughly four fifths said paid staff and volunteer numbers would remain about the same (see Figure 6). One fifth predicted that revenues would increase

Figure 5: The percentages of leaders predicting increases in both revenues and expenditures have not continued to drop.

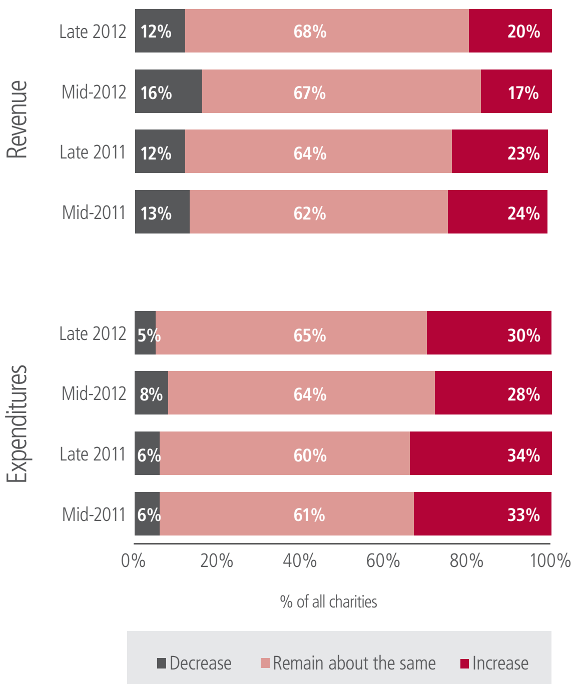
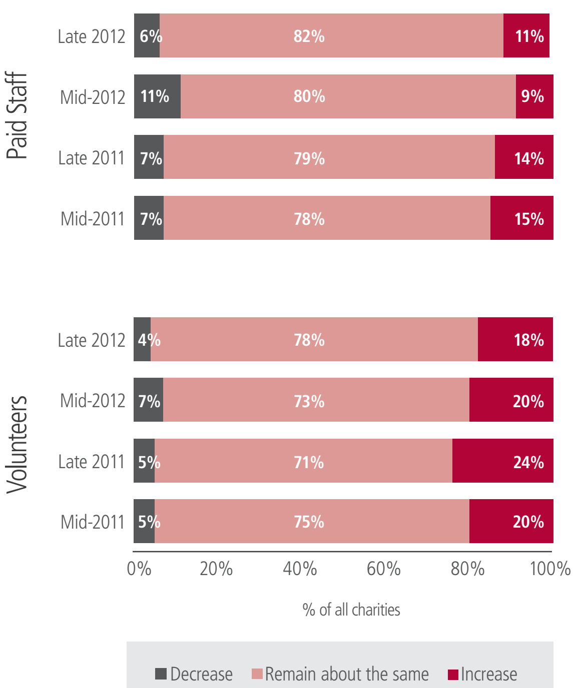


Figure 6: The percentage of leaders predicting increases in paid staff has not continued to drop.



and 30% predicted an increase in expenditures, very slightly more than in mid-2012. The difference between these figures and the mid-2012 figures is not large enough to be certain that this marks a reversal, but it is possible to say that the trend to mid-2012 does not appear to be continuing. A similar pattern can be seen with predictions of paid staff numbers. Very slightly more leaders (just over one in ten) predicted that the number of paid staff their organization engages would increase than in mid-2012. Again, while the difference is not large enough to be sure it represents a statistically significant reversal, it clearly does not indicate a continuing decline in confidence. Predictions about volunteer numbers, on the other hand, do appear to continue the trend seen since late 2011.

In interpreting the above findings it is important to keep in mind that while the mid-2012 to late 2012 shifts for each individual measure are not sufficiently large to be certain that confidence is starting to rebound, the fact that we are seeing shifts of similar size and direction *across multiple measures simultaneously* (i.e., medium term capacity, revenues, expenditures and paid staff) lends support to the interpretation that we may be seeing something of a recovery in confidence.

DRIVERS OF CHANGE IN ORGANIZATIONAL CONFIDENCE

It remains difficult to say exactly why the confidence of leaders has ebbed and waned in the absence of major shifts in the operating environment and resource availability. In the past, we have suggested that global macroeconomic trends and the reporting of them in the media have played a role. This continues to seem a likely driver. However, it is clear that other factors more directly related to the current and predicted future health and vitality of organizations also play a role.

Charities that are under stress, particularly high levels of stress, are more likely to predict increases in demand and decreases in short- and medium-term capacity to carry out their missions. In the current survey, about six in ten leaders of charities under high stress predicted increasing demand, compared to just over a third of those leading charities not under significant stress (see Table 4). Similarly, leaders of charities under high levels of stress were roughly twice as likely as leaders of organizations under some stress to predict they would be less able to carry out their missions over the near- and medium-terms.

Table 4: Leaders of organizations under stress are more likely to predict stronger demand and weaker near- and medium-term capacity.

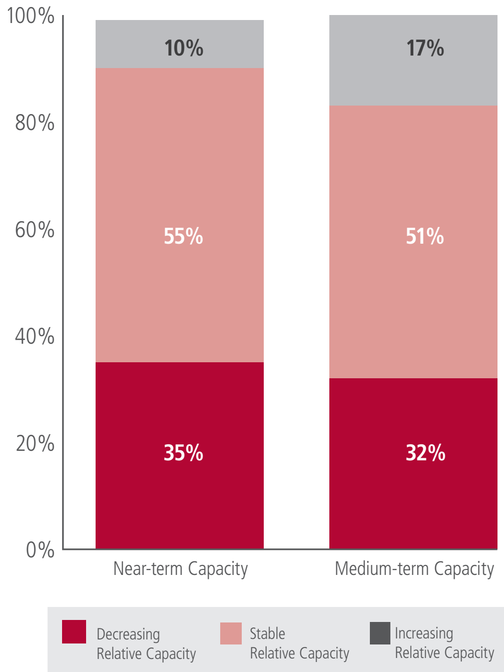
	Not Stressed	Some Stress	High Stress
DEMAND IN 3 TO 4 MONTHS			
Stronger	36%	51%	60%
About the same	60%	43%	38%
Weaker	4%	6%	2%
PERFORMING MISSION IN 3 TO 4 MONTHS			
Stronger	23%	20%	12%
About the same	72%	64%	53%
Weaker	5%	16%	36%
PERFORMING MISSION IN 12 MONTHS			
Stronger	36%	33%	25%
About the same	58%	46%	37%
Weaker	7%	22%	37%

Organizations under high levels of stress also predict greater difficulty accessing the human and financial resources they need to carry out their missions. For instance, leaders of charities under high stress were more than twice as likely as charities under some stress and about four times as likely as charities under no appreciable stress to predict decreases in revenue (see Table 5). Broadly similar trends were seen with respects to

Table 5: Leaders of organizations under stress are more likely to predict decreases in resource availability.

	Not Stressed	Some Stress	High Stress
PREDICTED REVENUES			
Increase	23%	18%	17%
About the same	70%	70%	56%
Decrease	7%	13%	27%
PREDICTED EXPENDITURES			
Increase	24%	34%	38%
About the same	72%	60%	54%
Decrease	4%	6%	8%
PREDICTED PAID STAFF			
Increase	11%	12%	11%
About the same	86%	81%	71%
Decrease	2%	7%	19%
PREDICTED VOLUNTEERS			
Increase	19%	16%	17%
About the same	78%	80%	74%
Decrease	2%	4%	9%

Figure 7: About one third of charity leaders predict decreasing relative capacity over both the near- and medium-terms.



predictions of paid staff and volunteer levels. Interestingly, the picture with regards to expenditures is somewhat different, with leaders of under-stress charities being more likely to predict *increases* in expenditures, as opposed to decreases.

Predicted access to the human and financial resources charities rely on to carry out their missions also appears to be related to the predictions leaders make about the relation between the demand their organizations will be facing and their capacity to meet that demand in the near- and medium-terms. Looking at the pattern of responses to the questions predicting the level of demand and near- and medium-term ability to carry out mission, we constructed a measure of whether *relative capacity* was predicted to increase, decrease, or remain about the same.[4] About one third of charity leaders predicted that that the relative capacity of their organization would decrease over both the near- and medium-terms (see Figure 7). They were somewhat more optimistic about medium-term capacity, with about twice as many predicting increased relative medium-term capacity as near-term capacity. Leaders of organizations predicting that relative capacity would decrease were more likely to predict decreases in available financial and human resources. For example, leaders of organizations predicting decreasing

Table 6: Leaders of organizations predicting decreasing relative capacity are more likely to predict decreases in resource availability.

	Near-term relative capacity			Medium-term relative capacity		
	Decreasing	Stable	Increasing	Decreasing	Stable	Increasing
PREDICTED REVENUES						
Increase	15%	22%	28%	12%	23%	29%
About the same	66%	70%	63%	69%	69%	62%
Decrease	19%	8%	9%	20%	8%	9%
PREDICTED EXPENDITURES						
Increase	37%	25%	24%	36%	27%	23%
About the same	56%	71%	69%	57%	69%	70%
Decrease	7%	3%	7%	7%	3%	7%
PREDICTED PAID STAFF						
Increase	9%	11%	15%	8%	13%	11%
About the same	81%	85%	81%	83%	83%	85%
Decrease	11%	4%	4%	9%	4%	4%
PREDICTED VOLUNTEERS						
Increase	19%	17%	20%	15%	20%	20%
About the same	74%	80%	77%	78%	78%	78%
Decrease	7%	2%	3%	7%	3%	3%

4 If demand was predicted to increase, while capacity was predicted to decrease or remain about the same, relative capacity was assessed as decreasing. If demand was predicted do decrease, while capacity was predicted to remain about the same or increase, relative capacity was assessed as increasing. If demand and capacity each moved in unison (i.e., both increasing, both decreasing or both holding steady), relative capacity was assessed as remaining about the same.

Imagine Canada's programs that support the sector includes

grant connect

Formerly loved as the *Canadian Directory to Foundations and Corporations*

$1 Billion in available funding

Imagine Caring Company Une entreprise généreuse

Promotion of good corporate citizenship

Imagine Canada Standards

Governance and accountability

CHARITY focus

Over 85,000 registered charities in Canada

sector source

Canada's largest collection of charitable and nonprofit resources

relative capacity were about twice as likely to predict decreased revenues, paid staff and volunteer levels and somewhat more likely to predict increased expenditures. These patterns held true for both near- and medium-term predicted relative capacity.

Conclusion

The results of this *Sector Monitor* show the previous trend of declining confidence among charity leaders has not continued. We cannot be certain whether the slide in confidence has stopped or if it is beginning to rebound. Only time and future editions of the Sector Monitor will allow us to establish this. What is becoming increasingly apparent is that patterns of organizational stress, access to resources and predicted capacity are are determined by a mix of systemic factors (e.g., organizational size) and factors related to the operating environments of charities (e.g., region). Future editions of the *Sector Monitor* will seek to further highlight and disentangle these factors so that stakeholders have a better understanding of the specific challenges and opportunities faced by specific sub-components of the charitable sector.