

Imagine Canada's Sector Monitor

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Foreword

I am very pleased to present the results of Imagine Canada's second *Sector Monitor*. All of us at Imagine have been extremely gratified by the interest you have shown, both in the results of the first report and in the *Sector Monitor* program as a whole. The success of this program ultimately rests on the willingness of sector leaders such as yourselves to make your views known by responding to the survey and on the uses you put the findings to. Thank you for that support.

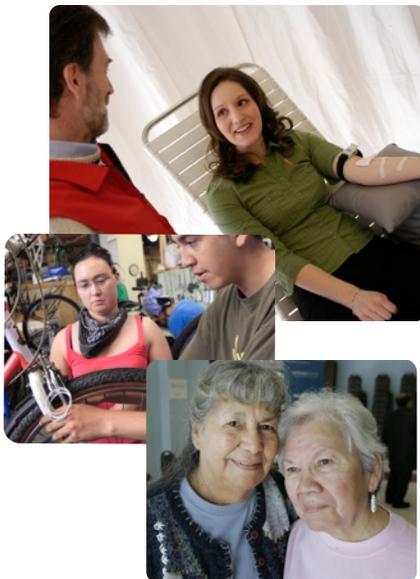
This second version of the *Sector Monitor* is largely about comparing current conditions to the baseline established by the first survey. The primary focus of this report is on exploring how the effects of the economic downturn have continued to unfold since 2009.

A key question currently facing our sector is whether the worst effects of the downturn have passed or if worse is yet to come. Overall, this *Sector Monitor* indicates that we continue to face considerable challenges. Although a few of the most acute challenges related to the economy have slackened for many organizations, many other challenges remain or have increased. While the broader economy is showing signs of slow recovery, this does not appear to be the case for the sector as a whole and we collectively need to watch this closely in coming months and even years.

In reading this report you will note that it is considerably shorter than the previous *Sector Monitor* report. Instead of producing one large report, we have shifted to producing a series of smaller, more topically focused reports. We believe these reports will be more timely than larger reports and will allow our most important constituency—you, our reader—to more easily find and apply the findings that are most important to you. Additionally, all of our reports will be accompanied by free-to-download PowerPoint presentations that will be available in the [Sector Monitor section of the Imagine Canada website](#). We encourage you to use these various tools to disseminate *Sector Monitor* findings to your stakeholders.

As always, if you have any comments about the *Sector Monitor*, please let us know so that we can continue to strengthen the program in the months and years ahead.

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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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 1,500 charity leaders from across Canada and from across the sector who responded to the *Sector Monitor* and the thousands who downloaded the previous *Sector Monitor*. The success of this research is due to your contributions.

Photos featured on the cover of the *Sector Monitor* courtesy of Imagine Canada members: Canadian Blood Services, PEDAL, Earn-a-bike (funded by the Vancouver Foundation), and Alzheimer Society, London and Middlesex.

Highlights

More charities are experiencing challenges due to economic conditions.

- More than half of charities are experiencing increased demand for their products and services and/or difficulty fulfilling their mission.
- Compared to 2009, more charities are reporting that their existence is at risk (29% vs. 22%) and/or increased demand (54% vs. 45%).

More charities are experiencing high stress.

- The percentage of charities under high stress has increased to 17%, from 13% in late 2009.

The financial situation of many charities has stagnated or deteriorated slightly.

- On average, charities report that revenues have dropped by 1.1% while expenditures have increased by 3.8%.

The previous picture, dominated by marked declines in key sources of revenue, has shifted to one of more generalized stagnation.

- Although charities are less likely to report decreases in key revenue sources such as corporate contributions and investment income, fewer charities are reporting increases in almost all sources of revenue.

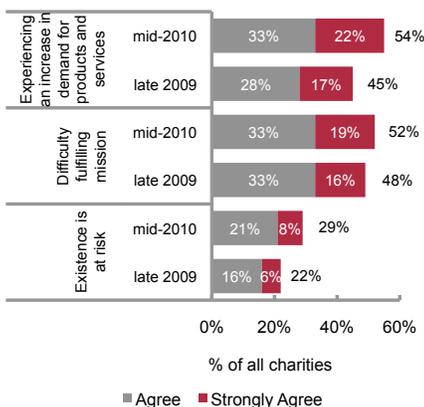
The human resources picture is challenging.

- Operating charities report that the average number of paid staff has decreased by 4.4% - this is a significant departure from the average increase of 1.8% reported in late 2009.

In spite of these challenges, the level of confidence in the future remains high.

- As a group, charity leaders are remarkably confident in the future and their level of confidence is essentially unchanged from late 2009.

Figure 1: Over half of organizations face challenges carrying out their mission and more than one-quarter are at risk.



Introduction

The *Sector Monitor* is a survey program designed to regularly take the pulse of Canada's charitable and nonprofit sector. This version of the *Sector Monitor* focuses on the ongoing effects of the economic downturn. Throughout this report, findings are compared to those from the first *Sector Monitor*, which covered the period from the onset of the economic downturn in late 2008 until late 2009.

This report summarizes the responses of 1,523 leaders of registered charities from across Canada and across the sector who answered our online survey between June 16 and July 18, 2010.¹ Responses have been weighted by region, organization size and activity area to produce estimates that are more representative of Canadian charities overall.

Impact of Current Economic Conditions

This version of the *Sector Monitor* shows a sector struggling with the after effects of the economic downturn. Although

¹ The survey was sent to the leaders of 3,923 registered charities with annual revenues of \$30,000 or more that were not religious congregations. We received responses from 1,523 of these leaders, for a total response rate of 39%. We limited the survey to registered charities to allow for direct comparison with information available from the Canada Revenue Agency.

Figure 2: Most organizations forecast difficulty covering expenses at some point in the next two years.

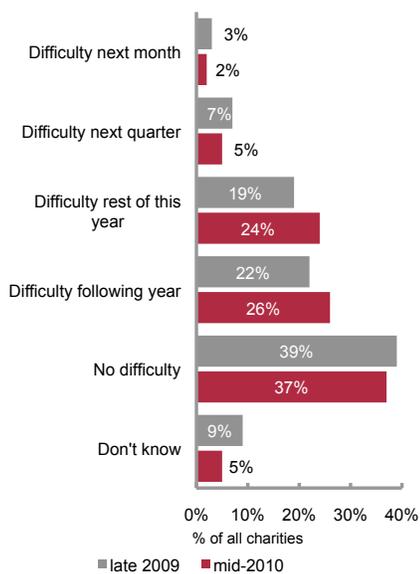
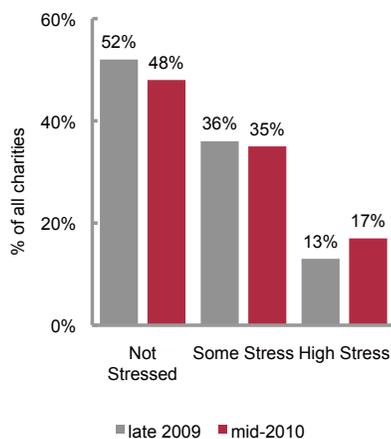


Figure 3: More than half of organizations are under stress; nearly one-fifth are under high stress.



² Unless otherwise noted, in this report we discuss only differences between the first and second *Sector Monitors* 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 that they were experiencing increased demand and agreeing that 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 identical to those used in the first *Sector Monitor*, though the latest questions refer to "economic conditions" rather than to "the economic downturn".

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.

economic conditions have improved, charities continue to report significant challenges. Compared to the first survey period, charity leaders are more likely to report that their organizations are experiencing increased demand and that their existence is at risk.² Over half of charity leaders report increased demand and difficulty fulfilling their mission because of economic conditions (see Figure 1). Similarly, 29% report that their organization's existence is at risk, up from 22% at the end of 2009.

Compared to the first *Sector Monitor*, charity leaders are slightly more likely to predict difficulty covering expenses over the medium- to long-term (i.e., at some point in the next four to 24 months). Almost one-third 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 (37%) say they will not have problems covering their expenses.

STRESS LEVELS

As in the first *Sector Monitor*, we used responses to four questions to assess the degree of stress charities are experiencing.³ Our results indicate that the percentage of charities under high stress has increased, with 17% currently under high stress compared to 13% at the end of 2009 (see Figure 3).

As in the first *Sector Monitor*, some types of charities are more likely to be under stress than others. For instance, one in five operating charities⁴ is under high stress, compared to just over one in twenty foundations (see Table 1). Similarly, organizations with smaller annual revenues and comparatively small numbers of paid staff are more likely to be under high stress. Conversely, the very largest organizations and those with the largest paid staff complements are much less likely to report being under high stress. With one or two notable exceptions (organizations from the Prairies and/or working in the areas of Philanthropic Intermediaries & Voluntarism), there is comparatively little variation according to region or activity area.

A number of groups of charities are more likely to report high stress than they were in the first *Sector Monitor*. These include:

- operating charities (20% vs. 14% in 2009);
- charities with annual revenues between \$500,000 and \$1.5 million (16% vs. 9%);

- charities working in the areas of Education & Research (17% vs. 5%) and Social Services (21% vs. 12%); and
- charities with between 10 and 24 paid staff (20% vs. 11%).

Conversely, charities with annual revenues of \$5 million or more are less likely to report high levels of stress than they were in late 2009 (2% vs. 6%).

TABLE 1: Some charities are more stressed than others.

	Not Stressed	Some Stress	High Stress
All Charities	48%	35%	17%
DESIGNATION			
Operating charity	45%	35%	20%
Foundation	62%	32%	6%
ANNUAL REVENUES			
\$30,000 to \$149,999	45%	31%	24%
\$150,000 to \$499,999	41%	46%	13%
\$500,000 to \$1,499,999	53%	31%	16%
\$1,500,000 to \$4,999,999	54%	38%	8%
\$5,000,000 or more	76%	22%	2%
ACTIVITY AREA			
Arts, Culture, Sports & Recreation	47%	33%	20%
Education & Research	48%	35%	17%
Health	54%	28%	18%
Social Services	39%	40%	21%
Philanthropic Intermediaries & Voluntarism	62%	30%	7%
Other	56%	34%	10%
Unknown	44%	38%	18%
REGION			
BC	44%	35%	21%
AB	45%	39%	16%
PR	58%	32%	10%
ON	49%	37%	15%
QC	50%	35%	14%
AT	56%	25%	19%
PAID STAFF SIZE			
No paid staff	63%	23%	14%
1 to 4	42%	36%	22%
5 to 9	41%	41%	18%
10 to 24	43%	37%	20%
25 to 99	48%	43%	9%
100 or more	79%	20%	1%

THE BOTTOM LINE: FINANCIAL AND HUMAN RESOURCES

While the Canadian economy appears to be slowly recovering from the economic downturn, this has not yet translated into increased resources for charities. Although preliminary estimates show the national unemployment rate dropped by an estimated 0.4% and total employment increased by almost 300,000 Canadians in the first half of 2010, respondents to the *Sector Monitor* report that, on average, the number of people they employ dropped slightly over the same period (Statistics Canada, n.d.-a). Similarly, although Canadian businesses reported that seasonally adjusted operating revenues increased by approximately 1% in the first quarter of 2010, *Sector Monitor* respondents say that, on average, their revenues decreased slightly (Statistics Canada, n.d.-b).

Financial resources. Generally speaking, the financial situation among charities seems to be stagnating or deteriorating slightly. Charities are most likely to report that revenues have remained about the same or decreased, while expenditures have remained about the same or increased (see Table 2). On average, charities report that revenues have dropped by approximately 1.1%, while expenditures have increased by 3.8%.

TABLE 2: Charities report that expenditures are generally increasing while revenues are generally decreasing.

	All Charities	Operating Charities	Foundations
REVENUES			
Increased	24%	22%	30%
Remained about the same	42%	41%	46%
Decreased	35%	37%	24%
Average change	-1.09%	-1.68%	1.83%
EXPENDITURES			
Increased	40%	43%	24%
Remained about the same	43%	40%	58%
Decreased	17%	17%	18%
Average change	3.79%	3.85%	3.47%

Compared to the previous *Sector Monitor*, fewer operating charities are reporting increased revenues (22% vs. 32% in 2009) and more are reporting decreased revenues (37% vs. 32% in 2009).⁵ The figures for average change in revenues and expenditures are largely unchanged since 2009. Compared to operating charities, foundations appear to be in a somewhat better position. Foundations are more likely to report increased revenues and less likely to report increased expenditures. On average, their revenues have increased by an average of 1.1%

⁵ Significance = 0.053.

Figure 4: Charities reported decreases in many sources of revenue.

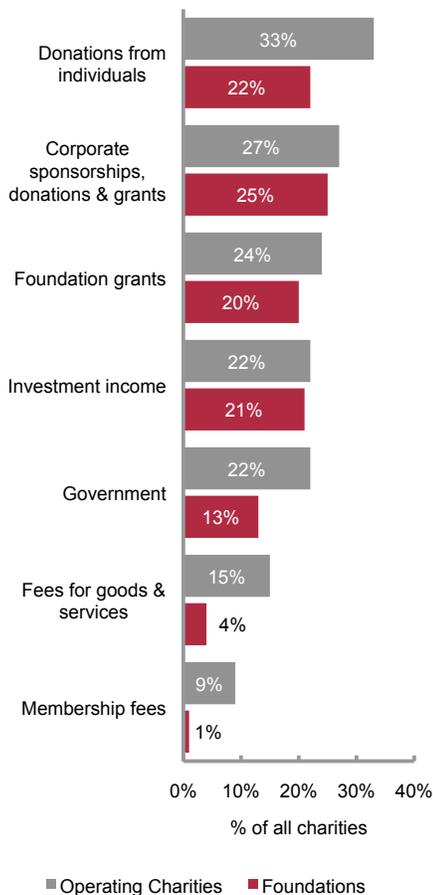
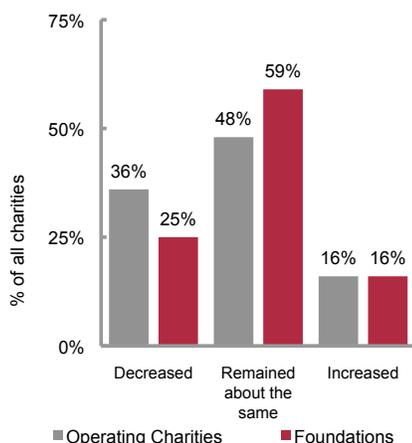


Figure 5: Most organizations report that the amount of cash they have on hand has remained about the same or decreased.



which, though slight, compares favourably to the average decrease of 3.8% they reported in 2009.

Looking at change in individual sources of revenue we again see a sector which continues to struggle with the lingering effects of the recession. The good news is that fewer charities are reporting decreases in sources that had previously been hard hit, such as corporate funding and investment income. The bad news is that fewer charities are reporting increases in almost all sources of revenue. Where the previous picture was dominated by striking reports of declines in key areas, the picture now is of a more widespread stagnation.

As in the first *Sector Monitor*, charities are most likely to report decreases in donations from individuals, corporate support, foundation grants and investment income (see Figure 4). Operating charities are as likely or more likely than foundations to report decreases in almost all sources. Foundations are much less likely to report decreases in investment income (21% reported this, compared to 62% in 2009). Operating charities are also less likely to report decreases in investment income (22% vs. 36%) and corporate funding (27% vs. 34%).

Around half of both operating charities and foundations report that the amount of cash they have on hand has remained about the same since January 2010 (see Figure 5). About a third of operating charities and a quarter of foundations report that their cash on hand has decreased. Only a small number of organizations report that cash on hand has increased. These figures are essentially unchanged from the first *Sector Monitor*.

Human resources. Superficially it might seem that the human resources picture is largely stable in that charity leaders were most likely to report that both paid staff and volunteer numbers have remained about the same. However, other signs suggest potentially significant change for some charities.

In terms of paid staff, the fact that roughly equal percentages of both operating charities and foundations report increases and decreases would support the notion of stability (see Table 3). However, the size of the change in paid staff complement paints a somewhat different picture. Operating charities report that the number of paid staff they employ has decreased by an average of 4.4%. This is a departure from late 2009 when operating charities reported an average paid staff increase of 1.8%. Foundations appear to be doing somewhat better, reporting that the number of paid staff they employ has increased by an average of 1.9%.

TABLE 3: Change in paid staff and volunteers.

	All Charities	Operating Charities	Foundations
PAID STAFF			
Increased	22%	23%	19%
Remained about the same	58%	57%	65%
Decreased	20%	21%	16%
Average change	-3.44%	-4.41%	1.88%
VOLUNTEERS			
Increased	24%	26%	19%
Remained about the same	60%	59%	65%
Decreased	16%	15%	17%
Increased reliance on volunteers	35%	36%	27%

Figure 6: Budget predictions remain largely unchanged since late 2009.

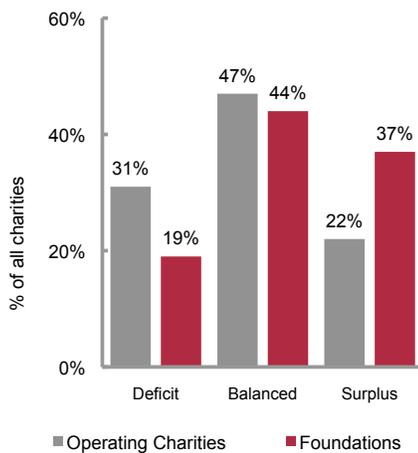
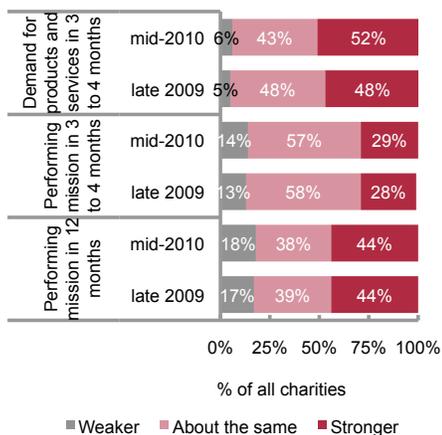


Figure 7: Overall levels of confidence for the future were unchanged since late 2009.



Regarding volunteers, charities are most likely to report that numbers have remained about the same. They are somewhat more likely to report increases in volunteers than decreases, reflecting a somewhat positive trend. However, although the trend is positive, it is not as positive as previously reported. When compared to the previous *Sector Monitor*, the percentage of charities reporting increases in volunteers has dropped (to 24% from 32%), while the percentage reporting decreases has climbed (to 16% from 9%).

Confidence in the Future

Charity Leaders continue to show a remarkable degree of confidence in the future. Faced with increased challenges and a financial situation that has not improved over the past six months, their confidence remains essentially unchanged.

About half of charity leaders predict that their organizations will end the year with a balanced budget (see Figure 6). Leaders of operating charities are more likely to predict that they will end the year in a deficit position (about one-third predict this), while foundation leaders are more likely to foresee a surplus (just over one-third make this prediction). These predictions are virtually unchanged from those made by charity leaders in the first *Sector Monitor*.

In considering the future of their organization, just under half of leaders predict that their organization will be stronger, in terms of its ability to carry out its mission, in twelve months (see Figure 7). They are somewhat more conservative in their predictions for the next three to four months, with slightly more than one-quarter predicting that they will be stronger. About half predict that demand for their products and services will increase in the

TABLE 4: Operating charities are more likely to predict increased demand while foundation leaders are more optimistic about their ability to perform their mission.

	All Charities	Operating Charities	Foundations
DEMAND IN 3 TO 4 MONTHS			
Stronger	52%	53%	44%
About the same	43%	41%	50%
Weaker	6%	5%	6%
PERFORMING MISSION IN 3 TO 4 MONTHS			
Stronger	29%	27%	42%
About the same	56%	59%	46%
Weaker	14%	15%	12%
PERFORMING MISSION IN 12 MONTHS			
Stronger	44%	42%	52%
About the same	38%	40%	27%
Weaker	18%	18%	21%

next three to four months. These figures are essentially unchanged from those reported in the first *Sector Monitor* in late 2009.

Leaders of operating charities are somewhat more likely to predict that demand for their organization’s products and services will increase in the next three to four months than are foundation leaders (see Table 4). Conversely, foundation leaders are somewhat more confident that their organization will be stronger, in terms of its ability to perform its mission, in the future. This is particularly true of predictions for the next three to four months. However, while leaders are generally optimistic, a significant minority (up to one-fifth) believe that their organization will be weaker in the future. In terms of meaningful differences from the first *Sector Monitor*, leaders of operating charities were somewhat more likely to predict increased demand in 3 to 4 months.

Conclusion

This second version of Imagine Canada’s *Sector Monitor* shows that the effects of the economic downturn continue to echo through the charitable and nonprofit sector. The percentage of charities experiencing high levels of stress has increased. While some revenue sources appear to be under less threat than they were previously, revenues are generally flat and expenditures are increasing. Most individual charities are reporting that their paid

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staff and volunteer complements have remained about the same but there has been an overall decrease in the number of staff. At this point, it is unclear whether the number of volunteers has increased enough to make up for the loss of paid staff.

Interestingly, despite these challenges, sector leaders remain remarkably confident about the future.

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