

Imagine Canada's Sector Monitor

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Foreword

Once again, I am pleased to present the results of our latest *Sector Monitor*. This edition is the first of two planned for 2011 and the fourth in our continuing series that started in late 2009.

This report presents mid-2011 results for our core set of tracking questions. Many survey findings are consistent with an ongoing recovery in the aftermath of the economic downturn:

- The percentage of organizations under high stress has continued to decrease from the high recorded in mid-2010.
- Charities are less likely to report difficulties carrying out their mission and more likely to anticipate no difficulties covering expenses over the next two years.
- Although demand for charitable products and services remains high, respondents are less likely than they have been to forecast even higher demand in three to four months, suggesting that the corner may be being turned on demand.
- Leaders are more likely than before to predict that their organizations will be stronger in terms of their ability to carry out their mission in the future.

Although these findings are heartening, results are far from universally positive. Significant numbers of organizations continue to report challenges in all of the above areas. Similarly, many operating charities continue to report flat revenues and increased expenditures. In short, although a new optimism is in the air, major challenges remain, particularly with regards to adequate financial resources for organizations.

As always, we hope that these results are useful to you in your dealings with your many stakeholders. We would welcome any comments or ideas you might have regarding these findings or the program generally.

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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- Vancouver Foundation
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- West Island Community Shares
- YMCA Canada
- YWCA Canada

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Finally, we would like to thank the more than 1,400 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 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: Lion's Foundation of Canada Dog Guides, the Calgary Opera Association, and the Lung Association of Nova Scotia.

Highlights

Demand remains high, but there are signs that charity leaders are beginning to see light at the end of the tunnel.

- Over half of charity leaders say that demand for products and services is higher than a year ago.
- However, the percentage of leaders forecasting stronger demand in 3 to 4 months has dropped to 43% from 51% in late 2010.

Fewer charities are facing major challenges.

- The percentage of leaders saying they are having difficulty carrying out their mission has dropped from 49% in late 2010 to 44%.
- The percentage of organizations predicting no difficulties covering expenses for the next two years has risen to 46% from 37% a year ago.

Organizational stress continues to recede from mid-2010 levels.

- About one in eight charities surveyed is under high levels of stress, down from over one in six a year ago.
- The decrease in stress levels appears to be driven largely by the reduction in the number of organizations predicting difficulty covering expenses at some point in the next two years.

Revenues for foundations have increased while revenues for operating charities have continued to stagnate.

- Foundations are much more likely to report increased revenues than they were in late

2010 and they report that, on average, revenues have increased by almost 12% over the past year.

- Operating charities report that, on average, revenues have decreased by 1.4%.

Expenditures have increased for operating charities.

- More operating charities are reporting increased expenditures over the previous 12 months. On average, expenditures have increased by 4.9%.
- Foundations are much more likely to report that expenditures have remained about the same over the last 12 months.

The human resources situation has improved slightly for operating charities.

- Operating charities are more likely to report increases in both paid staff and volunteer numbers than they were in late 2010.

Charity leaders are even more optimistic about the future than they have been previously.

- Leaders are less likely to forecast increased demand in the next three to four months than they were previously.
- Similarly, compared to previous waves of the survey, charity leaders are more likely to say that their organizations will be stronger in terms of mission performance in three to four months and less likely to say they will be weaker in 12 months.

Introduction

Imagine Canada's *Sector Monitor* survey program is designed to provide relevant and timely information on the issues facing Canada's charitable and nonprofit sector. The program was launched in 2009, when many charities and nonprofits were just beginning to feel the impact of the economic downturn that had commenced the previous year. As a result, an early goal of the

program was to track the impact of the downturn on the charitable and nonprofit sector. We continue to focus on this issue in the current report, which presents the results of the fourth *Sector Monitor* survey.

A total of 1,447 leaders of registered charities responded to our fourth *Sector Monitor* survey, which was open between May 25 and June 30, 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 overall. Throughout this report, we compare the results of the most recent survey with those of the three previous surveys.

Impact of Current Economic Conditions

Results from this version of the *Sector Monitor* are generally fairly positive. Conditions for some charities appear to be improving, although many continue to report significant challenges. Overall, responses from the current survey appear to continue the trend established in late 2010.

As in previous waves of the *Sector Monitor*, over half of charity leaders say their organizations are facing increased demand for products and services and just under half say they are having difficulty fulfilling their missions because of current economic conditions (see Figure 1). The percentage of organizations reporting increased demand has remained unchanged since mid-2010. Conversely, the number of charity leaders saying that their organizations are having difficulty fulfilling their missions has dropped since late 2010 (to 29% from 34%).² The percentage of organizations with the greatest difficulty (i.e., whose leaders agree strongly that they are having difficulty) has, however, remained unchanged over the same period. As of late 2010, just under a quarter of organizations report that their existence is at risk, down from the high of nearly a third seen in mid-2010.

It appears that fewer charities are in immediate financial difficulty in early 2011 than was the case in 2010. The percentage of leaders anticipating no difficulties covering organizational expenses within the next two years has risen from 37% in mid-2010 to 46% in the current survey (see Figure 2). That said, the sector's financial situation is far from secure. Nearly half of leaders report that they anticipate difficulty covering expenses at some point in the next two years.

STRESS LEVELS

As is our practice with the *Sector Monitor*, we used responses from the previous four questions to assess the degree of stress

Figure 1: While demand remains high, the percentage of organizations reporting difficulty fulfilling their mission has declined.

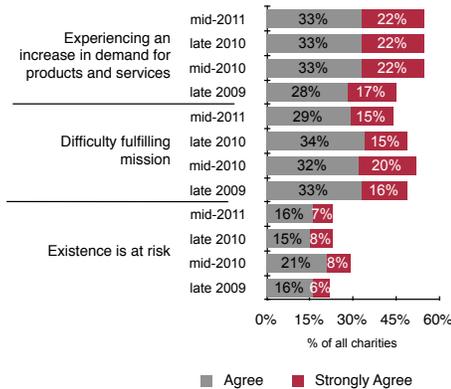
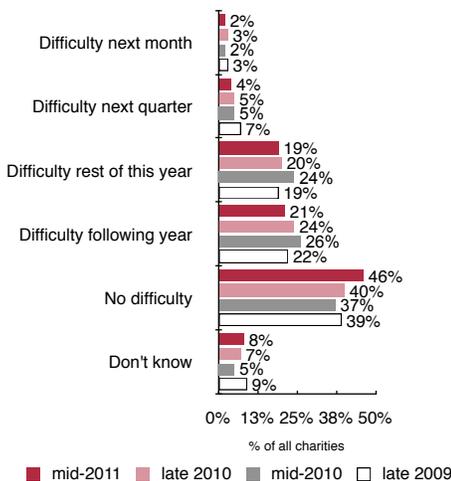


Figure 2: The percentage of leaders predicting difficulty covering expenses in the next two years has dropped.



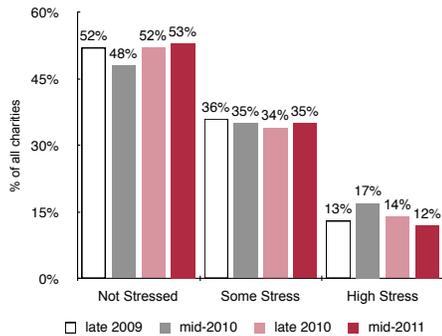
¹ This edition of the online survey was sent to the leaders of 3,893 registered charities, drawn from the memberships of our partner organizations (see page 2). We received complete responses from 1,447 of these leaders, for a total response rate of 37%. This report summarizes the responses of these leaders.

The survey was also sent to the leaders of 3,448 charities drawn randomly from the population of registered charities. The responses of these leaders will be summarized in a future report and are not presented here.

As in previous waves of the *Monitor*, participation was limited to charities with annual revenues of \$30,000 or more that were not religious congregations. We limited the survey to registered charities to allow for direct comparison with information available from Canada Revenue Agency.

² Significance = 0.06. Unless otherwise noted, in this report we discuss only differences between groups of charities and waves of the *Sector Monitor* that are significant at the 0.05 level. However, not every significant difference is discussed in the text.

Figure 3: Although almost half of organizations are under stress, the percentage under the highest stress has dropped.



organizations are experiencing.³ Currently, about one in eight charities (12%) is under high stress, down from a high of more than one in six (17%) in mid-2010 (see Figure 3). The current percentage of organizations under high stress is the lowest recorded by the *Sector Monitor*. The decrease in the percentage of organizations reporting high stress appears to be driven primarily by the drop in organizations forecasting difficulty covering expenses within the next two years.

The pattern of variation in the level of stress between groups of charities is broadly consistent with what we found in the last

TABLE 1: Patterns of organizational stress remain largely unchanged.

	Not Stressed	Some Stress	High Stress
All Charities	53%	35%	12%
DESIGNATION			
Operating charity	50%	36%	14%
Foundation	65%	31%	5%
ANNUAL REVENUES			
\$30,000 to \$149,999	54%	31%	15%
\$150,000 to \$499,999	42%	41%	17%
\$500,000 to \$1,499,999	50%	37%	12%
\$1,500,000 to \$4,999,999	59%	35%	6%
\$5,000,000 or more	66%	31%	3%
ACTIVITY AREA			
Arts, Culture, Sports & Recreation	50%	31%	19%
Education & Research	53%	34%	13%
Health	49%	34%	16%
Social Services	44%	40%	15%
Philanthropic Intermediaries &	66%	29%	5%
Other	52%	36%	11%
Unknown	49%	39%	12%
REGION			
BC	46%	38%	16%
AB	53%	31%	16%
PR	66%	23%	10%
ON	55%	33%	12%
QC	48%	43%	9%
AT	50%	35%	15%
PAID STAFF SIZE			
No paid staff	60%	30%	9%
1 to 4	53%	32%	15%
5 to 9	45%	44%	11%
10 to 24	47%	37%	16%
25 to 99	60%	33%	7%
100 or more	62%	36%	3%

³ Those strongly agreeing that 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 the immediacy of the difficulty. 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 consistent with those used in previous *Sector Monitors*.

few *Sector Monitors*. Charities statistically less likely to be under high stress in the current wave of the survey include:

- foundations;
- charities with annual revenues of \$1.5 million or more;
- Philanthropic Intermediaries and Voluntarism Promotion organizations; and
- charities with paid staff of 25 or more (see Table 1).

Organizations more likely to be under high stress, include:

- Arts, Culture, Sports and Recreation organizations; and
- organizations with one to four paid staff.

THE BOTTOM LINE: FINANCIAL AND HUMAN RESOURCES

Key indicators from early 2011 show increases in both financial and human resources in the private sector. Operating revenues for Canadian businesses increased by 4.9% between the first quarter of 2010 and the first quarter of 2011 (Statistics Canada, n.d.-a). Similarly, preliminary estimates for July 2011 show the national unemployment rate has dropped 0.8% over the previous year to 7.2% while total employment has increased by over 252,000 Canadians (equivalent to 1.5% growth; Statistics Canada, n.d.-b).

Although the indicators cited above are positive, there is a growing sense of unease, driven primarily by global economic conditions. Sources of concern include renewed fears of a “double-dip” recession in the United States and slower than expected economic growth in the United States and a number of European economies. As this report goes to press, preliminary indications are that Canadian economic growth in the second quarter of 2011 may have been slower than expected. Many of these concerns have emerged since the data for this version of the *Sector Monitor* were collected. Survey respondents may have been more optimistic at the time they completed the survey than they would be now.

Financial resources. The revenue picture among charities appears to have improved somewhat in the past year. The majority are still reporting that their revenues have either decreased or remained about the same, but 28% reported that their revenues have increased (see Table 2). In comparison, in our previous survey, only 24% of organizations reported increased revenues. Although the number of charities reporting increased revenues has risen, the increases are not large for most organizations. In fact, the average reported increase is less than 1% – compared to 4.9% reported by Canadian businesses. Interestingly, though, only 12% of charities are currently reporting decreased expenditures. This is the lowest proportion we have found since we started conducting the *Sector Monitor*.

TABLE 2: While more leaders are reporting increased revenue compared to late 2010, expenditures have also increased and they continue to outstrip increases in revenue.

	late 2009	mid-2010	late 2010	mid-2011
REVENUES				
Increased	31%	23%	24%	28%
Remained about the same	37%	42%	46%	42%
Decreased	32%	35%	30%	30%
Average change	-0.75%	-1.10%	-0.43%	0.82%
EXPENDITURES				
Increased	42%	40%	46%	46%
Remained about the same	36%	43%	37%	42%
Decreased	22%	17%	17%	12%
Average change	4.53%	3.79%	4.75%	5.24%

Foundations continue to find themselves in a more favourable position than operating charities. Foundations are much more likely to report increased revenue, with their revenues increasing an average of almost 12%, compared to an average decrease in revenues for operating charities (see Table 3). Conversely, operating charities are strikingly more likely to report increased expenditures (49% vs. 31%), although the average size of the increase is comparable for the two groups. It appears that the increase in sector revenues since the last *Sector Monitor* is largely being driven by foundations, while the increase in

TABLE 3: Foundations are more likely to report increased revenue, while operating charities are more likely to report increased expenditures.

	All Charities	Operating Charities	Foundations
REVENUES			
Increased	28%	27%	38%
Remained about the same	42%	43%	38%
Decreased	30%	31%	24%
Average change	0.82%	-1.44%	11.87%
EXPENDITURES			
Increased	46%	49%	31%
Remained about the same	42%	39%	57%
Decreased	12%	12%	12%
Average change	5.24%	4.86%	7.09%

TABLE 4: Although the predominant picture is one of continuity, there is evidence that volunteer numbers may be increasing.

	late 2009	mid-2010	late 2010	mid-2011
PAID STAFF				
Increased	22%	22%	22%	25%
Remained about the same	58%	58%	59%	59%
Decreased	20%	20%	19%	16%
Average change	2.57%	3.74%	2.40%	3.77%
VOLUNTEERS				
Increased	32%	24%	23%	28%
Remained about the same	59%	60%	65%	62%
Decreased	9%	16%	13%	10%
Average change	-	2.84%	1.88%	4.85%

expenditures is being driven almost exclusively by operating charities.

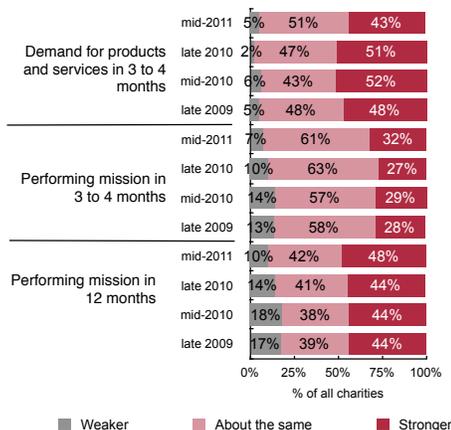
Human resources. Overall, the dominant human resources picture in the charitable sector continues to be one of stability, with approximately 60% of organizations reporting that their staff and volunteer complements are about the same as last year (see Table 4). However, there are some indications that staff and volunteer resources – especially the latter – have increased slightly. For example, more organizations are reporting increases in volunteer numbers (28% vs. 23% in mid-2010),⁴ and, on average, the number of volunteers has increased by 4.9% over the previous year (compared to 1.9% in the last *Sector Monitor*). It is also worth noting that the average reported increase in paid

TABLE 5: Change in paid staff and volunteer numbers is more prevalent among operating charities.

	All Charities	Operating Charities	Foundations
PAID STAFF			
Increased	25%	26%	21%
Remained about the same	59%	58%	68%
Decreased	16%	17%	11%
Average change	3.77%	3.79%	3.64%
VOLUNTEERS			
Increased	28%	29%	21%
Remained about the same	62%	60%	73%
Decreased	10%	11%	6%
Average change	4.85%	4.96%	4.33%

⁴ Significance 0.059.

Figure 4: Charity leaders appear to be more optimistic about the future.



staff numbers in the sector (3.8%) is more than twice the increase in total employment across the country (1.5%).⁵

Operating charities appear to be driving much of the change in human resources in the sector (see Table 5). They are less likely than foundations to report that paid staff and volunteer numbers have remained the same and, compared to mid-2010, may be more likely to report increases in both paid staff (26% vs. 21% in mid-2010) and volunteers (29% vs. 24%).⁶

Confidence in the Future

Compared to previous waves of the *Sector Monitor*, charity leaders seem to be more optimistic about the future. They are more likely to say their organizations will be stronger at performing their mission in three to four months and less likely to predict that they will be weaker in a year. Additionally, they are less likely than in late 2010 to predict stronger demand for their products and services in three to four months (see Figure 4).

The drop in forecasted demand is driven largely by operating charities, with 45% predicting increased demand, down from 52% in late 2010 (see Table 6). It must be noted that these figures do not translate into a widespread reduction in total demand, but rather a levelling off of demand. Almost half of leaders of operating charities predict that demand – already elevated, as shown by the responses to previous waves of the

TABLE 6: Foundation leaders are generally more optimistic about the future than leaders of operating charities.

	All Charities	Operating Charities	Foundations
DEMAND IN 3 TO 4 MONTHS			
Stronger	43%	45%	38%
About the same	51%	49%	61%
Weaker	5%	6%	0.4%
PERFORMING MISSION IN 3 TO 4 MONTHS			
Stronger	32%	31%	38%
About the same	61%	61%	58%
Weaker	7%	8%	4%
PERFORMING MISSION IN 12 MONTHS			
Stronger	48%	45%	63%
About the same	42%	44%	32%
Weaker	10%	12%	5%

⁵ Note that we have changed the method used to calculate percentage change in paid staff numbers. The current method is less driven by fractional changes in the number of paid staff employed by small organizations and we believe it more accurately reflects reality for the charitable sector as a whole.

⁶ Significance 0.08 paid staff, 0.074 volunteers.

Sector Monitor – will remain about the same, as do three out of five foundation leaders.

As in previous waves of the survey, foundation leaders are more likely than leaders of operating charities to report that their organization will be stronger in the near- and medium-term (e.g., nearly two-thirds of foundation leaders say they will be stronger in a year, compared to just under half of leaders of operating charities). However, the increased optimism we see in the sample as a whole seems to be driven largely by shifts among operating charities. For example, the percentage of operating charities saying they will be weaker in a year has dropped slightly, from 15% to 12%.⁷ It should be noted that these shifts in attitudes are not large, but they are consistent across the three questions.

Conclusion

On the whole, the results of this *Sector Monitor* are fairly positive. Demand for the products and services of sector organizations remains high, but there are signs that sector leaders are beginning to see a slackening of the ever-increasing demand. The immediacy of financial challenges for some organizations has receded and organizational stress has declined significantly from the high seen one year ago. The picture is not uniformly positive. Although foundations report increased revenues, operating charities continue to report the challenging combination of stagnant revenues and ever-increasing expenditures. Despite this, charity leaders are even more optimistic than in previous *Sector Monitors*.

⁷ Significance 0.052.

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