

Imagine Canada's Sector Monitor

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Vol. 1, No. 1

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Foreword

I am very pleased to present the results of Imagine Canada's first *Sector Monitor*.

The goal of the *Monitor* is to provide relevant and timely information on the issues facing the charitable and nonprofit sector. This information will allow us to identify trends that will inform and help us develop our thinking about the broader public policy agenda for the sector.

This first version of the *Sector Monitor* is largely about establishing a baseline. We undertook our survey at an extremely difficult economic time. As we produce future versions, we will be examining the results to determine how much of what we found was cyclical and how much is related to more structural issues. This will also have a profound impact on how we identify common issues across the sector.

I am personally most impressed with two of the trends that have emerged. The first is the determination of organizations to carry out their mission despite difficult economic circumstances and to meet increased demand without cutting service levels. The second is the level of optimism that leaders feel for the future. This does not mean we can sit back and wait for things to get better, but it is encouraging that we have such a strong foundation on which to build.

This publication is an important milestone, but this initiative will be an ongoing one. Its value will lie in the ongoing information and analysis we are able to generate. If you have any comments about the *Sector Monitor*, please convey them to us so that we can continue to strengthen it 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 environment in which organizations contribute to building stronger communities.

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ISSN 1923-3647

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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
- Community Foundations of Canada
- 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
- 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 1,500 charity leaders who responded to the *Sector Monitor*. The success of this research is due to your contributions and we are very grateful for the time you took to participate.

Photos featured on the cover of the *Sector Monitor* courtesy of Imagine Canada members and Caring Company program participants: TELUS in support of MoreSports, Calgary Opera and Canadian Breast Cancer Foundation CIBC Run for the Cure.

Highlights

Many charities are experiencing challenges associated with the economic downturn.

- Almost half are having difficulty fulfilling their mission and/or are facing increased demand for their products and services.
- Almost a third expect to have difficulty covering expenses in 2010.
- Almost a quarter say their existence is at risk.

One in eight charities is experiencing high levels of stress.

- Charities more likely to be under high stress include those in British Columbia, with small numbers of paid staff, and with annual revenues of less than \$150,000.
- Charities less likely to be under high stress include those located in the Prairies or Quebec, with 25 or more paid staff, and with annual revenue of \$1.5 million or more.

Operating charities are taking a range of actions in response to the economic downturn.

- The most common response was to try to increase revenues and reduce overhead costs.
- More than half of organizations increased their reliance on volunteers.
- Two-fifths used reserve funds.
- A quarter reduced services or programs.
- Just under a quarter reduced their paid staff complement and/or the hours paid staff work.

Operating charities and foundations have different experiences.

- Foundations experienced a larger drop in revenues than operating charities but were better able to control expenditures.
- Operating charities are most affected by decreases in government funding while foundations are most affected by decreases in investment income.
- Foundations have more cash on hand than operating charities and are less likely to say their cash on hand has decreased.
- Staff and volunteer levels are more stable among foundations than operating charities.

Charities remain confident about the future, particularly when they look further out.

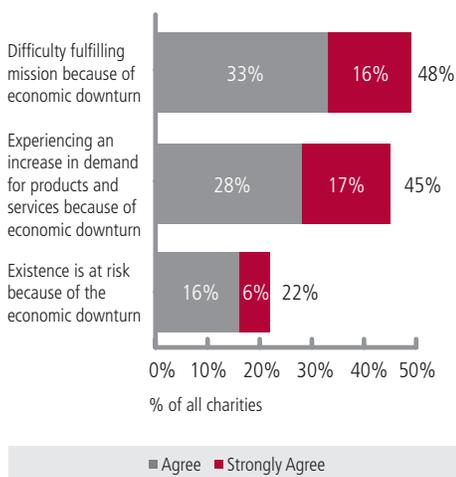
- More than one quarter expect to be better able to perform their mission in 3 or 4 months.
- More than two-fifths expect to be better able to perform their mission in 12 months.
- Foundations are more likely than operating charities to predict a budget surplus and less likely to predict a deficit.
- Foundations are more optimistic than operating charities about their ability to carry out their mission in the short and medium term.

Introduction

This is the first report of findings from Imagine Canada's *Sector Monitor*, a new survey program designed to regularly take the pulse of Canada's charitable and nonprofit sector. This first version of the *Sector Monitor* focused on the effects of the recent economic downturn on registered charities. In addition to providing current information on the state of the sector, these results provide a valuable baseline for assessing the ongoing impact of the economy on Canadian charities and the communities they serve.

This report summarizes the responses of 1,508 leaders of registered charities who answered our online survey between November 24, 2009 and January 11, 2010.¹ Their responses have been weighted by region, organization size and activity area to produce estimates that are more representative of Canadian charities overall.

Figure 1: Half of organizations are having difficulty fulfilling their mission and a quarter are at risk.



IMPACT OF THE ECONOMIC DOWNTURN

The economic downturn has had a significant impact on charities. Approximately half of charity leaders say their organization is having difficulty fulfilling its mission because of the downturn and almost a quarter say their organization's existence is at risk (see Figure 1). At the same time, close to half of leaders report increased demand for their organization's products and services.

When asked about their organization's financial situation, 10% of charity leaders say they expect their organization to experience difficulties covering expenses within the next quarter (see Figure 2). One in five say they can cover expenses for the first quarter of 2010, but will experience difficulty later in the year. Twenty-two percent report they are well positioned for 2010, but forecast difficulties in 2011.

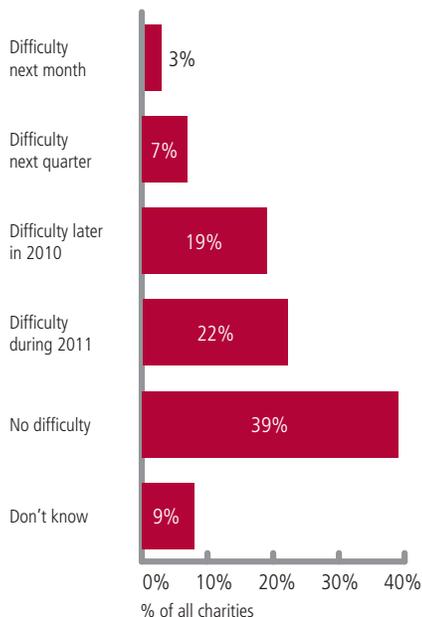
We used responses to these four questions to construct a measure of organizational stress.² This measure suggests about half of charities are under stress, a third are under some stress and one in eight is under high stress (see Table 1).

Some charities are more likely to be under high stress than others.³ For instance, operating charities⁴ are twice as likely as foundations to be under high stress. Other charities more likely to be under high stress include those:

- located in British Columbia;
- with between one and four paid staff;
- with annual revenues between \$30,000 and \$149,999.

¹ The survey was sent to 3,126 leaders of registered charities with annual revenues of \$30,000 or more that were not religious congregations (approximately half of registered charities meet these criteria). We received responses from 1,508 individuals, for a total response rate of 48%. We limited the survey to registered charities to allow for direct comparison with information available from the Canada Revenue Agency.

Figure 2: More than a quarter of leaders predict difficulty covering expenses within the next year.



Charities less likely to be under high stress include those:

- located in the Prairies or Quebec;
- with 25 or more paid staff;
- with annual revenues of \$1.5 million or more;
- working in the areas of Education & Research and Philanthropic Intermediaries & Voluntarism.

TABLE 1: Some charities are more stressed than others.

| | Not Stressed | Some Stress | High Stress |
|--|--------------|-------------|-------------|
| All Charities | 52% | 36% | 13% |
| DESIGNATION | | | |
| Operating charity | 50% | 36% | 14% |
| Foundation | 59% | 34% | 7%* |
| ANNUAL REVENUES | | | |
| \$30,000 to \$149,999 | 52% | 31%* | 17%* |
| \$150,000 to \$499,999 | 45%* | 43% | 12% |
| \$500,000 to \$1,499,999 | 50% | 42% | 9% |
| \$1,500,000 to \$4,999,999 | 54% | 40% | 6%* |
| \$5,000,000 or more | 62%* | 32% | 6%* |
| ACTIVITY AREA | | | |
| Arts, Culture, Sports & Recreation | 53% | 27%* | 19% |
| Education & Research | 54% | 42% | 5%* |
| Health | 55% | 36% | 9% |
| Social Services | 44%* | 45%* | 12% |
| Philanthropic Intermediaries & Voluntarism | 58% | 35% | 8%* |
| Other | 53% | 32% | 15% |
| Unknown | 38% | 37% | 25%* |
| REGION | | | |
| BC | 40%* | 39% | 21%* |
| AB | 37%* | 45% | 18% |
| PR | 61%* | 32% | 7%* |
| ON | 49% | 39% | 13% |
| QC | 59%* | 36% | 5%* |
| AT | 53% | 29% | 17% |
| PAID STAFF SIZE | | | |
| No paid staff | 75%* | 17%* | 8% |
| 1 to 4 | 46% | 37% | 17%* |
| 5 to 9 | 47% | 38% | 15% |
| 10 to 24 | 46% | 44%* | 11% |
| 25 to 99 | 55% | 39% | 6%* |
| 100 or more | 58% | 39% | 3%* |

*Value is statistically different from the value for charities as a whole. For example, the asterisk for the percentage of foundations under high stress indicates that the figure of 7% is statistically different from the percentage of all charities under high stress (13%).

2 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 in 2010 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.

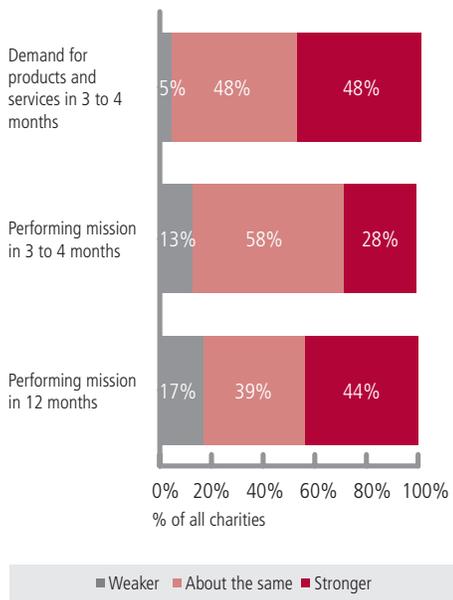
3 In this report, we only discuss differences that are statistically significant at the 0.05 level, although not every significant difference is highlighted here.

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

CONFIDENCE IN THE FUTURE

Although a significant number of charities are experiencing difficulties because of the economic downturn, charity leaders are generally optimistic about the future. Even though almost half of leaders expect increased demand for their services over the next three or four months,

Figure 3: Charity leaders are generally confident about the future.



more than a quarter believe they will be in a better position to carry out their mission at the end of that same period (see Figure 3). Forty-four percent expect to be in a better position to carry out their mission in the next 12 months.

Although the percentage of charity leaders saying their organization will be less able to carry out its mission in a year is relatively low, it is much higher among organizations under stress – particularly those under high stress. A quarter of organizations under some stress and 43% of organizations under high stress expect to be less able to carry out their mission in 12 months, compared to just 6% of organizations not under stress. Clearly, the economic downturn has had and will continue to have significant effects, particularly for charities under high levels of stress.

What Operating Charities are Saying

Because the nature and roles of operating charities and foundations are so different and because operating charities are more likely to be under high stress, we present more detailed findings for operating charities and foundations separately. This section of the report summarizes the views of 1,224 leaders of operating charities.

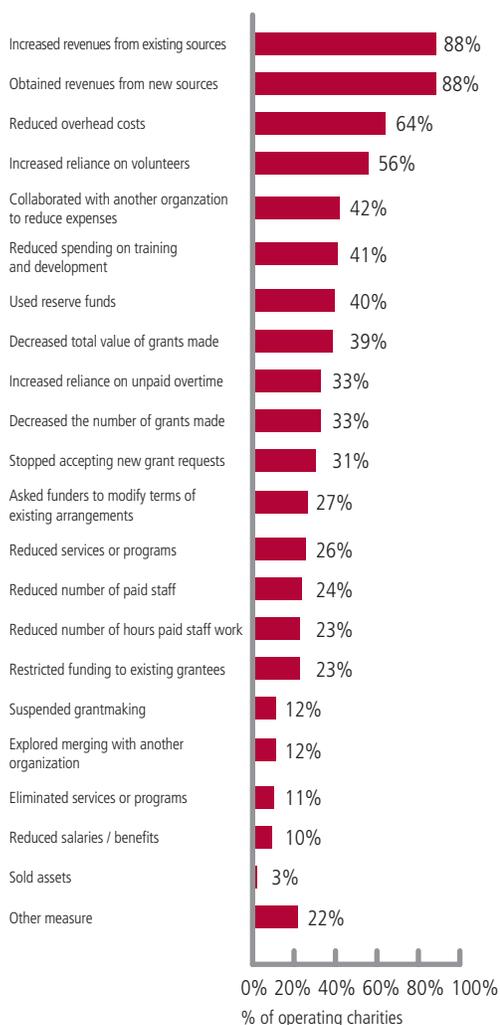
RESPONSES TO THE ECONOMIC DOWNTURN

The *Sector Monitor* asked leaders of operating charities whether they took any of 21 possible actions in response to the economic downturn (see Figure 4). The most common response was to attempt to increase their effective financial resources, principally by tapping new revenue sources and/or increasing revenues from existing sources. About two-thirds of charities reduced overhead costs, two-fifths used their reserve funds and a quarter asked funders to modify the terms of existing funding arrangements.

Actions relating to human resources were, on the whole, taken less frequently than those aimed at increasing effective financial resources.⁵ Although more than half of charities with paid staff increased their reliance on volunteers and two-fifths of charities reduced spending on training and development, other measures were less common. One-third reported increases in unpaid overtime and a quarter reported decreases in their paid staff complement or in the number of hours worked by paid staff. Ten percent reduced wages and benefits.

⁵ Only organizations that reported having paid staff (92% of operating charities surveyed) were asked about most human-resources-related measures. The question about spending on training and development was asked of all organizations because it can apply to both volunteers and paid staff.

Figure 4: Operating charities engaged in a wide array of measures to address the economic downturn.



Operating charities that provide grants to other charities were more likely to try to increase effective financial resources than cut grants.⁶ However, two-fifths decreased the total value of grants and a third decreased the number of grants they made. Almost a third of organizations attempted to manage demand by not accepting new grant applications, while about a quarter restricted grants to existing grantees. One in eight organizations suspended grant-making entirely.

If we examine responses to the economic downturn through the lens of organizational stress (see Table 2) a loose hierarchy becomes apparent. Less drastic measures, especially those aimed at increasing the effective financial resources available to organizations, are fairly widespread. More drastic measures, particularly those affecting human resources and grant making, are much more common among organizations under high stress. More extreme versions of related

TABLE 2: Some charities are more stressed than others.

| | All Operating Charities | Not Stressed | Some Stress | High Stress |
|---|-------------------------|--------------|-------------|-------------|
| Obtained revenues from new sources | 88% | 82%* | 94%* | 94%* |
| Increased revenues from existing sources | 88% | 87% | 88% | 90% |
| Reduced overhead costs | 64% | 49%* | 73%* | 89%* |
| Increased reliance on volunteers | 56% | 42%* | 63%* | 83%* |
| Collaborated with another organization to reduce expenses | 42% | 37%* | 46% | 49% |
| Reduced spending on training and development | 41% | 20%* | 54%* | 78%* |
| Used reserve funds | 40% | 29%* | 47%* | 61%* |
| Decreased total value of grants made | 39% | 32% | 35% | 77%* |
| Increased reliance on unpaid overtime | 33% | 18%* | 39%* | 66%* |
| Decreased the number of grants made | 33% | 26%* | 22%* | 80%* |
| Stopped accepting new grant requests | 31% | 17%* | 37% | 62%* |
| Asked funders to modify terms of existing arrangements | 27% | 19%* | 35%* | 37%* |
| Reduced services or programs | 26% | 12%* | 35%* | 53%* |
| Reduced number of paid staff | 24% | 12%* | 26% | 53%* |
| Reduced number of hours paid staff work | 23% | 16%* | 23% | 49%* |
| Restricted funding to existing grantees | 23% | 17%* | 37%* | 16%* |
| Suspended grantmaking | 12% | 3%* | 13% | 39%* |
| Explored merging with another organization | 12% | 7%* | 14% | 23%* |
| Eliminated services or programs | 11% | 6%* | 11% | 28%* |
| Reduced salaries / benefits | 10% | 5%* | 11% | 28%* |
| Sold assets | 3% | 2% | 3% | 4% |
| Other measure | 22% | 22% | 22% | 20% |

* Value is statistically different from the value for operating charities as a whole.

⁶ Only a small proportion of operating charities (8%) make grants to other charities. Only these charities were asked about measures relating to grants.

measures are also more likely to be reported by organizations under high stress. For example, charities under high stress are not much more likely, statistically speaking, than organizations generally to collaborate with another organization to reduce expenses but are twice as likely to explore merging with another organization. Similarly, charities under high stress are twice as likely as organizations generally to reduce programs but two and a half times as likely to eliminate programs.

THE BOTTOM LINE: FINANCIAL AND HUMAN RESOURCES

Financial pressures on operating charities appear to have increased. The increased pressure is more related to increased expenditures than decreased revenues.

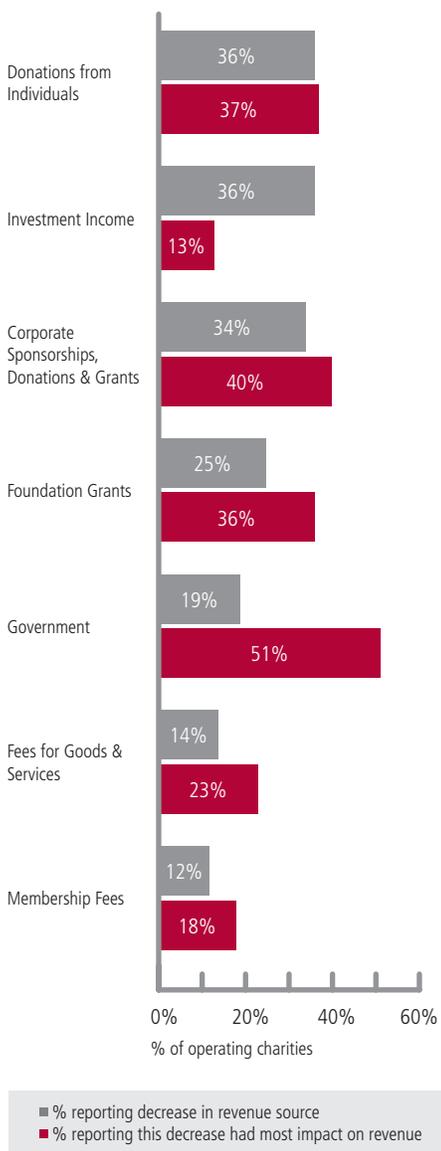
In terms of revenues, operating charities present a fairly balanced picture, with about a third of organizations reporting increased revenues, decreased revenues and stable revenues (see Table 3). On average, the revenues of operating charities decreased by 0.2% over the previous year. The expenditures picture is somewhat different. Almost half of organizations report increased expenditures, a third report stable expenditures, and less than a quarter report decreased expenditures. On average, expenditures increased by 5.3%.

TABLE 3: Operating charities under high stress report large decreases in revenue.

| | All Operating Charities | Not Stressed | Some Stress | High Stress |
|-------------------------|-------------------------|---------------|---------------|-----------------|
| REVENUES | | | | |
| Increased | 32% | 41%* | 28%* | 11%* |
| Remained about the same | 36% | 40% | 36% | 24%* |
| Decreased | 32% | 19%* | 36% | 65%* |
| Average change | -0.20% | 4.52%* | -0.04% | -17.50%* |
| EXPENDITURES | | | | |
| Increased | 46% | 49% | 45% | 37% |
| Remained about the same | 33% | 38%* | 30% | 21%* |
| Decreased | 22% | 13%* | 26% | 41%* |
| Average change | 5.31% | 7.55% | 4.87% | -1.55%* |

* Value is statistically different from the value for operating charities as a whole.

Figure 5: Many types of revenue declined, but not all decreases had the same impact



Organizations under high stress are much more likely than others to report decreased revenues, with almost two-thirds falling into this category. They are also more likely to report decreased expenditures, probably reflecting attempts to control costs. However, their average expenditure decrease of 1.6% is far outstripped by their average revenue decrease of 17.5%.

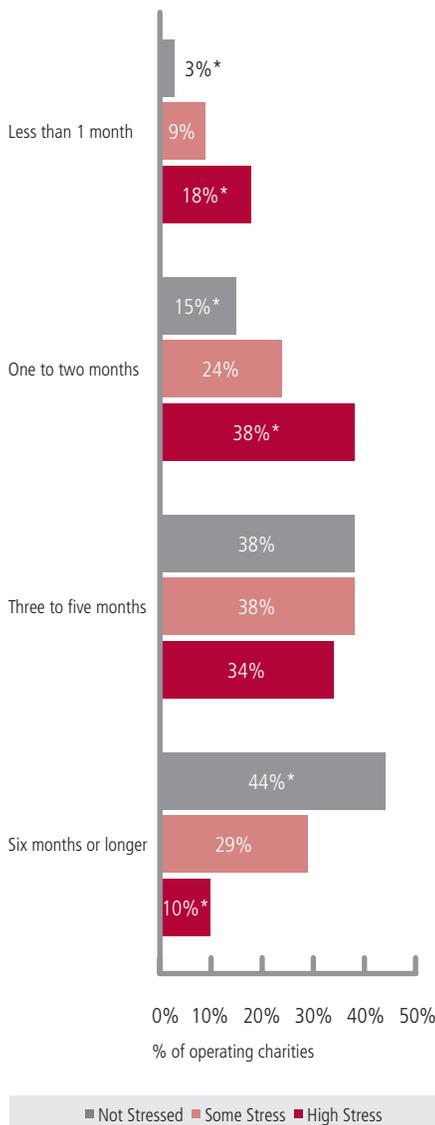
Operating charities are most likely to report decreases in donations from individuals, investment income, and corporate sponsorships, donations and grants (a third or more organizations reported decreases in each of these sources; see Figure 5). Conversely, relatively few (one-fifth or less) report decreases in revenue from government, the sale of goods and services, or membership fees.

However, decreases in some revenue sources have more impact than others. For instance, although only one-fifth of organizations report a decrease in government funding, just over half of them say this decrease has had the largest effect on their total revenues (see Figure 5). Conversely, although over a third of operating charities report a decrease in investment income, just one-eighth say this decrease has had the biggest effect on their total revenue.

The amount of cash organizations have on hand is limited and for many organizations, particularly those under stress, it has decreased. We asked leaders of operating charities how long their organization could continue to operate based on the cash they had on hand (including any reserves) without additional revenue. Over a quarter (29%) say their organization only has enough cash on hand to operate for two months or less. Almost two-fifths (37%) say they could operate for three to five months and about a third (34%) for six months or longer.

Although these figures are broadly consistent with T3010a data from the three years prior to the survey, the economic downturn does appear to have had an impact. Two-fifths (40%) of organizations say the cash they have on hand has decreased over the previous year while just 17% report an increase. The impact appears to be greater among organizations under stress. Almost two-thirds (62%) of highly stressed organizations and half (49%) of organizations under some stress report their cash on hand has decreased.

Figure 6: Organizations under stress possess considerably smaller cash reserves.



* Value is statistically different from the value for operating charities as a whole.

Organizations under stress, particularly those under high stress, report smaller cash reserves than other organizations. Nearly one-fifth of organizations under high stress have sufficient cash on hand to operate for less than a month and about two-fifths can operate for only one to two months (see Figure 6). Similarly, a tenth of organizations under some stress report that they can operate for less than a month and a quarter for one to two months.

Although paid staff and volunteer numbers are relatively stable for most organizations (see Table 4), there are signs the human resources composition of some organizations may be changing. Over half of organizations under high stress report a decrease in paid staff over the previous year. This is more than double the proportion for organizations under only some stress and almost five times the proportion for other organizations.

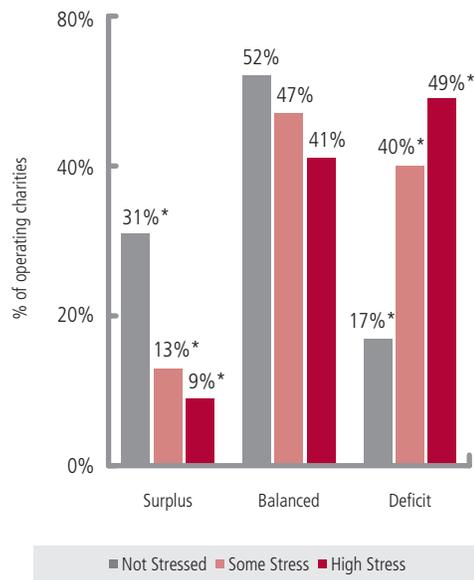
Although many highly stressed organizations (83%) increased their reliance on volunteers as a result of the economic downturn, it is unclear if this shift is sustainable. This is because these organizations are no more likely than others to report increased volunteer numbers. Without increased recruiting of volunteers, it will be difficult to sustain an increased reliance on volunteers over the long term.

TABLE 4: Organizations under stress are more likely to report decreases in paid staff, but no more likely to report increases in volunteers.

| | All Operating Charities | Not Stressed | Some Stress | High Stress |
|---|-------------------------|--------------|-------------|-------------|
| PAID STAFF | | | | |
| Increased | 23% | 26% | 23% | 13%* |
| Remained about the same | 56% | 64% | 54% | 35%* |
| Decreased | 21% | 11%* | 23% | 52%* |
| VOLUNTEERS | | | | |
| Increased | 33% | 33% | 34% | 36% |
| Remained about the same | 57% | 60% | 56% | 50% |
| Decreased | 9% | 7% | 10% | 14% |
| Increased reliance on volunteers | 56% | 42%* | 63%* | 83%* |

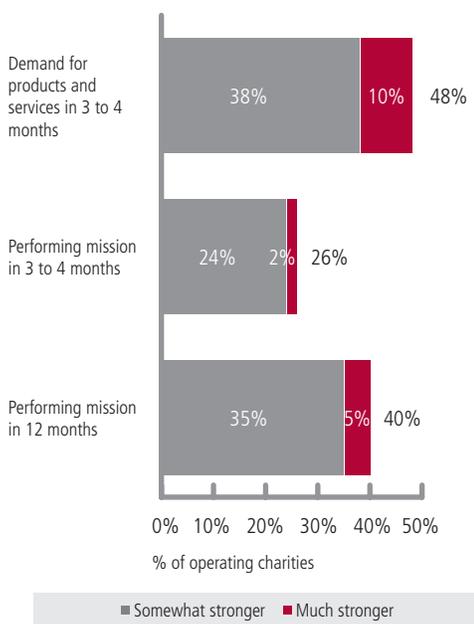
* Value is statistically different from the value for operating charities as a whole.

Figure 7: Organizations under stress are much more likely to forecast a deficit.



*Value is statistically different from the value for operating charities as a whole.

Figure 8: Leaders are generally optimistic about the future, though many believe demand will increase.



CONFIDENCE IN THE FUTURE

When asked about their budget forecast for the current fiscal year, just under a third (30%) of leaders predict their organization will run a deficit, half (49%) think their budget will be roughly balanced, and the remainder (21%) forecast a surplus. Organizations under stress are considerably less optimistic. Almost half of organizations under high stress forecast a deficit, as do two-fifths of organizations under some stress (see Figure 7). Conversely, almost a third of organizations not under particular stress predict a surplus.

Although almost half of leaders believe that demand for their organization’s services will increase in the next three to four months, they are relatively confident in the face of the economic downturn (see Figure 8). About a quarter believe their organization’s ability to fulfill its mission will be stronger in three to four months. This increases to two-fifths when the horizon for the forecast is extended to 12 months.

However, leaders of charities under high stress are more likely to believe they have not yet experienced the worst effects of the economic downturn. Forty percent of leaders of highly stressed charities believe the ability of their organization to perform its mission will weaken over the next three to four months, compared to just 15% of leaders of all charities (see Table 5). If we expand the time horizon to 12 months, almost a fifth of all leaders think their charity will be worse off, compared to almost half of leaders of highly stressed charities.

TABLE 5: Organizations under high stress are less optimistic.

| | All Operating Charities | Not Stressed | Some Stress | High Stress |
|--|-------------------------|--------------|-------------|-------------|
| PERFORMING MISSION IN 3 TO 4 MONTHS | | | | |
| Stronger | 26% | 32%* | 21% | 21% |
| About the same | 59% | 63% | 61% | 39%* |
| Weaker | 15% | 5%* | 18% | 40%* |
| PERFORMING MISSION IN 12 MONTHS | | | | |
| Stronger | 40% | 48%* | 34%* | 29%* |
| About the same | 41% | 45% | 40% | 24%* |
| Weaker | 19% | 7%* | 27%* | 46%* |

*Value is statistically different from the value for operating charities as a whole.

What Foundations are Saying

This section of the report focuses on the views of 284 foundation leaders. In interpreting these results, it is important to keep in mind that the vast majority of foundation leaders who responded to the survey (88%) were leaders of public, as opposed to private, foundations.

RESPONSE TO THE ECONOMIC DOWNTURN

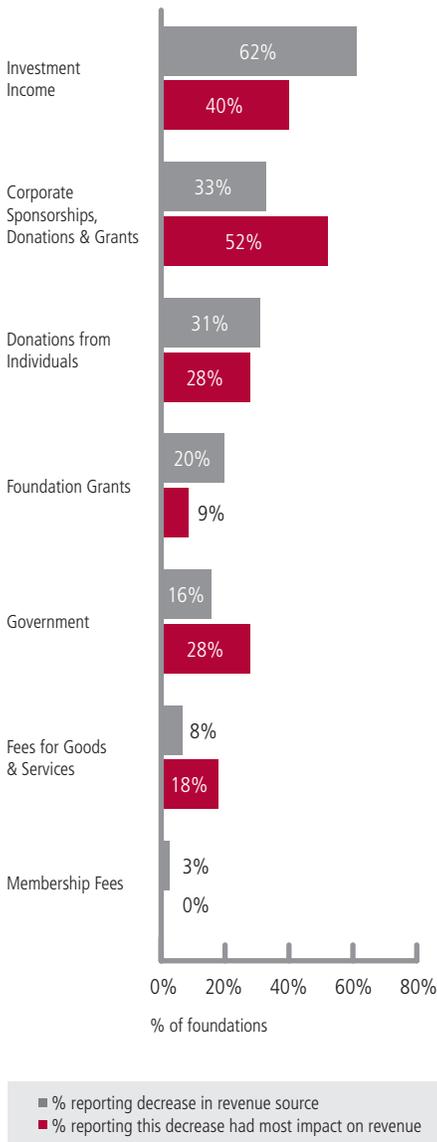
As with operating charities, foundations were most likely to respond to the economic downturn by seeking to increase revenues and reduce overhead. More drastic measures such as reducing paid staff, either in number or hours worked, eliminating programs, and reducing salaries or benefits were much less common.

TABLE 6: Foundations take fewer actions in response to the economic downturn.

| | All Charities | Operating Charities | Foundations |
|---|---------------|---------------------|-------------|
| Obtain revenues from new sources | 86% | 88% | 77%* |
| Increased revenues from existing sources | 86% | 88% | 79% |
| Reduced overhead costs | 61% | 64% | 47%* |
| Increased reliance on volunteers | 54% | 56% | 43% |
| Decreased total value of grants made | 41% | 39% | 41% |
| Decreased the number of grants made | 40% | 33%* | 44% |
| Collaborated with another organization to reduce expenses | 40% | 42% | 27%* |
| Used reserve funds | 39% | 40% | 37% |
| Reduced spending on training and development | 39% | 41% | 30%* |
| Increased reliance on unpaid overtime | 31% | 33% | 17%* |
| Asked funders to modify terms of existing arrangements | 26% | 27% | 21% |
| Reduced services or programs | 25% | 26% | 22% |
| Reduced number of paid staff | 23% | 24% | 16% |
| Stopped accepting new grant requests | 23% | 31%* | 17%* |
| Reduced number of hours paid staff work | 22% | 23% | 13% |
| Restricted funding to existing grantees | 22% | 23% | 20% |
| Explored merging with another organization | 11% | 12% | 6%* |
| Reduced salaries / benefits | 10% | 10% | 7% |
| Eliminated services or programs | 10% | 11% | 7% |
| Suspended grantmaking | 9% | 12% | 7% |
| Sold assets | 2% | 3% | 2% |
| Other measure | 21% | 22% | 15%* |

*Value is statistically different from the value for charities as a whole.

Figure 9: Foundations reported decreases in many sources of revenue, though not all had the same impact.



The most striking difference between foundations and operating charities is that foundations were less likely to report taking a number of measures (see Table 6). Foundations were much less likely than operating charities to explore a merger with another organization, increase reliance on unpaid overtime, or stop accepting new grant requests or reduce overhead. Given that many of these measures were more likely to be reported by operating charities under high stress, this may be related to the generally lower stress levels among foundations.

THE BOTTOM LINE: FINANCIAL AND HUMAN RESOURCES

As with operating charities, financial pressures on foundations appear to have increased. However, although their revenues have declined, foundations have managed to control their expenses (see Table 7). As a group, foundations report that their revenues decreased by an average of 3.8% while their expenditures increased by only 0.2%.

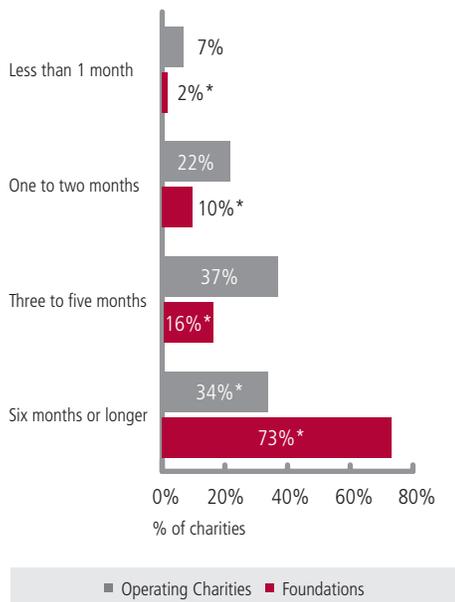
TABLE 7: Foundations are experiencing decreased revenue but are controlling expenditures.

| | All Charities | Operating Charities | Foundations |
|-------------------------|---------------|---------------------|----------------|
| REVENUES | | | |
| Increased | 31% | 32% | 22% |
| Remained about the same | 37% | 36% | 44% |
| Decreased | 32% | 32% | 34% |
| Average change | -0.75% | -0.20% | -3.78%* |
| EXPENDITURES | | | |
| Increased | 42% | 46%* | 21%* |
| Remained about the same | 36% | 33%* | 57%* |
| Decreased | 22% | 22% | 23% |
| Average change | 4.53% | 5.31% | 0.18%* |

* Value is statistically different from the value for charities as a whole.

Foundations are most likely to report decreased revenue from investment income, corporate sponsorships, donations and grants; and individual donations (see Figure 9). Two-fifths of leaders reporting a decrease in investment income and just over half reporting decreases in corporate sponsorships, donations, and grants say that decreases in these sources had the largest effect on their organization’s total revenue. As could be anticipated, decreases in investment income play a much larger role among foundations than among operating charities. Decreases in corporate sponsorships, donations and grants also play a larger role among foundations. Conversely, decreased revenues from

Figure 10: Foundations have significantly more cash on hand than operating charities.



government and other foundations, fees for goods and services and membership play smaller roles among foundations.

Foundations have significantly more cash on hand than operating charities. Almost three-quarters of foundations report having sufficient cash on hand to operate for six months or longer, compared to just one-third of operating charities (see Figure 10). Similarly, foundations are much less likely than operating charities to indicate that they only have enough cash on hand to operate for one month or less.

In terms of change in cash on hand over the previous year, both foundations and operating charities report similar experiences. Slightly more than two-fifths of both groups say the amount of cash they have on hand has not changed over the previous year (45% of foundations and 43% of operating charities). However, foundations are slightly less likely to say cash on hand has decreased (33% vs. 40%). A relatively small number of organizations in each group report increased cash on hand (22% of foundations and 17% of operating charities).

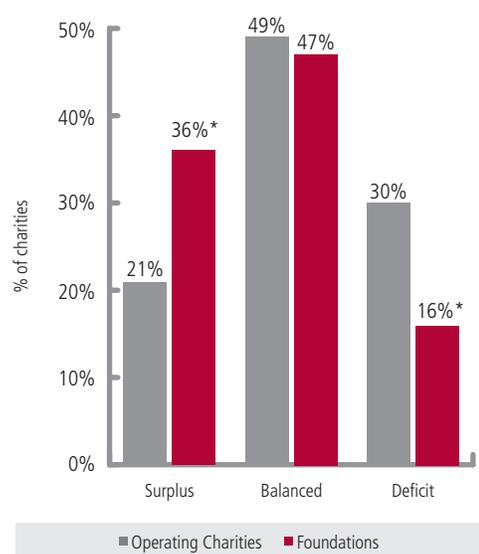
Almost three-quarters of foundations report that their complement of paid staff and volunteers has remained more or less the same over the previous year (see Table 8). About a fifth report that the numbers of paid staff and volunteers have increased. Compared to operating charities, foundations appear to be less likely to substitute volunteers for paid staff. They are less likely to report declines in paid staff numbers and more likely to report that volunteer numbers have remained steady.

TABLE 8: Paid staff and volunteer changes.

| | All Charities | Operating Charities | Foundations |
|---|---------------|---------------------|-------------|
| PAID STAFF | | | |
| Increased | 22% | 23% | 20% |
| Remained about the same | 58% | 56% | 72%* |
| Decreased | 20% | 21% | 9%* |
| VOLUNTEERS | | | |
| Increased | 32% | 33% | 23% |
| Remained about the same | 59% | 57% | 71%* |
| Decreased | 9% | 9% | 6% |
| Increased reliance on volunteers | 54% | 56% | 43% |

* Value is statistically different from the value for charities as a whole.

Figure 11: Foundations are more likely to forecast a surplus.



* Value is statistically different from the value for charities as a whole.

CONFIDENCE IN THE FUTURE

Compared to operating charities, foundations are more likely to forecast a budget surplus and less likely to forecast a deficit at the end of the current fiscal year (see Figure 11). More than a third of foundations expect to end the year in a surplus position, compared to one in five operating charities. Only one in six foundations expect to have a deficit at the end of year, compared to almost a third of operating charities.

Foundation leaders are also more optimistic than leaders of operating charities about the future of their organization. Although both groups of leaders believe that demands for their services will increase or remain steady over the next three to four months, foundation leaders are noticeably more optimistic about their ability to carry out their mission (see Table 9). Two-fifths of foundation leaders believe their organization will be stronger in three to four months, compared to just over a quarter of charity leaders. The difference is even larger when the timeline is extended to one year. Nearly two-thirds of foundation leaders think they will be stronger in a year, compared to two-fifths of charity leaders.

TABLE 9: Foundations are more optimistic about the future.

| | All Charities | Operating Charities | Foundations |
|--|---------------|---------------------|-------------|
| DEMAND IN 3 TO 4 MONTHS | | | |
| Stronger | 48% | 48% | 48% |
| About the same | 48% | 47% | 51% |
| Weaker | 5% | 5% | 2%* |
| PERFORMING MISSION IN 3 TO 4 MONTHS | | | |
| Stronger | 28% | 26% | 39%* |
| About the same | 58% | 59% | 55% |
| Weaker | 13% | 15% | 6%* |
| PERFORMING MISSION IN 12 MONTHS | | | |
| Stronger | 44% | 40%* | 62%* |
| About the same | 39% | 41% | 30%* |
| Weaker | 17% | 19% | 8%* |

*Value is statistically different from the value for charities as a whole.

Imagine Canada's programs that support the sector include:

**CANADIAN DIRECTORY
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\$1 billion in available funding.



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Charity Tax Tools

Essential tax information for
Canada's charities.



Governance and financial accountability.

**GIVING &
VOLUNTEERING**

Knowledge about the sector and
how Canadians support it.

**Insurance & Liability
RESOURCE CENTRE** For Nonprofits

Risk management support for the sector.



Canada's largest collection of charitable
and nonprofit resources.

Conclusion

This first version of Imagine Canada's *Sector Monitor* clearly shows the economic downturn has had a significant impact on Canada's charitable and nonprofit sector. Almost half of organizations report that the downturn presented them with challenges and almost a quarter say it put their existence at risk. Financial and human resources are under greater pressure across the sector and many organizations report that their available cash has decreased. Charities have responded to these pressures in a variety of ways. Minimally disruptive responses are fairly widespread while more drastic actions are most likely to be taken by organizations experiencing high levels of stress. Despite this situation, the sector as a whole is remarkably confident about the future, although this confidence is not universal.

The responses to the *Sector Monitor* paint a picture of a sector experiencing challenges that individual organizations strive to deal with while maintaining as much capacity as possible. Although most organizations are coping with the challenges they face, a significant minority is struggling. The larger question we currently face is whether the experiences of these struggling organizations are an omen for the future, or if they are more structural in nature. With the baseline information gathered by this initial sounding and information gathered through future versions of the survey, the *Sector Monitor* will seek to answer this question, among others.