

# THE ONGOING COVID-19 EXPERIENCE OF CANADIAN CHARITIES



This resource is informed by findings from a national survey of over 1,000 registered charities conducted by Imagine Canada in November 2020. Since this time, there has been significant increases in cases

of COVID-19, prompting many governments to implement restrictive public health orders. This has resulted in many thousands of jobs lost – 63,000 reported in December 2020 and 213,000 in January 2021.<sup>1</sup> Within

this context, the situation facing charitable organizations – and the communities they serve – has almost certainly worsened. Action is needed more than ever to avoid loss of community capacity.

## Highlights

### Needs are exceeding capacity

Need for the services charities provide has increased since April 2020, and for many organizations this need is outpacing some gains – largely from government support – that have been made in organizational capacity since the spring and summer.

### The diversity of the sector is under threat

Larger organizations are more likely to be innovating and experimenting with new ways of carrying out their missions, while smaller organizations are more likely to temporarily cease operations. Organizations that serve smaller localities are facing comparatively higher challenges.

### Government supports are crucial

Uptake of federal emergency measures – in particular the CEWS – is relatively high and has a stabilizing impact. The wage subsidy has preserved approximately 55% of paid staff positions among recipients, on average.

### Workers are being spread thin

Despite fewer staff and volunteers, charities are increasing their investment across multiple areas simultaneously, with significant increases in areas such as IT, communications, and program development.

### Revenue sources affect experiences

Organizations primarily dependent on government funding and donations are more likely to be experiencing higher demand and less likely to have seen their organizational capacity decrease. Organizations that depend primarily on earned income have been particularly hard hit, with nearly two thirds reporting revenue declines. Gifts and donations have also been hit hard, with significant declines in event-based fundraising in particular.

### Long-term sustainability is at risk

Charities are focusing on immediate challenges over work that would build or maintain organizational capacity. Organizations are currently less focused than usual on revenue generation.

<sup>1</sup> These figures were reported by Statistics Canada as part of its Labour Force Survey for the months of December 2020 and January 2021.

# THE PANDEMIC HAS ALTERED THE FUNDING LANDSCAPE

## Increasing need for some services...

Close to half of charities report higher demand for the programs and services they offer since the onset of the pandemic, up markedly from late April. Human service delivery (health, education, and social services) are more likely to report increases in the size and scope of populations they serve.

## ...is coupled with revenue shortfalls

This increase in demand is occurring in an environment where fundraising activities need to be cancelled or transformed, as the pandemic continues to have a significant impact on the volume and pattern of donations. The latest available pre-pandemic data show that 42% of the sector's 'funding pie' is from sales of goods and services; many of these social enterprise activities rely on face-to-face contact and are feeling the same pressures as hard-hit areas of the economy such as cultural industries and food services.

The financial situation of many charities remains fragile. Across the sector, more than half of organizations report decreased revenues. Areas of the sector particularly struggling this way are arts, culture & recreation organizations, education & research organizations; and small organizations (those with revenues under \$150K). The average revenue shortfall for those experiencing a decline is 43%.

## Unrestricted revenue lines are less stable

- Organizations that rely primarily on earned income have experienced a major financial impact.
- Donations are also much less stable, with 68% of respondents reporting a dip.
- About 1 in 4 of organizations that receive restricted (program) revenue are struggling to use the funds.

## What does this mean?

- Demand is rising faster than organizational capacity. There are most likely unmet needs in communities, and considerable stress among staff and the volunteers that remain.
- Many organizations are struggling to replace the unrestricted funds that normally cover the core operating costs of running sustainable and effective organizations.
- Where demand is lower, it is most often externally suppressed, rather than truly gone. The arts, culture & recreation subsectors have seen revenues collapse due to being unable to deliver their services because of pandemic restrictions.

## Call to Action

**Philanthropy and governments:** More flexibility is required in spending program funds; Offer stable support with balanced reporting requirements; More operational/core funding.

**Policymakers:** Give Statistics Canada a mandate to collect data on shifting macro-economic landscape; Explore alternative funding mechanisms for the sector in accessible loans, government purchasing of nonprofit goods and services (social procurement), and support for nonprofit real estate; a coordinated, strategic relationship between government and the nonprofit sector is critical to ensure community needs are met.

**Researchers:** Explore the impact of revenue sources on the ability of organizations to adapt and meet community needs.

**Sector leaders:** Adapt revenue models to seek supports for investment in secure digital service delivery; Understand the financial opportunities and challenges of digital service delivery, hiring and retention, staff engagement; recognize the regulatory implications of hiring outside of province.

# OUR SECTOR'S RESPONSE IS RESILIENCE AND STRAIN

## The crisis is dramatically changing how many organizations operate.

Many organizations are using adaptive mechanisms to help them address capacity issues and meet additional and changing needs. A third of organizations experiencing financial pressures have coped by accessing reserve funds, while 17% are taking on debt to cover immediate costs, and 5% have sold off assets to bring in revenue.

Over three quarters of charities are increasing their innovation and experimentation to reach those they serve and accomplish their mission. This likely means investments in technological capacity and program development to meet new and changing needs. Organizations are investing resources in different and more operational areas than usual - with increased investments in communications, information technology, strategic planning, financial management, and program development. This may be partially due to the fact that nearly two fifths are seeing increases in the size and scope of the populations they serve.

## Adaptation is a privilege

Larger charities, as well as those mostly dependent on government revenues, seem more able to adapt to changing circumstances by modifying their operations or services, and across more areas. Smaller organizations and those depending on earned income are more likely to have temporarily suspended operations. Philanthropic organizations are more likely to be operating as usual.

Worryingly, two thirds of respondents are prioritizing work to address immediate challenges over work that would contribute to or maintain longer-term capacity. This is correlated with organizational size, suggesting that smaller organizations are less able to focus on areas like revenue generation and fundraising.

## Workers are spread thin

A third of organizations with staff have seen a decline in staff numbers; this rises to almost half among arts, culture & recreation organizations and among organizations that depend on earned income. Volunteers have not yet returned, with 60% of organizations seeing a decline in this key resource.

Half of charities are reporting that their staff have a decreased ability to maintain appropriate work life balance. Charities that are seeing demand outstrip capacity are significantly more likely to report problems with staff burnout.

## What do charities think about the future?

Overall, charities were more likely to be pessimistic than optimistic when forecasting their near-term finances. Roughly a third of respondents feel they can operate indefinitely in the current conditions.

## What does this mean?

- Organizations require ongoing investment to adapt to changing circumstances.
- Strain on the workforce is significant and unsustainable. During previous crises (the economic crisis of 2009, for instance), organizations were able to account for the loss of staff by drawing on volunteers. Organizations have not been able to do the same this year.
- Organizations that work in smaller regions are struggling, and those organizations serving diverse populations are more likely to be seeing demand exceed capacity. This is a worrisome trend for equity-seeking communities and the overall diversity of our sector.

Continued...

## Call to Action

**Philanthropy:** Seek to better understand the financial position and business models of grantees. Review policies around granting to organizations with reserve funds (which are playing a role in helping organizations find their footing), or deficits.

**Policymakers:** Advance universal internet access. Develop funding for adaptation costs. Provide bridge funding for investments in technology. Adjust direction & control legislation and guidance to enable more equitable partnerships. Allow charitable entities to gift to non-qualified donees to ensure funds flow equitably to communities.

**Sector leaders:** Review internal policy on reserve funds for future crises. Explore shared service arrangements among organizations similar in both culture and business model. Offer or seek space-sharing opportunities.

**Corporations:** Offer advice on negotiating with landlords. Offer training and in-kind support with technology and legal (mergers and acquisitions) needs. Explore safe staff volunteering opportunities. This is an opportunity to look beyond traditional catchment areas for community investment, service and engagement opportunities.

# GOVERNMENT EMERGENCY SUPPORT IS - AND WILL BE - PIVOTAL

Over 40% of charities have applied for at least one of three major emergency supports that the federal government introduced in response to COVID-19: the Canada Emergency Wage Subsidy (CEWS), the Canada Emergency Commercial Rent Assistance (CECRA), and the Canada Emergency Business Account (CEBA). The greatest uptake among charities is with the CEWS – 53% of charities with paid staff have applied for the wage subsidy. Among charities that have received the CEWS, the subsidy has preserved approximately 55% of paid staff positions.

1 in 5 charities have applied for the Canada Emergency Business Account (CEBA), which provides interest-free loans to help cover non-deferrable operating expenses. Just over 10% of charities said they intended to apply for the Canada Emergency Rent Subsidy (CERS), which replaced the Canada Emergency Commercial Rent Assistance (CECRA), a program for which only 5% of charities applied.

The likelihood of having received support from at least one of these programs increases with organization size, peaking among charities with annual revenues between \$1.5 and \$5 million, before

declining slightly among the largest. Smaller charities, on the other hand, are most likely to be out of scope for these programs, mainly by virtue of not having paid staff.

## Barriers to access

For those charities that did not apply for the emergency supports noted above, the primary obstacle to access they cited was the belief that they would not meet eligibility requirements. It is important to note that perceived ineligibility could be connected to reported challenges with supports. For example, charities may have actual revenue loss but may not be able to demonstrate that revenue loss due to the methodology used by the Government to determine eligibility.

Notably, 26% of charities said that they did not apply for CEBA because they were unwilling or unable to take on debt.

Lack of awareness or understanding of these supports does not seem to be a barrier, and neither does time required to complete the applications (with the exception of CECRA).

## What does this mean?

- Government assistance in the form of these emergency supports, in particular the CEWS, has played an important role in saving jobs and sustaining charitable operations. There is concern in the sector for what will happen if these supports end in the spring.
- The low uptake of CECRA and the potential low uptake of the CERS raise questions about whether charities' rent and mortgage-related expenses are being covered.
- Emergency supports that offer non-repayable funding to cover fixed operating costs are needed for charities that don't have the capacity to manage loans.
- Support is needed for charities without paid staff, which are ineligible for CEWS and CEBA - the two programs with greatest uptake among charities.

## Call to Action

**Policymakers:** Ensure clarity and consistency across communications regarding program details. Imagine Canada has put forward a [series of recommendations](#) for improving the CEWS, CEBA, CERS, and also the Regional Relief and Recovery Fund (which was not a focus of our survey). We are calling on the federal government to adopt these recommendations and ensure that charities and nonprofits have the support they need to make it through this crisis. Recognize that many charities and nonprofits unfortunately do not benefit from these emergency supports, yet still need funding.

**Funders:** Emergency funding pools to benefit small and all-volunteer organizations without eligibility for CEWS; Prepare to offer more support when CEWS expires in June.

**Sector leaders:** Review bylaws or other possible restrictions to ensure ability to take on debt and government funding. Check Imagine Canada's [emergency relief measures chart](#) for updates to federal supports available to sector organizations.

"Pearce Williams will lose over \$450,000 of this year's revenue due to the shutdown and loss of business and donations. This represents 70% of the entire year's budget. Over 500 children and youth will not be able to experience summer camp. Over 1500 school children will miss out on class trips and outdoor education experiences. [We are] devastated financially. We are still doing daily online camp programming for our community but all of the full-time staff have taken a temporary pay cut to try and help Pearce Williams get back to normal. We are trying to help and generate some "survival" income by hosting migrant farmworkers for the mandatory 14 quarantine period they must serve when they enter the country. Once the financial assistance runs out, our fear is that we will have to shut down our regular programs and wait for COVID-19 to pass. The future does not look bright from here."

- Pearce Williams Summer Camp & Retreat Facility

"The pandemic's impact on fundraising is undeniable. Take, for example, the experience of l'Association québécoise du lymphœdème, an organization whose main fundraising activities take place in the Spring each year. They told us in spring that they would need to reschedule fundraising activities to the Fall, which presents a real challenge as it is a period during which funds are often raised for breast cancer; a related but separate illness. The AQL will therefore be competing to raise funds from a multi-solicited donor base during a period of economic hardship. The organization expressed fears that without emergency funding, it might have to shut its doors permanently."

- l'Association québécoise du lymphœdème