

Sector Monitor

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Foreword

This edition of the *Sector Monitor* is the eighth since we started the program in mid-2009. The most recent survey results show increased optimism about the future from charity leaders, but also sound some cautionary notes.

The number of leaders predicting their organization will be stronger in a year is up noticeably, which is certainly welcome news. However, so too is the percentage of leaders predicting increased demand, and while they are somewhat more likely to predict increasing revenues, leaders' predictions for paid staff and volunteer numbers remain flat. This suggests that while charities are strengthening, they will be increasingly facing a resource crunch, with available resources being outstripped by increasing demand.

Recent experiences reported by charity leaders may also show signs of a burgeoning resource crunch. Overall, current levels of organizational stress are consistent with previous years, but the factors driving that stress have shifted somewhat. Leaders are somewhat less likely to predict difficulty covering their financial obligations, but more likely to say that they have experienced increased demand for products and services. Paralleling predictions for the future, the increased demand that they have experienced does not appear to have been matched by increases in financial and human resources.

As we have seen in previous editions of the survey, it is clear that systemic factors such as organizational size have a potent effect on organizational experience and stress. The patterns that we see suggest that the coming resource crunch could be particularly acute among smaller organizations. Smaller organizations are somewhat more likely to report higher levels of organizational stress and not as likely as larger organizations to report increases in monetary and human resources. They are also not as likely as larger organizations to predict being stronger in a year. All of this suggests that we need to be particularly aware of the experiences of smaller charities in coming months and years.

Marcel Lauzière

President & CEO, Imagine Canada

About Imagine Canada

Imagine Canada is a national charitable organization whose cause is Canada's charities. Our three broad goals are to strengthen the sector's collective voice, create opportunities to connect and learn from each other, and build the sector's capacity to succeed.

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We would like to thank the 1,698 charity leaders from across Canada and from across the sector who responded to the Sector Monitor and the thousands who downloaded previous Sector Monitors. The success of this research is due to your contributions and we are very grateful for the time you took to participate and to consider our findings.

Highlights

Organizational stress levels are holding steady

- One in seven charities (14%) are under high stress and one in three (34%) are under some stress.
- These levels have held steady since mid-2011.

Demand is up

- Just over half of charity leaders (53%) say their organization has experienced increased demand over the previous year, up from 50% in mid-2011.
- Half of charity leaders predict stronger demand for their charity's products and services, up from 44% a year ago and 42% two years ago.

The number of charities experiencing difficulties is down slightly

- The percentage of leaders strongly agreeing their organization is having difficulties carrying out its mission has dropped slightly to 15% from 17% a year ago.

- Over the same period, the percentage of leaders predicting no difficulty covering expenses for the next two years has increased to 45% from 41%.

Optimism for the future continues to increase

- The percentage of leaders predicting their organization will be better able to carry out its mission in one years' time has increased to 37% from a low of 30% in mid-2012.
- The number of leaders predicting increased revenues has climbed to 22% from 17% in mid-2012.

Size matters

- Larger organizations, both in terms of paid staff and annual revenues, have generally had more positive experiences and are more optimistic in their predictions for the future.

Introduction

A total of 1,698 leaders of registered charities responded to this edition of the survey, which was fielded between October 31 and November 29, 2013.¹ Respondents received an invitation e-mail directing them to a dedicated survey website where they were able to complete the survey. Three reminders were sent over the survey period.

As is our usual practice, responses have been weighted by region, size of annual revenues, and activity area to produce estimates that are more representative of Canadian charities as a whole. This report will focus on trends from mid-2011.

Impact of Current Economic Conditions

Overall, challenges due to external economic factors appear broadly in line with what has been seen over the previous two and a half years, though there have been some small shifts. Just under half of charity leaders (49%) agree their organizations are experiencing difficulties

¹ This edition of the survey was sent to the leaders of 4,437 registered charities, producing a gross response rate of 38.3%. Participation was limited to charities with annual revenues of \$30,000 or more that were not religious congregations. We limit participation to registered charities in order to allow for comparison with information available from Canada Revenue Agency.

fulfilling their mission (see Figure 1). This has been fairly consistent over the previous several waves of the survey, but there has been a slight decrease in the percentage of leaders strongly agreeing they are experiencing difficulties (down to 15% from 17% one year ago).

While difficulties may be down slightly, demand appears to be up. Just over half of charity leaders (53%) agree they are seeing increased demand for the products and services their organization offers, up from 50% two and a half years ago. The percentage strongly agreeing with this sentiment has increased from 18% a year ago to 21% at present. About one quarter of leaders (26%) agree the existence of their organization may be at risk due to economic conditions. This figure has been essentially unchanged over the previous two and a half years.

As in most previous waves of the survey, just under half of charity leaders (49%) predict their organization may have difficulty covering expenses at some point over the next two years (see Figure 2). However, there is some evidence that the acuity of the challenge may have started to decrease. For example, the percentage of leaders predicting no difficulty covering expenses has increased to 45%, from 41% one year ago. Similarly, while the percentage of leaders predicting difficulty covering expenses at some point between four months and one year into the future had previously increased steadily from mid-2011 to late 2012, this increase has not continued over the past year.

STRESS LEVELS

Although some challenges may have receded slightly over the last twelve months, this does not appear to have translated into lower levels of organizational stress. As has usually been the case during previous surveys, about one charity in seven appears to be under high stress and one in three under some stress (see Figure 3). The remaining half shows no significant signs of organizational stress, at least as measured by this survey.

While overall stress levels have not changed, the drivers of stress do appear to have changed. Predictions of increased demand appear to be playing a larger role than they were previously, while existential threats and difficulty carrying out mission appear to have receded somewhat as drivers. Currently, the percentage of leaders of charities under high levels of stress strongly agreeing their charity is experiencing increasing demand has risen to 55% from a low of 43% in mid-2011. Conversely, the percentage of charities under high stress strongly agreeing their

Figure 1: Demand has increased and difficulty fulfilling mission may have slackened slightly.

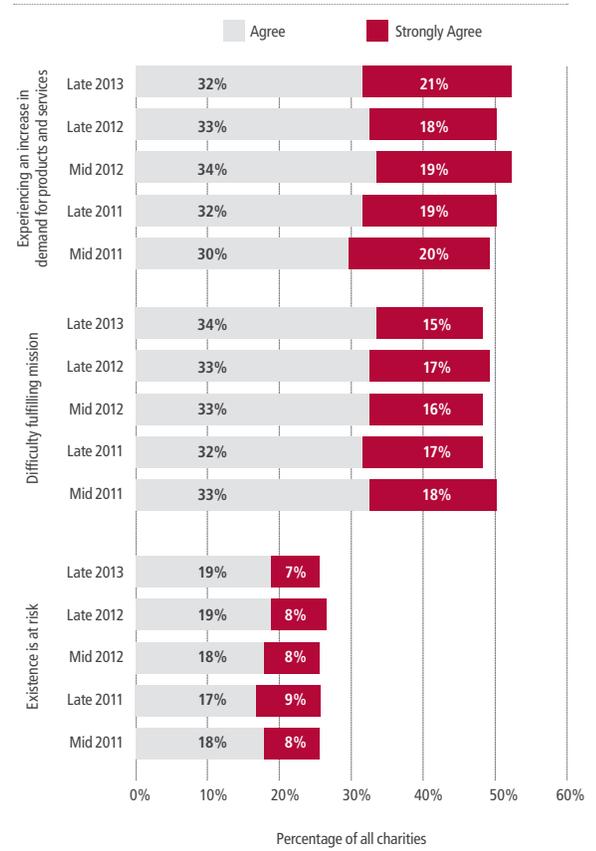


Figure 2: The percentage of leaders predicting no difficulty covering expenses has increased.

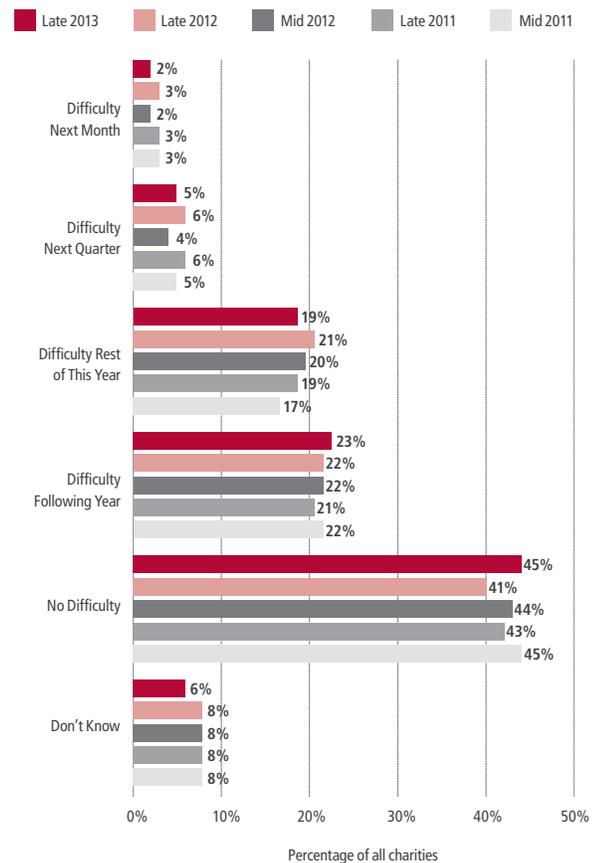
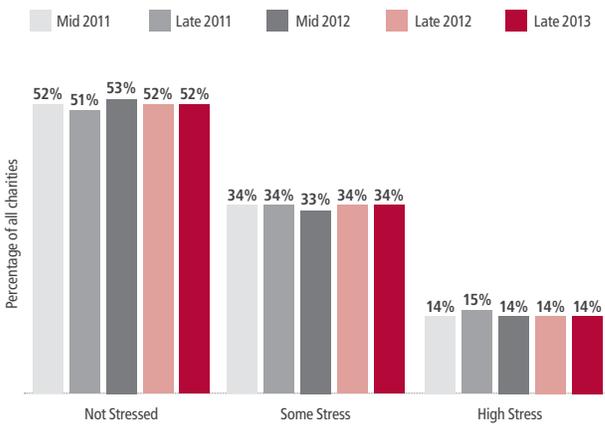


Figure 3: Overall stress levels appear to be holding constant.



existence is under threat has fallen to 47% from a high of 60% in late 2011, and the percentage strongly agreeing they are having difficulty carrying out their mission has dropped to 72% from 81% in late 2012. Difficulty covering expenses, on the other hand, appears to have remained fairly consistent as a driver of stress from mid-2011.

As has been the case in all previous surveys, it is clear some types of charities are under greater stress than others. For example, operating charities are more likely to be under stress — particularly high levels of stress — than foundations (see Table 1). In terms of other meaningful patterns, high stress levels are less common among larger charities (those with annual revenues of \$1.5 million or more and 25 or more paid staff). Conversely, charities with five to nine paid staff are more likely to be under some stress and those with one to four paid staff are more likely to be under high stress. Those with no paid staff are substantially more likely to not be under any significant levels of stress. There are comparably few statistically meaningful variations by activity area and region. Philanthropic intermediaries and voluntarism promotion organizations stand out as being less likely to be under stress, while social services organizations stand out as being more likely to be experiencing some or high levels of stress.² Charities from the Prairies stand out as being unlikely to be under significant levels of stress, while Alberta organizations are more likely to be under some stress.

These patterns are consistent with findings over many previous editions of the survey. This suggests that systemic factors associated with characteristics such as organization size and activity area are significant determinants of organizational stress levels.

THE BOTTOM LINE: FINANCIAL AND HUMAN RESOURCES

While variations in the levels of financial and human resources should not be taken as definitive measures of vitality for individual charities, for the charitable sector as a whole they give useful insights. All things being equal, a sector with increasing financial and human resources is healthier than one that faces contracting resources. Fluctuations in expenditures can be somewhat more difficult to interpret. Higher expenditures can be driven by both increased vitality and increased demand (with the accompanying organizational stress). Conversely, declining expenditures generally seem to correlate with periods of heightened organizational stress and reduced vitality.

² sig. 0.0624

Table 1: Patterns of organizational stress are consistent with previous editions of the survey.

	Not Stressed	Some Stress	High Stress
All Charities	52%	34%	14%
DESIGNATION			
Operating charity	49%	35%	16%
Foundation	66%	27%	7%
ANNUAL REVENUES			
\$30,000 to \$149,999	55%	29%	16%
\$150,000 to \$499,999	44%	37%	19%
\$500,000 to \$1,499,999	49%	38%	13%
\$1,500,000 to \$4,999,999	61%	32%	7%
\$5,000,000 or more	67%	31%	2%
ACTIVITY AREA			
Arts, Culture, Sports & Recreation	50%	35%	15%
Education & Research	54%	32%	14%
Health	49%	36%	16%
Social Services	48%	36%	15%
Philanthropic Intermediaries & Voluntarism	62%	29%	10%
Other	54%	30%	16%
Unknown	6%	94%	0%
REGION			
British Columbia	53%	32%	16%
Alberta	50%	41%	9%
Prairies	64%	22%	14%
Ontario	51%	35%	13%
Quebec	50%	33%	17%
Atlantic	49%	37%	14%
PAID STAFF SIZE			
No paid staff	71%	20%	9%
1 to 4	50%	33%	17%
5 to 9	44%	38%	17%
10 to 24	49%	38%	13%
25 to 99	53%	37%	10%
100 or more	58%	35%	7%

FINANCIAL RESOURCES

Revenue experiences appear to be fairly balanced, with equal percentages of charity leaders reporting increases (23%) and decreases (24%) over the previous year (see Table 2). Just over half (54%) report revenues are about the same as they were one year ago. These findings are generally consistent with reports over the previous two years.

Table 2: Experiences with regards to financial resources have not changed significantly.

	Mid 2011	Late 2011	Mid 2012	Late 2012	Late 2013
REVENUES					
Increased	26%	22%	22%	24%	23%
Remained about the same	47%	51%	53%	50%	54%
Decreased	27%	27%	26%	26%	24%
Average change	0.77%	-0.66%	-0.61%	-1.15%	-0.10%
EXPENDITURES					
Increased	46%	49%	42%	44%	44%
Remained about the same	44%	39%	48%	46%	45%
Decreased	10%	12%	10%	10%	11%
Average change	5.45%	4.74%	4.06%	3.84%	3.96%

Unlike with revenues, experiences with regards to expenditures are not balanced — charity leaders are substantially more likely to report increased (44%), rather than decreased (11%) expenditures. These experiences also seem to be quite consistent with previous reports.

Experiences with regards to financial resources vary with size of organization, in terms of both annual revenues and paid staff. Organizations with annual revenues of \$1.5 million or more are more likely to report increased revenues, while charities with annual revenues of less than \$150,000 are less likely to report revenue increases and more likely to report revenues have remained about the same (see Table 3). Similarly, organizations with 25 or more paid staff are also more likely to report increased revenues. Turning to expenditures, larger organizations (both in terms of revenues and paid staff) are more likely to report increased expenditures (though note that charities with annual revenues of \$5 million or more marked a major exception).

Table 3: Larger organizations are generally more likely to report increases in revenues and expenditures.

	REVENUES			EXPENDITURES		
	Decreased	Same	Increased	Decreased	Same	Increased
All Charities	24%	53%	23%	11%	45%	44%
ANNUAL REVENUES						
\$30,000 to \$149,999	23%	60%	17%	10%	51%	39%
\$150,000 to \$499,999	26%	51%	23%	11%	49%	40%
\$500,000 to \$1,499,999	25%	51%	23%	13%	36%	51%
\$1,500,000 to \$4,999,999	24%	46%	30%	10%	37%	53%
\$5,000,000 or more	19%	47%	35%	15%	43%	42%
PAID STAFF SIZE						
No paid staff	20%	63%	18%	4%	64%	32%
1 to 4	29%	52%	19%	16%	49%	36%
5 to 9	23%	55%	22%	10%	39%	51%
10 to 24	24%	53%	23%	6%	39%	54%
25 to 99	20%	48%	32%	15%	36%	49%
100 or more	13%	47%	41%	5%	39%	56%

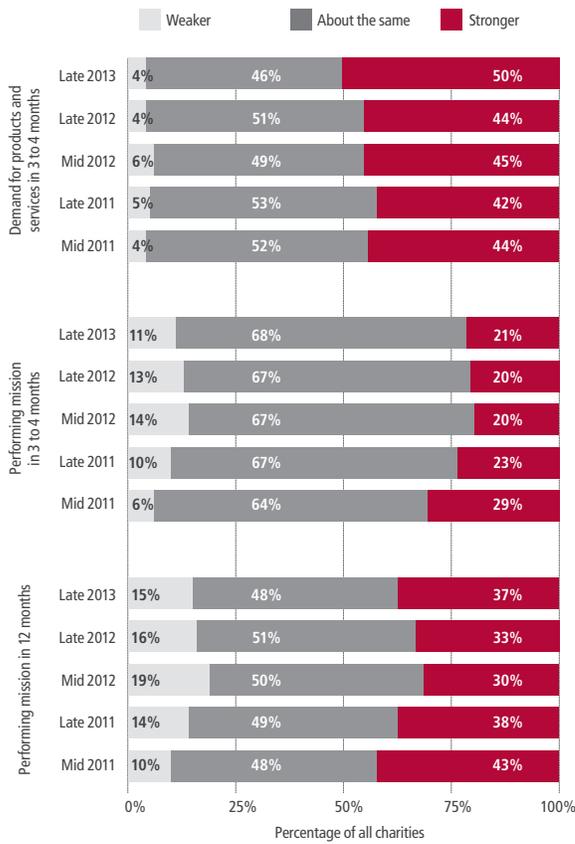
HUMAN RESOURCES

The majority of charities report stability in paid staff (61%) and volunteer (67%) numbers over the previous year (see Table 4). About one fifth (22%) report increases in each of paid staff and volunteers. They are somewhat more likely to report decreases in paid staff (17%) than volunteer numbers (11%). In terms of trends, the situation with volunteers has remained unchanged over the previous two and a half years.

Table 4: The percentage of charities reporting decreases in paid staff has risen.

	Mid 2011	Late 2011	Mid 2012	Late 2012	Late 2013
PAID STAFF					
Increased	21%	21%	22%	22%	22%
Remained about the same	66%	65%	64%	62%	61%
Decreased	13%	14%	14%	16%	17%
Average change	4.20%	3.18%	3.66%	4.98%	3.73%
VOLUNTEERS					
Increased	22%	21%	20%	23%	22%
Remained about the same	67%	68%	68%	66%	67%
Decreased	11%	11%	11%	11%	11%
Average change	3.37%	2.38%	2.12%	2.39%	2.29%

Figure 4: The percentage of leaders predicting their organization will be stronger in 12 month's time has increased from 18 months ago.



With paid staff, however, the percentage of charities reporting decreases has consistently risen, from a low of 13% in mid-2011 to the current high of 17%.

As with financial resources, the paid staff experiences of organizations vary noticeably according to organization size. Larger charities are more likely to report increases in paid staff, while the smallest are more likely to report that paid staff numbers have remained about the same (see Table 5). The likelihood of decreases in paid staff do not appear to vary significantly by organization size. Turning to volunteers, experiences do not appear to vary according to organization size to nearly the same extent. The major statistically significant differences by size are that the largest organizations are more likely to have consistent volunteer levels and the smallest organizations are slightly more likely to report decreases in volunteer numbers.

Predictions for the Future

Charities appear to be somewhat more confident in their predictions for the future than they were 12 to 18 months ago. The percentage of leaders predicting their organizations will be better able to perform their mission in 12 month's time has increased to 37%, up from 30% a year and a half ago (see Figure 4). It is important to remember that while this

Table 5: Larger charities are more likely to report paid staff increases.

	PAID STAFF			VOLUNTEERS		
	Decreased	Same	Increased	Decreased	Same	Increased
All Charities	17%	61%	22%	11%	67%	22%
ANNUAL REVENUES						
\$30,000 to \$149,999	14%	67%	19%	15%	63%	22%
\$150,000 to \$499,999	20%	65%	16%	11%	68%	21%
\$500,000 to \$1,499,999	18%	56%	25%	10%	69%	20%
\$1,500,000 to \$4,999,999	16%	53%	31%	7%	66%	27%
\$5,000,000 or more	15%	53%	32%	5%	73%	23%
PAID STAFF SIZE						
No paid staff	–	–	–	10%	68%	21%
1 to 4	15%	71%	13%	14%	64%	22%
5 to 9	18%	57%	31%	11%	68%	21%
10 to 24	19%	53%	28%	9%	67%	24%
25 to 99	15%	58%	26%	8%	66%	26%
100 or more	16%	52%	32%	5%	76%	19%

shift is positive, the percentage of leaders predicting increased strength still remains below mid-2011 levels.

While leaders are somewhat more optimistic about their capacity over the medium-term, they are strikingly more likely to predict stronger demand over the short-term (the next three to four months). Fully half of charity leaders predict stronger demand, up from 44% one year ago. This is the largest percentage of leaders predicting increased demand since 2010. Given that the percentage of charity leaders predicting increased short-term capacity does not appear to have increased (21%, substantially unchanged from 18 months ago), it seems quite likely that the stresses on organizations will increase, at least over the short-term.

Although charity leaders are more likely to predict increased demand and increased ability to carry out their missions over the medium-term, there are few predictions of increases in the financial and human resources upon which they can draw. The percentages of leaders predicting increased expenditures, paid staff and volunteer numbers are all unchanged from one year, or even 18 months ago (see Figures 5 and 6). Revenues mark the only exception. Twenty two percent of leaders predict increased revenues, up from 17% a year and a half ago. While this is certainly welcome news, it remains to be seen how the predicted increases in demand will be met without corresponding increases in paid staff and volunteer resources and without increasing expenditures.

Predictions for the future tend to vary with the characteristics of charities. For example, Philanthropic Intermediaries and Voluntarism Promotion organizations are more likely than others to predict increased demand, as are charities located in Alberta (see Table 6). Conversely, charities in the Prairies and Quebec are less likely to predict increased demand, as are charities that focus on Arts, Culture, Sports and Recreation activities.

When it comes to predictions of capacity to carry out their mission, revenue size matters, though paid staff size appears to be less significant. Charities with annual revenues of \$1.5 million or more are more likely to predict being better able to carry out their missions, both in three or four months and in one year. Conversely, charities with annual revenues of less than \$150,000 are less likely to predict being better able to carry out their mission. Looking at staff size, only those with no paid staff (less likely to predict being stronger) and those with the largest paid staff (more likely to predict being stronger in one year) stand out in statistically significant ways.

Figure 5: Leaders are more likely to predict increased revenues.

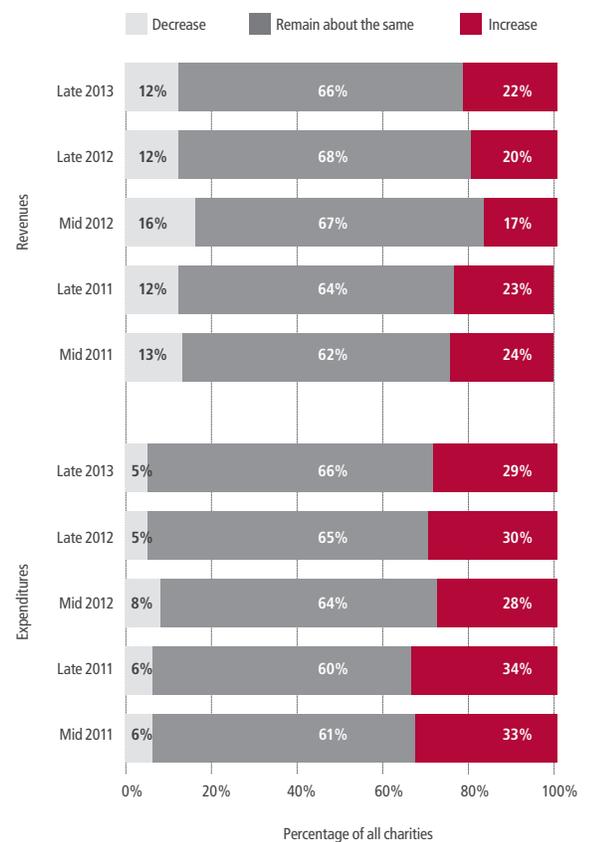


Figure 6: Predictions regarding paid staff and volunteer numbers are unchanged.



Table 6: Some groups of charities are noticeably more optimistic than others.

	PREDICTIONS		
	Increased demand	Stronger in 3 to 4 months	Stronger in one year
All Charities	50%	21%	37%
DESIGNATION			
Operating charity	50%	20%	36%
Foundation	51%	26%	46%
ANNUAL REVENUES			
\$30,000 to \$149,999	48%	17%	30%
\$150,000 to \$499,999	52%	21%	40%
\$500,000 to \$1,499,999	49%	20%	34%
\$1,500,000 to \$4,999,999	51%	29%	47%
\$5,000,000 or more	48%	29%	49%
ACTIVITY AREA			
Arts, Culture, Sports & Recreation	32%	20%	32%
Education & Research	54%	24%	48%
Health	55%	20%	34%
Social Services	52%	18%	29%
Philanthropic Intermediaries & Voluntarism	56%	28%	48%
Other	45%	19%	39%
Unknown	94%	100%	94%
REGION			
British Columbia	54%	23%	41%
Alberta	64%	24%	50%
Prairies	40%	17%	32%
Ontario	51%	26%	42%
Quebec	43%	13%	26%
Atlantic	51%	19%	29%
PAID STAFF SIZE			
No paid staff	48%	10%	22%
1 to 4	47%	22%	39%
5 to 9	55%	24%	39%
10 to 24	53%	19%	39%
25 to 99	51%	25%	36%
100 or more	44%	23%	48%

Looking at other dimensions of variation, charities in Alberta and Ontario are more likely to predict increased strength, while Quebec charities are less likely to do so (Atlantic charities are also less likely to predict specifically long-term strength). Finally, Philanthropic Intermediaries and Voluntarism Promotion organizations are more likely to predict greater short-term and long-term strength, while Social Services organizations are less likely to do so.

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Conclusion

With the last edition of the survey it was not possible to determine whether we were starting to see a reversal in declining confidence levels, but with this edition of the survey, it has become clear that confidence has increased and is on the upswing. While this is certainly welcome news, it is also clear that increased demand for the products and services charities provide is coming to the fore as a challenge for sector organizations. Predictions of increased demand for products and services are at their highest levels since 2010 and experienced demand is playing a larger role in driving organizational stress. These shifts do not appear to be mirrored by predicted increases in the revenues needed to meet this demand. Sector stakeholders should be on the lookout for emergent challenges and adaptive strategies related to increased demand. In addition, we should continue to be particularly vigilant regarding the small and medium-sized organizations that are consistently more likely to report higher levels of organizational stress. In terms of number of organizations, these charities make up the bulk of the sector and challenges there will inevitably have effects throughout the charitable ecosystem.