



CCVO
CALGARY
CHAMBER of
VOLUNTARY
ORGANIZATIONS

Weathering the Storm

Diverse Experiences in Alberta's Voluntary Sector

CCVO Economic Climate Survey May 2010

Alberta's voluntary sector is continuing to weather the economic storm. Nevertheless, efforts to meet growing needs in the community have affected the financial health of nonprofits and charities. This is one of several trends identified by the responses of 596 voluntary organizations from across the province in the May 2010 Calgary Chamber of Voluntary Organization's (CCVO) economic climate survey.

Key Insights

While the economy is showing signs of recovery, it continues to be the leading factor affecting organizations and the communities they serve. Many nonprofits and charities are financially vulnerable and in a holding pattern – struggling to meet growing demands with the same or less revenue, while they wait for the economy to recover.

Organizations have mixed experiences. The vast majority of organizations are either relatively stable or deteriorating financially. Those with worsened finances face chronic underfunding and the loss or reduction of a major revenue source. At the same time, 25% show improved revenues.

Nonprofits and charities are increasingly vulnerable in a number of areas, including their overall financial health, revenue generation, contract arrangements, government priorities and staff retention. With the economic downturn, the longstanding issue of chronic underfunding also threatens the sustainability of organizations over the long term.

Demand for programs and service continues to rise, but revenues have stayed the same or declined. When combined with increased operating costs and more program offerings, organizations face a **revenue crunch** where they have to do more with less.

Respondents were more confident in the recovery of the Alberta economy than the outlook for their own organizations' finances. This reflects the expectation of a lag between the broader economic recovery and improved financial stability in the voluntary sector.

Staff recruitment has improved, but this is just a temporary break from **human resource challenges** of recent years. Higher levels of stress resulting from increased demand and inadequate resources contributed to **staff turnover**. Looking ahead to a stronger economy, nonprofits and charities can once again expect labour shortages and high staff turnover as employment in other sectors improves.

Organizations are turning to collaboration and partnerships as a strategy to deal with economic challenges.

Voluntary organizations engage in a wide range of activities. Survey respondents come from all sub-sectors: arts and culture, sports and recreation, health, social services, education and research, fundraising and volunteerism, religion, international, business/professional/unions, development, housing, environment, and law/advocacy/politics.

Economy

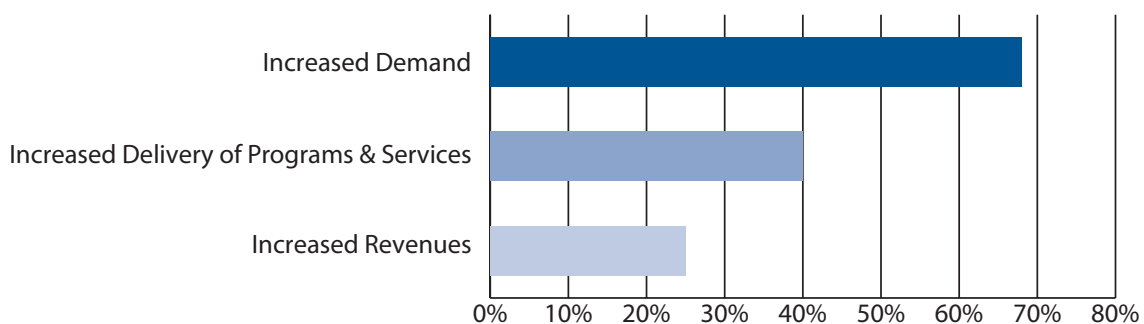
Economic conditions continued to be the prevailing concern of Alberta's nonprofits and charities. Organizations were affected in large part by the impact of the economy on their clients, members and communities. In addition, they were still seeing shortfalls in revenues and contributions.

Pressures on Alberta's voluntary organizations associated with **increased demand for programs and services** have risen. Increased demand was largely attributed to economic conditions and sometimes linked to increased referrals or intensified client needs. In addition, many Alberta nonprofits and charities continued to experience **increased operating costs**.

- **Increased demand for programs and services:**
 - Almost 70% of respondents reported increased demand for programs and services.¹
- **Increased waiting lists and rising numbers of clients:**
 - Nearly two-thirds of respondents reported increased waiting lists and number of clients; health and social service agencies were most strongly impacted.
 - Red Deer and Fort McMurray saw the sharpest growth in the number of clients and waiting lists, with over 70% indicating increases.
- **Increased delivery of programs:**
 - Over 40% of organizations increased the number of programs and services they delivered.
- **Increased operating costs:**
 - Over half of respondents indicated their operating costs had increased.
 - While increases were generally less than 10%, when combined with rising demands for programs and services, and steady or declining finances, the impact is magnified.

(Figure 5, Page 6)

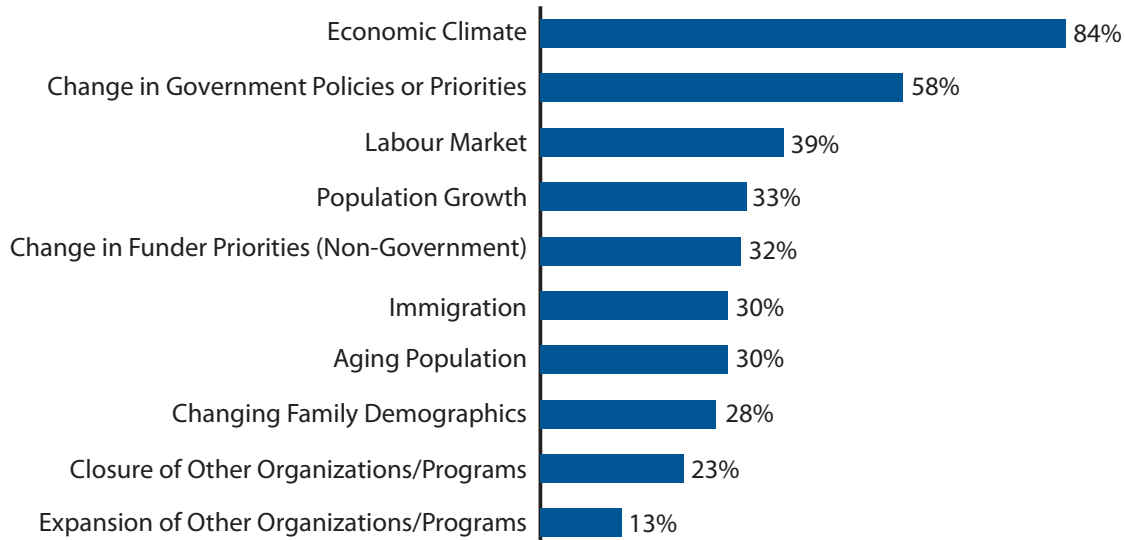
Figure 1: Revenue Crunch



Revenue Crunch: The same or lower revenues + rising demand + increased operating costs + more program offerings = organizations doing more with less.

1. This was up from 63% in October 2009.

Figure 2: Factors Impacting Voluntary Organizations



Survey respondents expressed concern that their organizations were not meeting the increased demand or existing needs in the community. Some even stopped promoting their programs as a way to stem the flow of increased demand for services.

"[The adjustments we made]...allowed us to have a balanced budget, but we ended up turning away more clients than ever before."

The persistent impact of **unemployment and the economic downturn** on clients and communities, in both rural and urban communities, was a major focus of survey comments. Communities, families and individuals were negatively affected by the closure of community employers, job losses in oil, gas and forestry, as well as changes in government priorities reducing health, social service, and support programs. Organizations also reported their clients and communities faced further issues including:

- Stress and increased addictions.
- Family violence and housing difficulties.
- Reduction in government programs and services.

"Less direct government support has created extreme hardship and poverty, pushing our clients back into high risk lifestyles..."

Financial Health of Nonprofits and Charities

While communities and families continue to face the effects of the economic downturn, nonprofits and charities are challenged not only to meet the need, but also to manage the financial health of their organizations. Financial health is affected by the economy and current revenue levels, but also by other factors including costs, reserve funds, staff turnover, reliability of income, ongoing funding shortages, and requirements of contracts and grant programs.

Revenue Trends

Survey results regarding changes in *overall revenues* were quite **diverse**:

- 40% indicated overall revenues had decreased in the last six months.
- 35% remained the same.
- 25% increased.

In most revenue categories, **income was the same or lower**, with two exceptions as detailed in Figure 3. *Individual donations* showed the greatest signs of improvement, with 42% of organizations receiving this type of funding reporting that it remained the same and an even split between increased and decreased donations. *Investment income* levels demonstrated a different trend with the majority of respondents with this income stream reporting a decrease, and only a small number reporting an increase. While investment income is not that common,² it is essential to funding organizations, including private and community foundations that rely on this income to reinvest in the voluntary sector.³

Survey respondents reported **multiple sources of revenue**. The majority reported some level of income from *all* of the following sources: provincial government, individual donations, corporate donations, and earned income.

While a trend of lower or stable revenues is apparent, the findings indicate **mixed experiences**. It is important to recognize that these are overall results, the experience from organization to organization varies greatly.

Certain sub-sectors have seen a larger decrease in revenues than others. *Arts, recreation, international, environmental and volunteerism groups* were especially hard-hit.

“Corporate donations are down. We’ve been told that arts, culture, history/heritage are seen as a ‘nice to have’ when times are good, but corporate donations are directed to health and education charities and institutions when choices have to be made.”

Other concerns about revenue generation reflected in this survey:

- Proceeds from **casinos** had declined, and some organizations had problems obtaining casino licenses.
- Increased efforts in **fundraising**, while sometimes successful, detracted from mission-based activities.

“We have increased fundraising in response to the lack of grant money, so staff time has been diverted from program planning and delivery and used to perform fundraising tasks instead.”

Figure 3: Changes in Revenue Levels from 2008-2009 to 2009-2010

REVENUE SOURCE	Lower	Same	Higher	Don’t Know	Sample Size
Individual Donations	28%	42%	28%	2%	412 (n)*
Corporate Support	37%	38%	22%	3%	376 (n)*
Government Contracts	33%	45%	17%	5%	316 (n)*
Government Grants	34%	46%	16%	4%	403 (n)*
Earned Income	31%	36%	28%	5%	337 (n)*
Foundation Grants	34%	45%	15%	6%	278 (n)*
Investment Income	52%	32%	8%	8%	262 (n)*

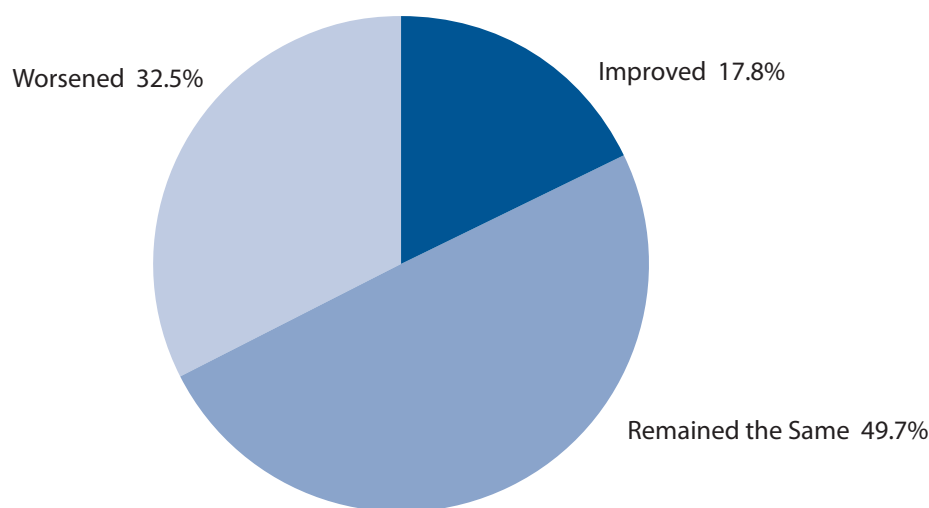
Note: The above data only includes organizations reporting each particular revenue source, not those that responded with “not applicable”.

* n = number of organizations

2. Roach, Robert. 2006. *The Nonprofit and Voluntary Sector in Alberta: Regional Highlights of the National Survey of Voluntary Organizations*. Customarily 3% of Alberta organizations have reported investment income.

3. Lasby and Barr, 2010. *Imagine Canada's Sector Monitor*. Sixty-two percent of foundations reported lower revenue from investment income, and 40% of foundations indicated that, of all decreases, this decrease had the most impact on their overall revenue.

Figure 4: Financial Situation of Organizations May 2009 - May 2010



Other Financial Health Factors

As mentioned, there are many factors that affect financial health above and beyond revenue. In terms of overall financial situation, **the experiences were quite mixed**, with the largest group reporting no change, almost one-third doing worse, and almost one-fifth doing better (Figure 4).

Changes in funding structure and processes had an effect on the financial health of many nonprofits and charities. Changes to reporting requirements, for instance, resulted in increased administrative costs for organizations – costs that are not traditionally covered by funders. As well, procedures and expectations that were new to organizations – such as outcomes-based funding, changes in contract length, introduction of tendering processes – created some apprehension and exacerbated financial challenges or uncertainties. These types of changes cause difficulty in organizational planning and management, as well as staff retention.

“The biggest challenge for us is the provincial government’s move to tendering out social services contracts every three years. This has created a lot of uncertainty for employees.”

In addition, some organizations reported struggling with *chronic underfunding*, and others were either *operating at a deficit* or using up reserve funds. There was a **notable gap between the reports of increased demand and increased revenues** (Figure 1, Page 2):

- Increased revenues (25%).
- Increased demand and wait lists (about 66%).
- Increased delivery of programs and services (40%).

Mixed Experiences

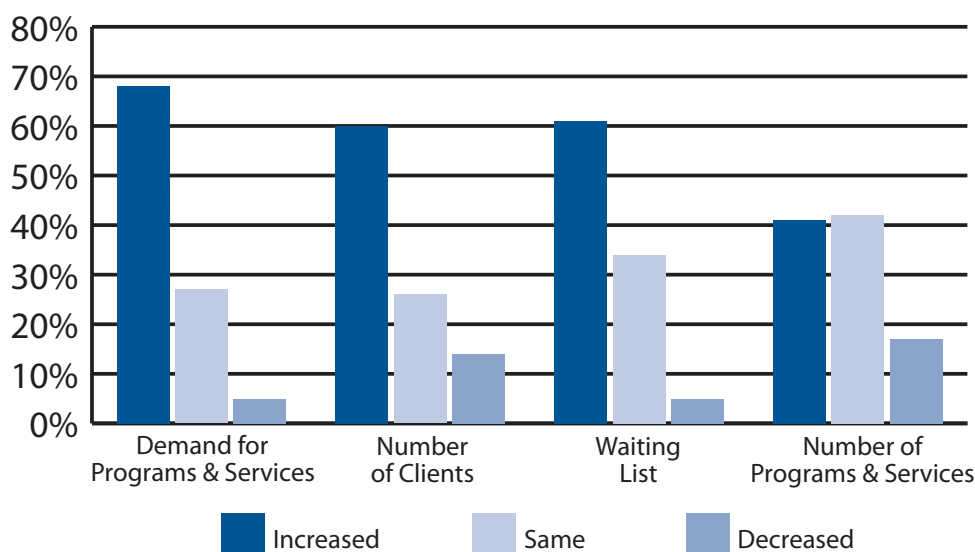
Alberta’s nonprofits and charities are encountering a range of financial situations, and while some trends can be identified, it is important to remember that even within the same sub-sector, operating budget or geographic area, the situations vary greatly and *the experiences are not uniform*.

Organizations with *improving finances* were more often:

- Mid-sized organizations with budgets in the \$500,000 to \$5 million range.
- Located in Calgary.

Calgary nonprofits and charities may rely more heavily on corporate and individual donations, and so benefit from the early recovery of the private sector. This is in

Figure 5: Increased Demand for Services



contrast to survey results in October 2009 when Calgary organizations reported a more significant impact from the recession.

Organizations with *declining finances* were more likely to be:

- Outside of Calgary and Edmonton.
- Either small (under \$250,000 budget) or large (over \$10 million dollar budget).

In terms of organizations reporting financial difficulty this spring, while generally they were more likely to be outside of Calgary and Edmonton, the larger ones (over \$10 million) were mainly located in Edmonton.

Strengthened Finances

Almost 20% of respondents reported their financial situation had improved in the last year. Some of these organizations not only increased fundraising efforts, but engaged in more sophisticated fundraising.

Organizations that reported an upturn in their finances were able to:

- Provide more programs and services.
- Increase staff numbers, staff training and employee retention.

- Increase quality of service.
- Plan for the future.
- Increase financial reserves.
- Improve funder confidence.
- Focus on their mission.
- Make necessary capital and equipment purchases.

Weakened Finances

One-third of respondents indicated their organizational finances had worsened in the last year. Of the groups reporting worsened finances:

- Almost 75% cited economic conditions as a contributing factor.
- Half of the groups had undergone the loss or reduction of a major funding source.
- Nearly 40% had experienced chronic funding deficits.

Almost five percent of total respondents *considered closure*, while others continued to operate at a deficit, making them more vulnerable and further eroding their sustainability. Almost half of the organizations considering closure were primarily funded by the provincial

government, and almost three-quarters experienced reductions in all major revenue sources.

Organizations that were *most vulnerable* tended to fall into one of two categories:

- Small organizations under \$500,000:
 - Experienced the greatest revenue decreases and financial difficulties.
 - Were most likely to have faced chronic funding shortages.
 - Were less likely to have benefited from the soft labour market.
 - Were more likely to have been negatively affected by expansion of other programs or organizations.
 - Were sometimes disadvantaged by grant programs requiring applicants to raise matching funds.
 - Were less able to introduce cost efficiencies to adapt to reduced revenue, and, therefore, often compelled to reduce programs and services.⁴
- Large organizations, with an operating budget of more than \$10 million:
 - Were more likely to have reported deteriorating finances.
 - Were more dependent on provincial government funding.
 - Were more impacted by:
 - Decreased revenues.
 - Chronic funding deficits.
 - Human resource challenges.
 - Were more likely to experience closure of other groups or programs.

Differing Experiences

"Our needs are increasing, our revenues must increase to meet union agreement requirements and increased demands, but our ability to get revenues has decreased, so we've had to re-budget monthly to end up with a balanced budget."

"Federal funding increased through the Building Communities through Arts and Heritage. The major indicator of success is increased attendance, and since receiving the first federal grant we have more than doubled attendance."

"All areas of funding are down, and we don't have enough reserves to weather a second year of this."

"The new contract increased stability for the entire organization."

Human Resources

Paid Staff

Organizations reported *improvements in the ability to recruit employees*. This was primarily attributed to **larger labour pools** due to decreased opportunities in other industries.

"We hired last June and received many resumes with qualified applicants who had been downsized elsewhere.... A year earlier we couldn't get one qualified applicant for the same position."

4. The other top two coping strategies for organizations of all sizes were: seeking additional funding and reducing staffing costs.

For the majority of organizations, *the ability to retain staff stayed the same* as last year. However, respondents frequently talked about **difficulty competing with the government and private sector** that offer more attractive employment packages.

“Even as a non-profit we must compete for talent. We have lost several good people to government and the private sector, both of which offer more and better wages and benefits than we can.”

Enhanced workplace attractiveness contributed to better recruitment and retention. Some organizations pointed out changes they had implemented, while others indicated a history of creating a positive work environment. Respondents mentioned factors such as: competitive wages; improved benefits; offering permanent positions rather than contracts; positive and collegial work environments; effective leadership; better hiring procedures; staff training and development opportunities; increased flexibility; and increased employee involvement and autonomy.

“We work very hard to create an environment that is attractive to staff and based on their input. We cannot compete with wages of the public sector, but we have identified the other important factors of employment for our staff and developed strategies around them.”

Two-thirds of respondents reported **increased stress** on staff. More overtime hours and larger caseloads were common examples, as well as organizational restructuring to combine some positions. High levels of stress coupled with a lack of competitive wages, will likely exacerbate employee turnover as the economy improves.

Volunteers

Survey respondents expressed concerns about decreased numbers of volunteers and board members. In terms of the broader Canadian trend, the Canadian Survey of Giving, Volunteering and Participating (CSGVP) found that volunteering levels were stable from 2004 to 2007.⁵ The CSGVP also showed a core of highly engaged people (10% of volunteers contributed 54% of all hours), and the loss of this type of volunteer would have a disproportionately adverse affect on an organization.

Resilience

Nonprofits and charities are showing resilience and adjusting their operations to serve their communities and meet their missions. The top three strategies used by organizations to cope with financial challenges remained consistent:

- Seeking additional funding sources.
- Modifying staffing costs.
- Introducing cost efficiencies that do not affect programs.

Respondents are also engaging in collaboration and partnerships as a solution:

- 57% had increased collaboration with other organizations.
- 49% had increased partnerships with other organizations.

These types of initiatives improve effectiveness through *sharing expertise, information, and resources*. In addition, almost a third of respondents indicated an increase in shared services with other organizations, which is noteworthy, as shared services are complex endeavours requiring higher levels of commitment.

5. Hall, Michael et al. 2009. *Caring Canadians, Involved Canadians: Highlights from the 2007 Canada Survey of Giving, Volunteering and Participating*. Forty-five percent of Canadians volunteered in 2004, and 46% in 2007.

Conclusion

Even though the economy is showing signs of recovery, it continues to be the leading factor affecting organizations and the communities they serve. Many nonprofits and charities are financially vulnerable and in a holding pattern – struggling to meet growing demands with the same or less revenue, while they wait for the economy to recover. Compared to CCVO's October 2009 survey results, there were slight improvements in several revenue sources, including individual, corporate, earned income and foundation funding, but revenue levels from government contracts and grants remained flat. Moving forward, both the provincial and federal governments have indicated recent deficit budgets will be balanced by restrained spending in the coming years. Voluntary organizations should be preparing for impacts of reduced government funding.

Chronic underfunding of organizations has been documented in a significant body of research over the years. In light of the economic downturn, this long-standing issue threatens the ability of organizations to be sustainable over the long term. The results vary across a broad spectrum, from nonprofits adjusting their budgets on a monthly basis, to letting staff go, to closing their doors. Governments increasingly rely on the voluntary sector to deliver community services and programs. Funders and organizations must continue to work together to ensure the capacity of organizations is not eroded by funding shortfalls, and their ability to serve families and communities is not jeopardized.

Many nonprofits and charities are responding to increased demand without matching resources. Some organizations try to meet demands because it's part of their mission to do so; other organizations are mandated by law or regulations to respond. The result is a **revenue crunch**: the same or lower revenues + rising demand + increased operating costs + more program offerings = organizations doing more with less. Responding to increased demand without matching resources also affects the overall financial health of organizations as they scramble to find funding,

often sacrificing infrastructure needs to avoid cutting programs and services.

Although there has been some improvement in staff recruitment, this appears to be a temporary break from the tremendous **human resource challenges** of recent years. Even though there are fewer jobs available in Alberta, the nonprofit and voluntary sector continues to be a second choice for many of the newer employees. In addition, higher levels of stress linked to increased demand and inadequate resources contribute to staff turnover. As the economy recovers, and more opportunities become available in other sectors, nonprofits and charities can expect once again to experience labour shortages and high staff turnover.

Throughout the history of the sector, working collaboratively has been a cornerstone. The current situation is no different with organizations **partnering and turning to shared services** to meet growing needs in the community. However, while a powerful solution, these options also have inherent risks. For example, reduced funding for one organization can have a domino effect on the other organizations they work with.

Recommendations

Even though the economy is improving in some areas, challenging times still lie ahead for the sector. To this end, **the Calgary Chamber of Voluntary Organizations urges:**

- **Organizations** to continue to look for innovative partnerships and collaborations to meet the needs in their communities.
- **Organizations** to track the true cost of delivering programs and services, and assess how an increase in demand affects their overall capacity and financial health, and communicate this to donors, funders, and government.
- **Funders** to recognize the connections and partnerships between organizations, and to include an understanding of this complex relationship in their funding decisions.

The Calgary Chamber of Voluntary Organizations (CCVO) promotes and strengthens the nonprofit and voluntary sector by developing and sharing resources and knowledge, building connections, leading collaborative work, and giving voice to critical issues affecting the sector.

About the Survey

This is the third provincial survey in an ongoing series exploring the impact of the economy on nonprofits and charities in Alberta. Previous surveys have asked voluntary organizations about revenues, operating costs, demand for services and programs, and changes in operations.

The scope of the May 2010 survey was expanded to monitor other external factors, such as demographic changes and government policy, and to investigate organizational changes in more detail. One added line of questioning, for example, allowed us to track the state of organizations with operating budgets of more than \$10 million.

The 596 respondents were drawn from across Alberta, covering 97% of the province's electoral districts: 35% from Calgary; 32% from Edmonton; and 33% from smaller centres and rural Alberta.

CCVO would like to thank several colleague organizations that further circulated the survey, including:

- Alberta Association of Services for Children and Families
- Alberta Council of Disability Services
- Alberta Home Visitation Network
- Canadian Mental Health Association
- Community Foundation of Medicine Hat and Southeastern Alberta
- Community Information Referral Society of Red Deer
- Community Learning Network
- Edmonton Chamber of Voluntary Organizations
- Family and Community Support Services Association of Alberta
- Nonprofit Sector Link Wood Buffalo
- The City of Red Deer
- United Way of Fort McMurray



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