



## Key Findings

- **Circumstances in the voluntary sector have stabilized and organizations appear to have come through a difficult period.** While some organizations are experiencing problems, by and large, most organizations seem to be holding their ground; many have successfully adapted and are emerging stronger.
- **Many organizations have reported that revenues and funding levels remain flat.** Organizations have responded with increased and more strategic fundraising efforts but increasing operating costs continue to put financial stress on organizations.
- **Increased demand for programs and services continues to be a challenge for the sector.** Sixty percent of organizations reported moderate or significant increases in demand for the programs and services they provide, continuing the trend reported in earlier surveys.
- **The serious human resources (HR) challenges people were anticipating last year did not materialize.** Generally, recruitment and retention levels have remained consistent and organizations have not experienced a return to the crisis levels of two years ago.
- **Organizations seem relatively optimistic about the future:** approximately 75% expect their financial situation to remain the same or improve in the next year.

## Introduction

Overall, the last year has been better than expected for many charities and nonprofits in Alberta. As the province continues to recover from the recession, 75% of organizations have reported that their economic health in key areas such as revenues and workforce issues have either remained the same or improved. Most organizations also expect their economic conditions to remain the same over the next year, while a significant portion expect them to improve. This is in sharp contrast to the general mood around this time last year when organizations expected increased financial hardships.

Nonprofits and charities have adapted, responded and, in many cases, thrived in the face of economic challenges to be better able to serve their communities.

However, the results of this survey also reinforce some of the findings of past Calgary Chamber of Voluntary Organizations (CCVO) surveys, in particular how ever-increasing demand and rising operating costs are continuing to put pressure on organizations, particularly when combined with stagnant revenues.

In surveys CCVO conducted in October 2009 and May 2010, the mood of the sector reflected a belief that the worst was yet to come economically and the sector was holding its collective breath. This survey displays a more optimistic outlook for the sector. By and large, Alberta's nonprofits and charities expect most of their key economic indicators to hold the line in the coming year, with more than a quarter expecting to see improvements in their economic outlook. While many respondents acknowledged the lag between broader economic recovery and improved economic conditions in the voluntary sector, most of Alberta's nonprofits and charities appear to have "weathered the storm."

***"We expect general economic recovery, deeper sophistication in all fund development activities and 'new' donors emerging."***

***–Survey participant***

## About the Survey

This report is based on the responses of 305 organizations from across the province to the CCVO Spring 2011 Economic Climate Survey on Alberta's Nonprofits and Charities. Respondents represented the diversity of the voluntary sector.

This survey, the fourth in a series, aims to take a snapshot of how Alberta's nonprofits and charities are impacted by the economic environment and how they respond to the conditions it imposes.

This survey included a series of new questions on pilot projects and limited-term funding to develop further understanding of the impact and implications of this type of funding for organizations.

These CCVO economic climate surveys remain the only source of Alberta-specific research that documents the ongoing impact of economic fluctuations across the entire breadth of the voluntary sector.

## Unexpected Stability

Most of Alberta's nonprofits and charities reported little change in their circumstances over the past year. Given the expectations of a prolonged economic recovery for

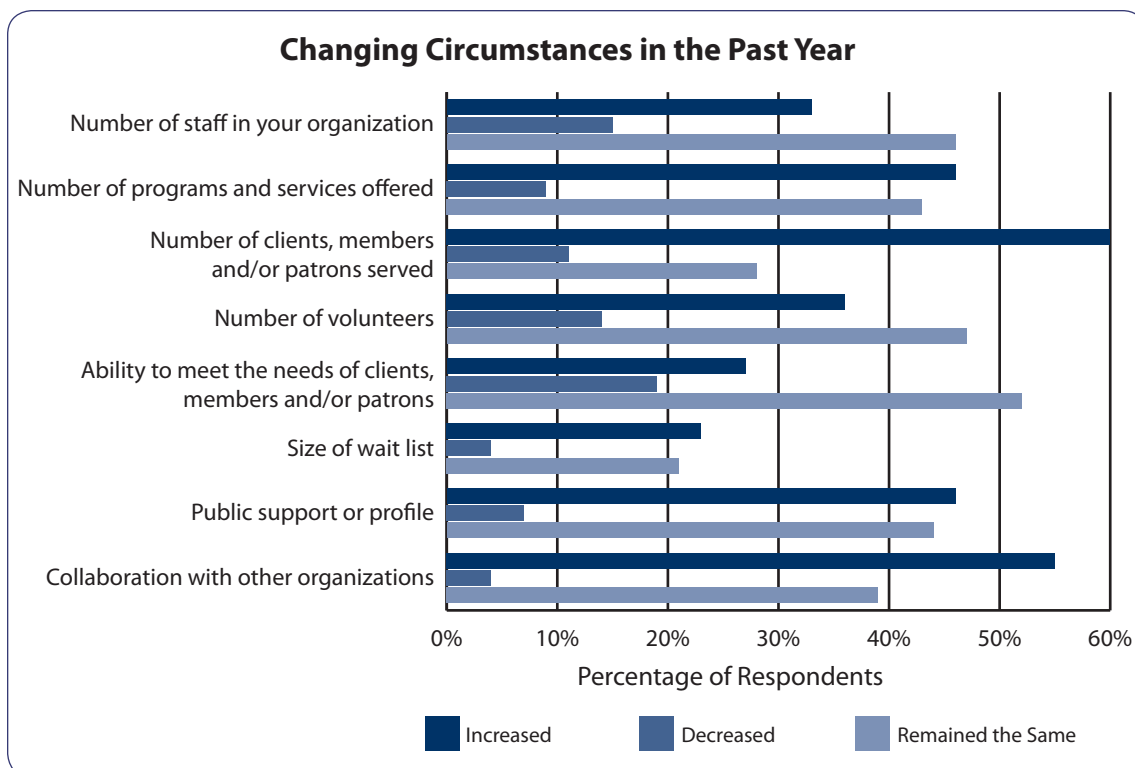
the sector, this can be considered a positive outcome for organizations. In fact, many have seen improvement in several areas, including staffing, the number of programs and services offered, the number of volunteers engaged, and public support for their organizations. However, the news was not universally positive, as more than a third of organizations reported lower revenues. Overall, these findings are encouraging because the worsening conditions that organizations had anticipated a year ago have, for the most part, not materialized.

One area where organizations continue to see increases is in the demand for their services. Nearly 60% of respondents reported increased demand, compared to 10% who reported a decrease. However, the ability of these organizations to meet the needs of their clients is not increasing in proportion to the rising demand.

Finally, over 50% of organizations reported an increase in collaboration with other organizations, as they continue to cope with the reality that resources have not kept pace with growing demand.

## Revenues

Most organizations reported that revenues in all categories have remained the same. However, there is variation across



the sector as some organizations have experienced substantial increases or decreases in revenue.

Casino revenue stands out as an area where nearly all organizations reported a lack of increase in their proceeds. This continues to place pressure on smaller and rural organizations that tend to have a higher reliance on this funding stream and more limited access to other sources of revenue.

*“We expect traditional funding will remain stagnant or decrease. In anticipation of those expectations, we have researched and applied for additional grants and investigated new fundraising drives and opportunities.”*

*–Survey participant*

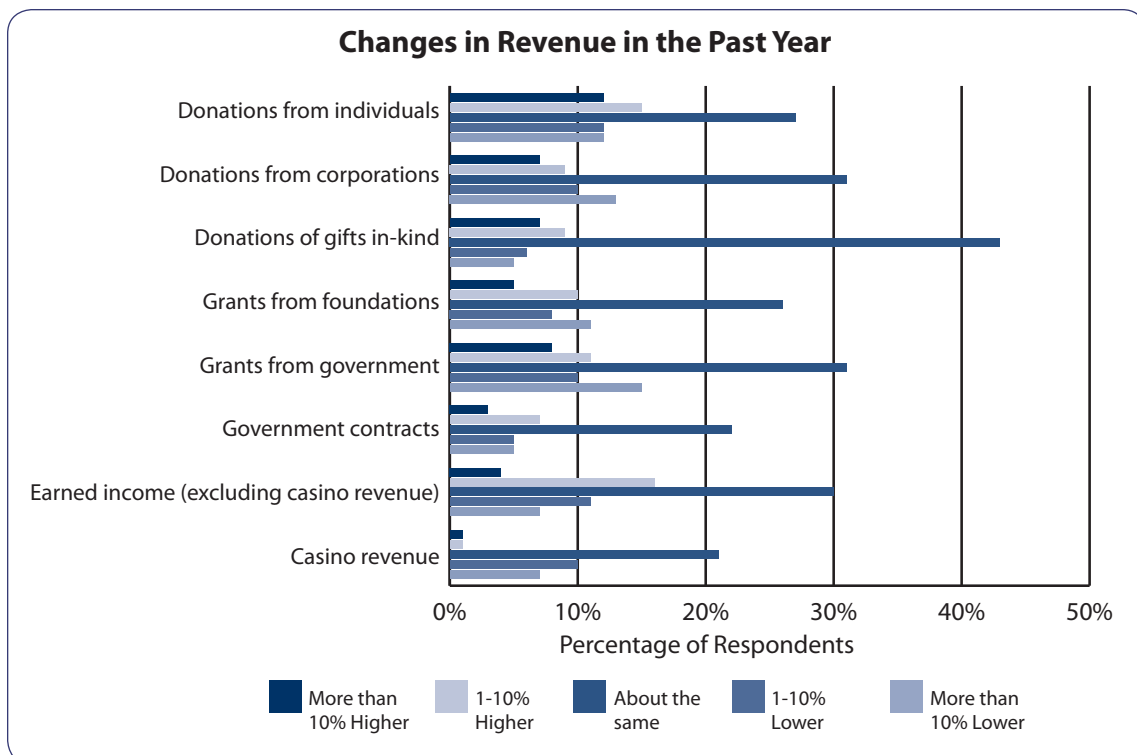
### Unanticipated Decline in Revenues

It was encouraging to see more than 65% of organizations report that they had not experienced an unanticipated decline in revenues over the past year.

The 30% of organizations that did experience an unanticipated decline in revenues coped in four main ways:

- **Increased fundraising.** Many organizations developed more sophisticated fundraising techniques to identify new revenue streams. Some held more fundraising events to raise the same amount of money as in prior years.
- **Cost savings that did not impact programs or services.** Organizations made an effort to ensure that they had exhausted all avenues for cost savings, including laying off staff, in areas that did not impact the programs and services they offered to their clients.
- **Cost savings that reduced programs and/or services.** Organizations reported that they had cut programs or services to manage their budget.
- **Increased collaboration with other organizations.** Nonprofits and charities reported collaborating with other organizations as a way to leverage limited resources and reduce costs.

These approaches are not new to the sector as CCVO’s previous economic climate survey reported similar findings. What is notable is that more organizations are reporting increased fundraising activities. One of the implications of this, as competition for funding increases, is that organizations are expending more energy to raise the same revenues.



A recurring theme in the responses is that organizations have reached their limits in finding operating efficiencies and cutting costs. Overall, this pressure to find cost savings year after year continues to undermine the long-term capacity of organizations to serve their communities.

***“We have reduced expenditures as much as possible and are looking for more partnerships with nonprofit agencies and our corporate community as well as exploring new CED [community economic development] initiatives.”***

***–Survey participant***

## Demand for Programs

Organizations have again identified increasing demand for programs and services as a major concern. Over 60% of organizations reported an increase in demand over the past year. Very few have seen a decrease.

Organizations attributed the increase in demand for programs and services to a number of factors, several of

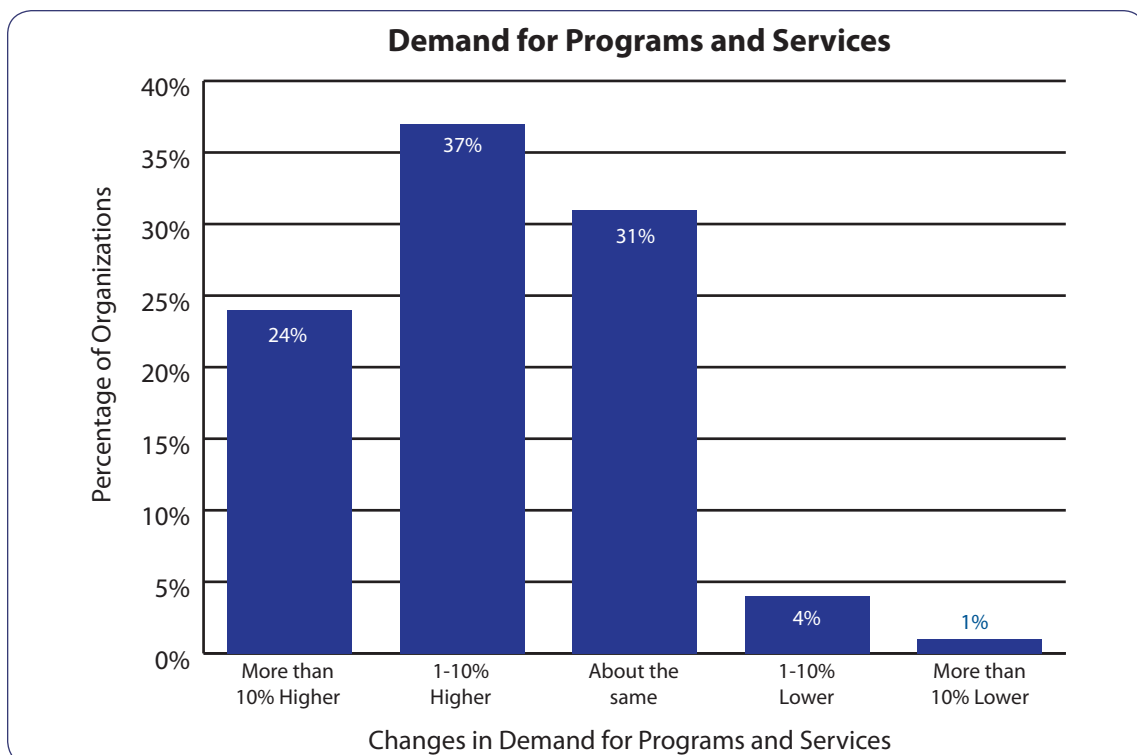
which were beyond their control, including economic conditions, population growth, and closure of other organizations and programs. More than half of the respondents cited the growth of their client numbers, unrelated to economic conditions, as a source for this increase in demand. This data reinforces that Alberta is a growing province and that nonprofits and charities require increased resources to support the growing demands.

## Operating Costs

Sixty-five percent of organizations reported increases in their overall operating costs. Almost half of the organizations stated these increases were moderate (10% or less); however, 18% reported significant increases (more than 10%). These numbers compare closely with those of the May 2010 survey; however, in the current survey, a higher percentage of organizations reported significant increases in costs. This is trend that needs to be monitored.

Respondents attributed increases in operating costs to all areas, including:

- 65% to staffing,
- 55% to programs,
- 45% to administration,
- 29% to rent/occupancy.



Other factors contributing to rising operating costs were increases in utilities, cell phone rates, investment management and insurance.

***“Everything costs more.”***

***–Survey participant***

## Recruitment and Retention

The survey responses indicate that labour markets have temporarily stabilized in the nonprofit and voluntary sector.

Sixty percent of organizations reported that recruitment and retention levels remain unchanged from last year, indicating that the challenges in recruitment and retention have not been as acute as had been anticipated a year ago. However, this may be only a temporary reprieve as the ripple effects of the emerging economic recovery have not hit the sector yet.

On a positive note, some organizations have seen improvements in their staffing situation and attribute this to “smarter hiring” and a conscious effort to promote the non-tangible benefits of working in the sector.

However, many organizations expressed concerns about their inability to pay competitive salaries and the

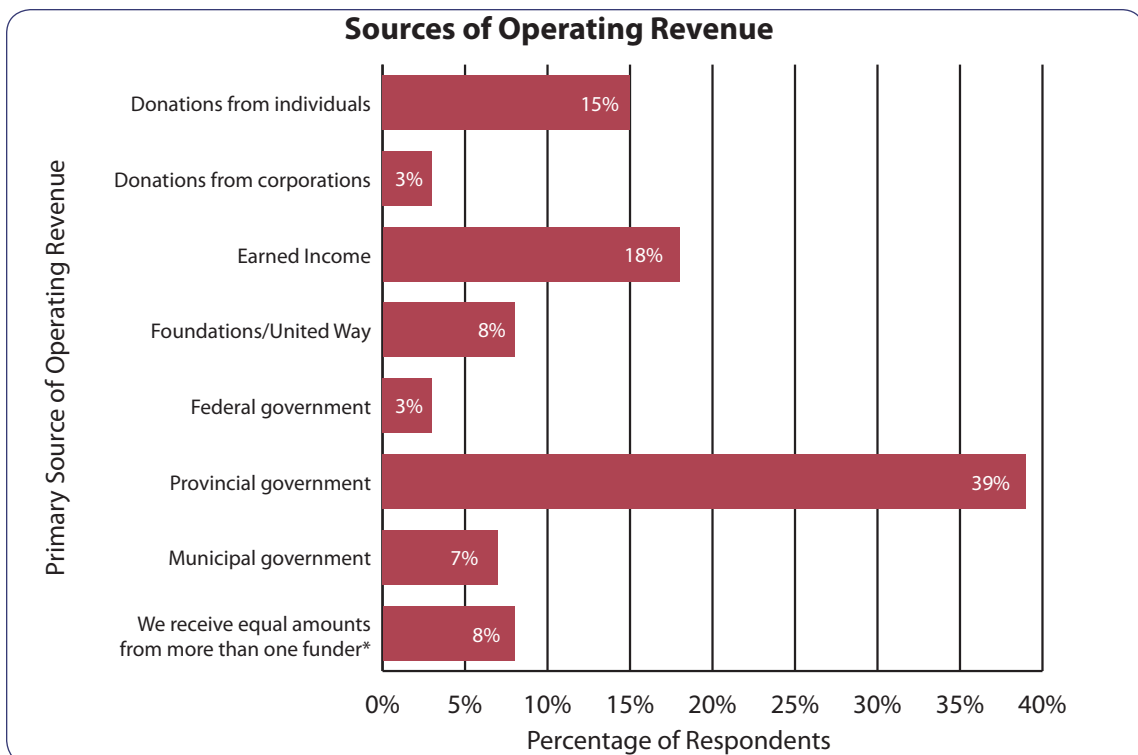
increased workforce challenges this has created for them. One respondent lamented that, not only could their organization not afford to give raises to its employees, but it couldn’t even give them hope of raises in the future. This has been a recurring theme from past surveys.

***“Communication, flexibility in working with staff to find a work/life balance, enthusiasm over new and innovative programs, and a work-friendly environment have all helped our staffing situation.”***

***–Survey participant***

## Funding

Nearly 40% of respondents identified the provincial government as their primary source of operating revenue. Organizations with operating budgets larger than \$10 million had a greater reliance on provincial funding than those with smaller budgets, which tended to rely on donations from individuals to fund a higher proportion of their budgets.



More than 80% of respondents applied for grant funding in the past year, the majority of whom intended to use the funds on programs. Nearly half of these organizations did not receive the full amount that they requested.

One in four organizations reported being turned down for funding which they had already included in their budgets. This raises the question of how organizations will replace these “missing” funds.

Project Funding

Nearly two-thirds of respondents received project funding in the past year. However, organizations have raised concerns regarding reduced organizational capacity when funds do not cover the full cost of program delivery, including administrative costs.

This has been a more common concern for smaller organizations. More than 65% of organizations with annual operating budgets in the \$250,000 to \$500,000 range reported that funds were inadequate to deliver the programs they were intended for without diverting resources from other projects or areas. Fewer than 40% of organizations with budgets above \$5 million identified the same problem.

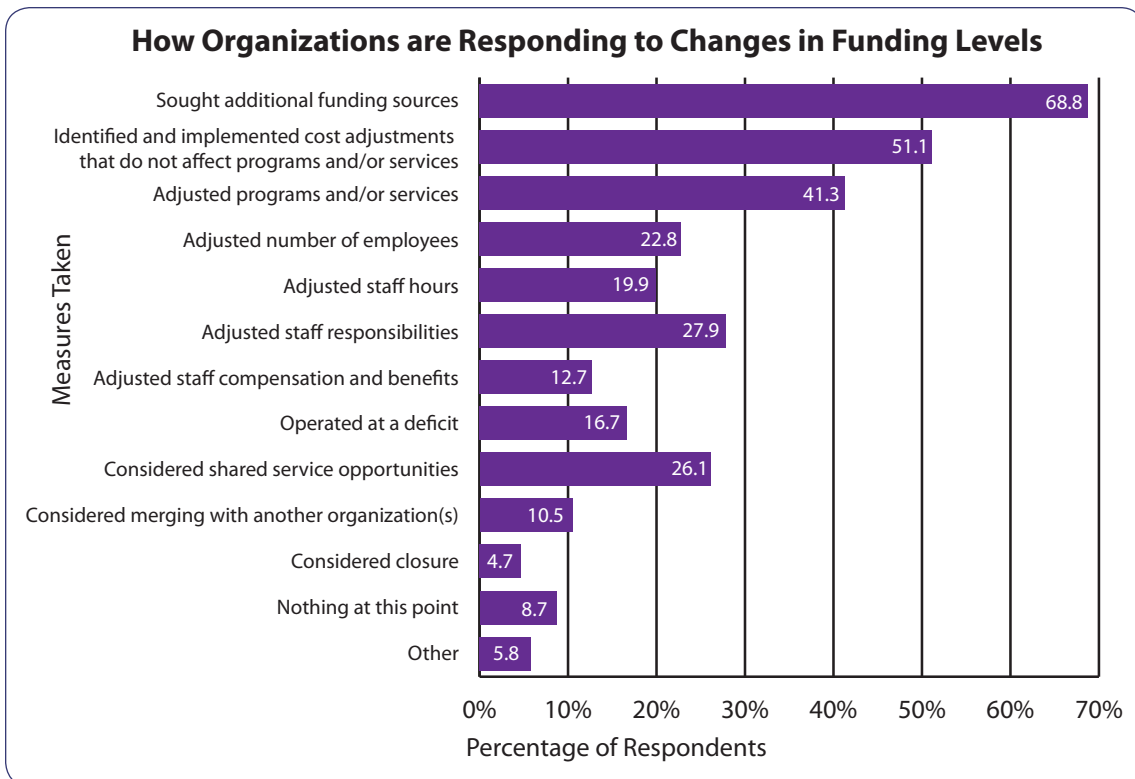
Turning Down Funding

When funding is so scarce for many nonprofits and charities, it is interesting to note that almost 10% of organizations actually turned down funding for which they had been approved. Organizations with larger operating budgets were more likely to turn down funds than smaller organizations; however, fewer than 23% of organizations with budgets higher than \$10 million turned down funding.

Organizations that turned down funding cited the following reasons:

- Funds were inadequate to run the programs or services (33%),
- Funds came with restrictions that the organizations could not meet (20%),
- Funds were adequate but the organization did not have the capacity to complete the project (10%).

Organizations have continued to show resilience in the face of funding challenges. Flexibility in areas of staff hours, staff responsibilities, and programs and services offered has helped the sector adjust to ups and downs in funding levels.



A significant number of organizations face questions about their long-term sustainability. 28% are either operating at a deficit or considering merging with another organization.

While fewer than 5% of respondents have considered closure in the past year, this total may underrepresent the true number of organizations as those in distress may not have responded to the survey.

## Pilot Projects and Limited-term Funding

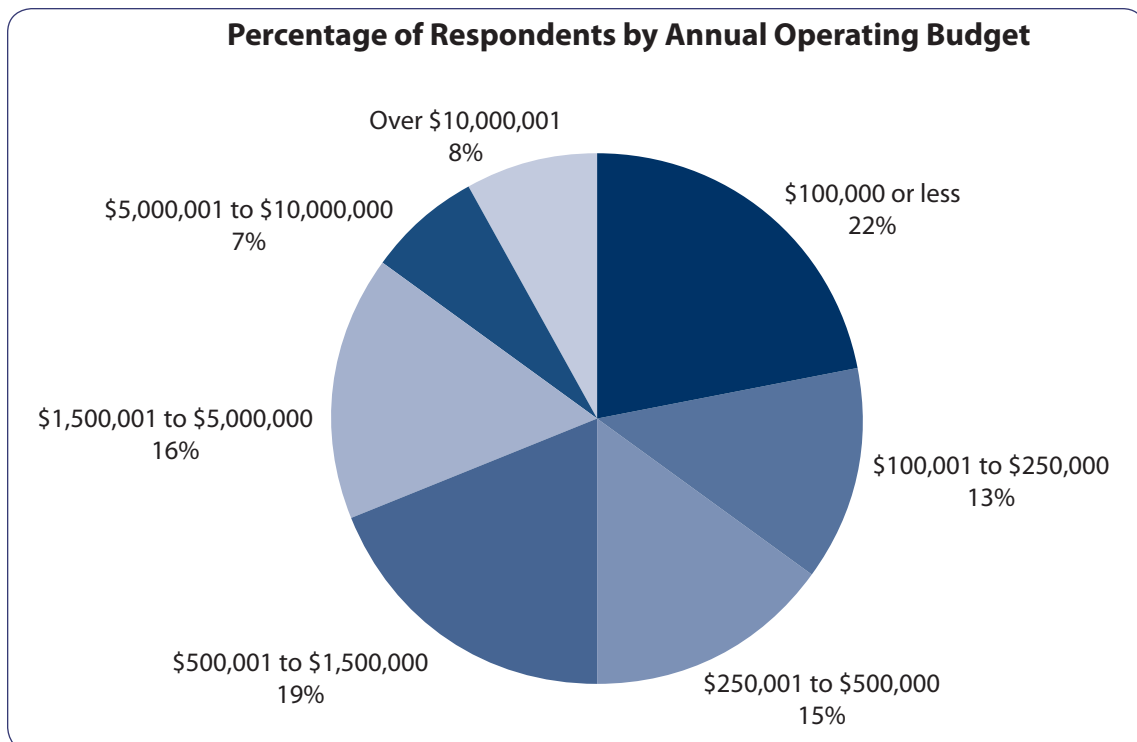
This survey included a series of new questions in response to concerns raised by organizations about the implications of pilot projects or limited-term funding. In particular, organizations were frustrated by the lack of sustained long-term funding, whether it applied to pilot projects or as a result of funders choosing to provide limited-term funding. Another common observation was that funding was often not provided to evaluate pilot projects and therefore organizations and funders had no way of determining if the projects were a success and could or should be implemented on a broader scale.

- **One-third of respondents were involved in a pilot project or project with limited-term funding in the past year.** Almost all of these organizations

responded that they considered the funded projects to be a success.

- **90% of respondents stated that they would have liked to continue with the project when the pilot phase or short-term funding ended.** (This was actually higher than the number of responses believing the pilot project was a success, suggesting that the pilot period may have been too short to realistically evaluate the project.)
- **Only 7% of respondents reported receiving full funding to sustain the programs in the pilot projects when their funding ended.** Many did receive partial funding to continue offering the programs, but half of the organizations did not have any funds to continue offering them.
- **40% of respondents were not provided any funding to evaluate their pilot projects,** although 35% did receive full funding for evaluation and 20% received partial funding. When pilot projects are not evaluated properly, organizations and funders lose the ability to learn what was and was not successful.

The responses to the questions on pilot projects or limited-term funding reinforce many of the criticisms heard elsewhere. First, in a significant portion of cases, pilot projects are being funded for a number of years



but evaluation of the projects is not. When 60% of organizations are not adequately funded to evaluate their pilot projects, one must ask the question: “Why are we funding pilot projects at all?”

Second, even when 90% of organizations express a desire to continue with these projects when the pilot phase concludes, fewer than one in 10 is given the funds to do so.

The data collected in this section highlights some of the key issues facing organizations working with pilot projects and limited-term funding, and warrant further exploration.

## Summary

The overall tone of the responses to the survey suggests that there is cause for optimism in Alberta’s nonprofit sector. Most organizations have reported a stabilization of key economic variables, including revenues, operating costs and staffing, and expect their economic outlook in the next year to remain the same or improve.

Despite these encouraging signs, there are still long-term concerns that will continue to pose a challenge for organizations. Chief among these, and one which shows no signs of abetting, is the cumulative effect of growing

demand for programs and services which are not matched by adequate financial resources. While rising demand is to be expected in a province with an increasing population, when combined with funding levels that have remained flat and rising costs, nonprofits and charities have been placed under a strain to maintain their sustainability.

Furthermore, the struggles organizations have had with keeping down costs have resulted in the erosion of internal supports such as staff training and Information Technology infrastructure.

The survey has also highlighted some of the challenges regarding funding for pilot projects and limited-term funding. The data shows that the majority of organizations are not receiving sufficient funding to evaluate their pilot projects. It also highlights that organizations are not receiving funding to continue offering programs that have demonstrated success in the pilot phase. Despite the experimental nature of these programs, a lack of sustained funding diminishes the value of pilot projects. If the current prevalence of term-limited funding continues, Canada may well become, as Monique Bégin, former Minister of Health and Wellness, once wrote, “a country of perpetual pilot projects.”

### CCVO would like to thank the colleague organizations that helped circulate the survey, including:

- Alberta Association of Services for Children and Families
- Alberta Council of Disability Services
- Alberta Ecotrust Foundation
- Alberta Home Visitation Network
- Canadian Mental Health Association
- CentrePoint
- 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
- Green Edmonton
- Nonprofit Sector Link Wood Buffalo
- The City of Red Deer
- United Way of Fort McMurray
- Volunteer Alberta

**Mission Statement:** 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.



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Phone: (403) 261-6655