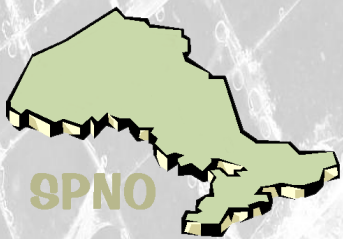


A Recovery-Free Zone:

The Unyielding Impact of the Economic Downturn on Nonprofit Community Social Services in Ontario

July 2010



Social Planning Network of Ontario
www.spno.ca

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Table of Contents

Executive Summary..... 1

 Key Findings – Agency Survey 1

 Key Findings – Non-governmental Funder Survey..... 3

 Moving Forward..... 3

Introduction 7

Methodology..... 7

Background 8

 Ontario’s Hard Hit 8

 Similar Stories across Communities..... 9

 The Latest Word..... 12

 Responding to the Squeeze 12

 Non-Governmental Funders Struggle with Tough Economic Times..... 13

Survey Results 15

 Summary of Respondents..... 15

 Geographic Distribution..... 15

 Area of Service 16

 Groups and Communities Served 17

 Annual Budget..... 18

 Changes in Service Demand..... 19

 Reasons for Change in Service Demand 21

 Service Users and Employment Insurance..... 22

 Impact of Change in Service Demand 24

Response to Change in Service Demand.....	26
Change in Budgets	27
Impact of Change in Budget.....	30
Final Observations	34
Summary of Funder Respondents	37
Revenue Available for Granting	37
Impact on Funders	38
Response to Decrease in Revenue	40
Actions Funders are Taking to Prepare and Respond to Economic Uncertainty.....	41
Actions Needed to Support Non-Governmental Funders/Foundations Affected by Downturn	42
Conclusion and Recommendations	44
References	47

Table of Figures

Figure 1. Number of Respondents by Location (Region/County) of Organization	15
Figure 2. Number of Respondents by Area of Service of Organization	16
Figure 3. Number of Respondents by Populations Served	17
Figure 4: Number of Respondents by Annual Budget (2009) of Organization	18
Figure 5. Change in Service Demands over Past 12 Months	19
Figure 6. Change in Service Demand Since September 2008	20
Figure 7. Economic Downturn is the Reason for Service Demand Changes.....	22
Figure 8. Has There Been an Increase in the Number of People Who Are Seeking Services Because They Have Exhausted their Employment Insurance (EI) Benefits?	22
Figure 9. Has There Been an Increase in the Number of People Who Have Exhausted their Employment Insurance (EI) Benefits Who Are Now Applying for Ontario Works?	23

Figure 10. Impact of Increase in Service Demand for Up to Two Key Programs/Services	24
Figure 11. Organization Response to Increase in Service Demand	26
Figure 12. Organizational Financial Position for 2008 and 2009	27
Figure 13. Respondent Organizations that Experienced Actual Funding Changes at the Time of the Survey (April 2010) by Source of Funding.....	28
Figure 14. Respondent Organizations that Anticipate Funding Changes	29
Figure 15. Organization Responses to Funding Reductions at Time of Survey (April 2010) as a % of Organizations Facing Budget Cuts	31
Figure 16. Communities that We Serve Continue to be Affected	34
Figure 17. The Impact of the Economic Downturn is Lessening	35
Figure 18. Anticipate that the Economic Downturn Will Have a Lasting Impact.....	35
Figure 19. Impact of Downturn on Revenues	38
Figure 20. Funder Response to Decrease in Revenue	40

Executive Summary

Despite ‘green shoot’ sightings of recovery in some areas of the economy, Ontario’s nonprofit recession rages on. Results of *A Recovery-Free Zone*, a one-year follow-up study conducted by the Social Planning Network of Ontario (SPNO), find tough times have continued into 2010 for Ontario’s nonprofit community social service providers and the communities that they serve.

A total of 311 nonprofit community social service agencies from across Ontario, providing a host of programs and services to a broad cross-section of communities and population groups, took part in the 2010 survey. This year’s study was expanded to include a survey of 33 non-governmental funders in Ontario including United Ways, community foundations and other independent grant-making bodies.

Key Findings – Agency Survey

Demand Rising

- 62% of nonprofit community social service providers experienced mostly an increase in demand for their programs and services over the past year since April 2009, with almost 80% attributing the increase in demand, primarily or in part, to economic conditions
- 68% of agencies reported greater demand for their programs and services in April 2010 than before the economic downturn began in September 2008

Unable to Meet the Need

- Among 208 agencies providing details about key programs with increased service demands, 91% reported an increased number of clients, 73% reported increased complexity of needs among their service user base, and 54% reported doing more crisis management with less time for preventative programming
- 48% of these agencies were unable to respond to the increased demand for service in these key program areas despite taking actions to meet the need – including supporting more people with the same staff, increasing volunteer hours, expanding program staff time and hours, fundraising more and increasing overtime

Deficits Up, Surpluses Down

- 26% of agencies posted a deficit in 2009 compared to 21% in 2008; 30% of agencies posted a surplus in 2009 compared to 42% in 2008

Revenues Falling

- 37% of agencies experienced a reduction in total revenue at the time of the survey (April 2010) compared to 29% reporting an increase

- Cuts in funding from private donors (44% of agencies), foundations (39%), United Ways (32%) and self-generating revenue such as user fees (32%) were most common
- While government cuts were less common, 20% of agencies reported reductions from federal government sources and 16% from provincial sources

Coping Strategies Unsustainable

- Increased fundraising efforts (47% of agencies), supporting more people with the same staff (41%), applying for funding from another source (35%), laying off staff (30%), forging new partnerships (29%), increasing promotion/marketing of services (29%), using agency reserves (29%) and cutting professional development (29%) were amongst the most common responses to funding reductions

Gloomy Outlook

- Looking forward to 2011, 27% of agencies expect their total revenues to fall compared to 21% that expect an increase in overall revenues
- More agencies expect cuts from non-governmental sources such as United Ways, foundations and private donors in 2011 than from government sources
- However, the number of agencies anticipating cuts from government sources in 2011 is greater than the number that received government cuts in 2010; in contrast, the number of agencies expecting revenues to fall from non-governmental sources is lower than the number that lost revenue from these sources in 2010
- Almost half of agencies agree or strongly agree (48%) that the economic downturn will have a lasting impact on their organizations; 43% are not sure and 9% disagree or strongly disagree

Communities Hard Hit

- 92% of agencies agree or strongly agree that the communities that they serve continue to be affected by the economic downturn; 6% are not sure and 2% disagree
- Only 16% of agencies agree or strongly agree that the impact of the economic downturn is lessening for the communities that they serve; 62% disagree or strongly disagree and 22% are not sure
- 38% of agencies are seeing an increase in the number of people seeking services because they have exhausted their Employment Insurance (EI) benefits and an equal number of agencies are seeing more people who have exhausted their EI applying for Ontario Works; slightly over one-third are not sure on both questions

Workers Caught in the Squeeze

- The one-two combo of increased service demands and falling revenues is taking its toll on agency staff in the form of decreased employee morale, rising stress levels and increased incidence of burnout – none of which serve the needs of struggling communities

Key Findings – Non-governmental Funder Survey

Many Funders with Falling Revenues

- 11 (34%) funders have less revenue available for granting purposes in 2010 compared to 2008 prior to the recession, with an additional 2 (6%) that experienced a loss in revenue between 2008 and 2009 but are unsure about 2010 levels
- 7 (22%) have recovered after an initial loss in revenue
- 9 (28%) experienced an increase in revenues available for granting purposes over the past two years, 66 of which also experienced an increase in the number of requests for funding
- 1 (3%) had no change and 2 (6%) were not sure how revenue levels had changed

More Requests for Funding Common

- 12 (40%) funders experienced an increase in the number of requests for funding over the past two years, with an additional 2 (7%) reporting an initial decrease, followed by an increase, resulting in more requests in 2010 compared to the pre-recession period in 2008
- 5 (17%) experienced a decrease in the number of requests over the past two years – of which 2 eliminated or suspended a funding program and 1 delayed making funding decisions
- 8 (27%) had the same number of requests in 2010 compared to the pre-recession period in 2008
- 3 (10%) were not sure how request levels had changed

Most Funders Hurt by Economic Downturn

- 64% of funders reported that the downturn had somewhat or greatly hurt their fundraising; 23% reported that it had somewhat or greatly helped their fundraising and 13% reported no impact on fundraising

Nonprofits and Charities Feel the Effects

- Over half of funders reported reducing the total funding amount allocated to grantees in response to falling revenues; over one-quarter took steps to increase foundation revenues and reduced the dollar value of individual grants awarded; 18% eliminated or suspended funding programs
- Many funders noted that they worked to “preserve the core” funding areas and to honour current commitments

Moving Forward

As one survey respondent commented, “I think I’ve given all the sad news possible.” Nonprofit community social service agencies in Ontario are struggling to meet the urgent needs of communities rocked by the recession. For these agencies, signs of the recovery are few and far between. Squeezed between soaring demands and falling revenues, Ontario’s nonprofit community social service sector is living the recession daily.

To make matters worse, many of the sector's non-governmental funders continue to feel the effects of the downturn as a result of falling revenues from individual and corporate donors and diminished values of endowment funds affected by shaky markets.

A recent announcement from the provincial government offers a bright light on the horizon. The Government of Ontario is launching an initiative to re-envision its relationship with the nonprofit sector, with a focus on how to make the government more responsive to the needs of nonprofit and voluntary organizations. This much-welcomed endeavour will open up discussions with private, public and nonprofit sector stakeholders over the coming months. A white paper, including a review of the structural and legislative framework in which the sector operates, options to better coordinate the government's approach to the sector, and models of government-not-for-profit partnerships from other jurisdictions, is expected in the Winter of 2010.

While it is our hope that this work will shore up the capacity of nonprofit organizations to effectively support communities in tough times (among other critical goals), the Winter of 2010 is a long ways away – and the release of the white paper will only be a starting point. Results from the SPNO studies, two years in a row, underscore the need for immediate action to address the most urgent issues facing the sector and the communities hard hit by the downturn. To this end, we recommend:

1) Invest in People

We reiterate our 2009 recommendation to extend stimulus funding for a nonprofit employment program that would provide work for some of the 647,000 unemployed Ontarians (as of May 2010, up from 457,000 in September 2008¹) while delivering urgently needed social and employment support services to community members hammered by the downturn across the province. The program has the benefit of reducing unemployment, delivering vital services for those hardest hit, stimulating local economies, increasing revenues for the Province, and bringing new hope to communities where green shoots of recovery have, as yet, failed to germinate.

Similarly, we echo our 2009 recommendations to improve access and benefits to the federal Employment Insurance (EI) program and the provincial Ontario Works program. Almost two in five agencies are seeing more people seeking services who have exhausted their EI benefits, and similar numbers that are supporting EI exhaustees to apply for social assistance.

The federal government continues to deny EI eligibility to more unemployed workers in Ontario than it lets into the program – disproportionately impacting youth, women, immigrants and members of

¹ Statistics Canada (2010, June 4). Labour Force Survey. Ottawa, Ontario.
Statistics Canada (2008, November 7). Labour Force Survey. Ottawa, Ontario.

racialized communities. For those who have been able to access EI, the clock has been ticking. Senior economists with the Canadian Labour Congress estimate that half a million claims across Canada could exhaust between late 2009 and into 2010.² For those whose EI has run out and those who couldn't get it in the first place, the Ontario Works social assistance program is the only option for income support. But because of stringent asset rules, applicants to Ontario Works must all but empty their bank accounts and sell off most assets to be eligible for assistance. Paying this price of admission, recipients then have access to income support at a level so low that it leaves half of the province's social assistance recipients living in food insecure households³ – many at risk of homelessness. These crisis-inducing policies have the effect of bringing more people, desperate for support, to the doors of nonprofit community social service agencies.

Improving access and benefits to EI and Ontario Works, as well as, extending EI coverage periods, is essential to struggling communities across Ontario, and will lessen the number of people in crisis that nonprofit community social service providers are currently scrambling to support.

2) Don't Balance the Books on the Backs of the Most Vulnerable

As governments focus their attention on tackling record deficits resulting from this historic global recession, we are deeply concerned that austerity measures will be put in place in the name of debt- and deficit-reduction, that will in turn, deeply harm residents still reeling from the impacts of the economic downturn – and may in fact, bring about further economic decline as an unintended consequence.

The Ontario government's decision to cancel the Special Diet Program, a benefit provided to social assistance recipients with particular medical conditions, is a case in point. To date, it remains unclear what program will be introduced in place of the Special Diet Program, and how it will affect current and future recipients. As it stands, loss of the Special Diet Program could represent a substantial cut to social assistance – ironically, enacted by a government with an explicit commitment to poverty reduction.

The record of past governments responding to debt and deficit does not bode well for marginalized communities. Austerity measures that hit residents most affected by recession are often the order of the day to bring the books back into the black. The recession of the early 1990s is a prime example, when then Finance Minister Paul Martin made a name for himself as the deficit-slayer by cutting deep into social programs at the expense of low and modest income Canadians. To top it off, the Liberal

² Jackson, A. & Schetagne, S. (2010). Is EI Working for Canada's Unemployed? Analyzing the Great Recession. Canadian Centre for Policy Alternatives: Ottawa, Ontario.

³ Social Planning Toronto, University of Toronto's Social Assistance in the New Economy Project and Wellesley Institute (2009). Sick and Tired: The Compromised Health of Social Assistance Recipients and the Working Poor in Ontario. Toronto, Ontario.

government of the day even used Employment Insurance contributions to pay off deficits and pay down debt - while denying benefits to many unemployed workers all the while. Some success.

It is particularly concerning that growing numbers of nonprofit community social service agencies are anticipating federal and provincial cuts in 2011. Moving forward, we urge governments to safeguard our social programs, and public and community services that deliver for vulnerable and marginalized communities, and are never more important than during tough economic times.

While Bay Street may be enjoying some signs of recovery, the recession on Main Street is clearly evident from the unemployment line to the realities in Ontario's nonprofit community social service agencies. Don't make a bad situation worse. Now is the time for real political leadership. Let's invest in people and the social infrastructure that supports local communities in good times and bad.

Introduction

In April 2009, the Social Planning Network of Ontario (SPNO) conducted a survey to monitor the impact of the economic downturn on Ontario nonprofit community social service agencies. Results were captured in *Hard Hit: Impact of the Economic Downturn on Nonprofit Community Social Services in Ontario* released in October 2009. Research showed that organizations experienced an increase in service demand, just as their revenues were falling. Despite efforts to address urgent community needs, half of agencies facing increased demand could not meet the need.

A Recovery-Free Zone: The Unyielding Impact of the Economic Downturn on Nonprofit Community Social Services in Ontario presents the results of a follow-up survey conducted in April 2010, one year later, to assess how nonprofit community service agencies are faring in the current economic climate. In the 2009 research, we found that almost one-third of agencies had experienced a reduction in funding from United Ways/foundations. To better understand the state of these funding bodies, we expanded the current research project to include a survey of non-governmental funders and foundations.

The objectives of this study are to:

- Monitor trends and experiences of nonprofit community social service agencies in Ontario
- Document the impact of the economic climate on non-governmental funders and foundations and nonprofit community social service agencies in Ontario
- Inform public policy positions that will support a strong nonprofit community social service sector in Ontario to meet the current and emerging needs of Ontarians

Methodology

The research team developed two online surveys: one for nonprofit community social service agencies, and a second for non-governmental funders and foundations. The 2009 agency survey was used as a template for the current agency survey and updated. Updates were made to collect additional information of interest.

Agency questionnaire items included basic agency information (location, areas served, services provided, groups served, total revenue), changes in service demands and funding, responses to changes in service demands and funding, year-end fiscal position, and general observations regarding the impact of the economic downturn.

Funder questionnaire items included basic organizational information (location, areas served), revenue and granting allocation levels, requests for funding, changes in revenue levels, responses to changes in revenue, future planning, and general observations regarding the impact of the economic downturn.

The agency survey was carried out between April 6, 2010 and April 30, 2010. The funder survey was carried out between March 29, 2010 and April 30, 2010.

The online survey tool, surveymonkey.com, was used to collect data. Local partner organizations emailed invitations to Executive Directors/senior managers of each organization introducing the project and provided a link to the appropriate survey. All participants from the 2009 survey that provided contact information were invited to participate in the 2010 survey, as well as, additional agencies identified by local partner organizations. Additional outreach was conducted through follow-up emails and phone calls to encourage participation.

Quantitative and qualitative analysis of data from both surveys was conducted.

As survey respondents are not required to provide their organizational name or contact information, and many in 2009 did not, it is not possible to assess the extent to which there is overlap in the 2009 and 2010 samples. In the 2010 agency survey, we did ask if agencies had participated in 2009. However more than half of the respondents were uncertain, which is understandable given the frequency with which senior leaders are now asked to complete surveys. In terms of services offered, the 2009 and 2010 agency profiles are similar. While some general comparisons are made between the 2009 and 2010 results, no detailed comparisons are offered as the samples are unique.

Background

Ontario's Hard Hit

In the 2009 *Hard Hit* report, we documented the impact of the recession on nonprofit community social service agencies in Ontario about nine months into the downturn. Results of a survey of 413 agencies demonstrated the one-two punch that organizations were experiencing - increased demand for services just as funding levels were falling. Most commonly, agencies reported a decline in funding from private donors (affecting 52% of organizations), self-generated revenues such as user fees (39%), and United Ways/foundations (31%), with even more agencies anticipating cuts from these sources in 2010. Government funding tended to be more stable for organizations. Government cuts at the federal level were most common, affecting 12% of organizations. As well, more agencies anticipated government cuts from all levels in 2010 than had received cuts in 2009.

Agencies adopted many coping strategies. Most commonly, organizations reported supporting more people with the same staff, increasing fundraising efforts, applying for funding from other sources, increasing volunteer hours, recruiting more volunteers, using agency reserves to cover program costs, and making cuts to professional development. Almost one in five agencies laid off staff and nearly one in ten reduced full-time positions to part-time.

Despite the efforts of organizations to address the need in communities hard hit by the recession, half of agencies that had experienced an increase in demand were unable to respond.

As noted in the 2009 report, Ontario's nonprofit community social service sector has been under stress long before the Great Recession. Decades of government underfunding and cutbacks have left agencies under-resourced and overextended at the best of economic times. The economic crisis exacerbated an already difficult situation. As many agencies reported, the sector's coping strategies are unsustainable. There is a point at which something has to give. Clearly from the results, many agencies are now past that point.

“Over the past fifteen years, Ontario’s nonprofit community service sector has increasingly found itself under stress, operating in a perpetual crisis environment, and stretching financial and human resources tight to meet community needs.

During the best of economic times, governments failed to take action to put the sector on an even keel. Long-standing problems were left to fester and no actions were taken to prepare for the impact of future economic downturns – rainy days that were sure to come.

And then the recession hit.”

- Social Planning Network of Ontario – Hard Hit

Added to this, the inadequacy of public policy to deliver the basics of income security, food and housing were shaping the crisis on the ground. Holes in the social safety net increased the vulnerability and heightened the stress and anxiety experienced by community members caught in the downturn, adding to the crisis response role of agency staff. In addition to job loss and reduction of hours, agency staff experienced increases in workload, and no doubt, work stress.

Similar Stories across Communities

The experience of Ontario's nonprofit community social service agencies in the wake of the recession is not unique. Over the past two years, researchers, in and outside of Canada, have studied the impact of the economic downturn on the nonprofit sector. While the details and magnitude of the issues vary, the story is largely the same. Residents hit by the recession are turning, in greater numbers and with increasingly complex issues, to service providers for help. At the same time, agencies have less funding to pay for needed programs and services. There is increased competition for available funding, and the pots of available funding have gotten smaller.

Governments facing sizeable deficits are looking for a way back to balanced budgets, with little appetite for making new investments in social programs. Non-governmental funders are grappling with declining individual and corporate donations, and decreases in the value of their endowment funds affected by rocky markets. In some instances, individuals who once donated to nonprofit organizations are now seeking their assistance. In response to the squeeze, nonprofit organizations are expanding their fundraising efforts, stretching their staff further, and increasing their reliance on volunteers to try to meet community needs, while cutting back to address funding shortfalls.

Research conducted in British Columbia, Alberta, Ontario nation-wide tells the tale of a diminished capacity within the sector to respond to growing, increasingly complex and urgent needs in communities. In a survey of 100 nonprofit organizations receiving funding from the Ontario Trillium Foundation, about one-third of grantees had already been affected by the downturn by January 2009 (Ontario Trillium Foundation, 2009). Agencies cited declines in self-generated revenues such as ticket sales for events and increased demand for service in areas such as food banks, credit counselling, mental health counselling, and employment services. Whether social service agency, arts group, environmental organization, or sporting outfit, all feared things would get worse before they got better.

In a survey of Alberta nonprofits and charities conducted in February 2009, decreases in revenues from 2007 to 2008 were common for earned income (28.2%) and corporate donations and sponsorships (28.8%) (Calgary Chamber of Voluntary Organizations, 2009a), with many organizations expecting cash donations to fall in 2009. At the same time, 56% of organizations experienced an increased demand for programs and services since September 2008. This rising demand was most common among social service providers.

A follow-up to the Alberta study was conducted in October 2009 which found more than 60% of agencies reported an increase in service demands and operating costs, while the sector experienced continued erosion from all revenue streams (Calgary Chamber of Voluntary Organizations, 2009b). Researchers anticipated the worst was yet to come.

“The real force of the economic recession will hit the voluntary sector in 2010. Charities and nonprofits will be grappling with deepening challenges at the same time as other parts of the economy are recovering.”

*- Calgary Chamber of Voluntary Organizations, *Stretched to the Limit**

In a report on nonprofit community social service agencies serving Oakville, Ontario, Community Development Halton, a member of the SPNO research team, highlighted local findings from the *Hard Hit* report while incorporating results from a series of key informant interviews with sector leaders (Community Development Halton, 2010). Beyond the demand and funding issues, this study raised questions about vulnerable community members that fall through the cracks when agencies are not adequately resourced to meet the need.

“This is mission impossible. Year after year dealing with the most vulnerable with chronically inadequate resources. Now the recession!”

- participant from Community Development Halton study –
Economic Recession: Impact on Oakville Serving Agencies

According to a June 2009 study of Calgary area service users and human service providers, 80% of organizations experienced an increase in demand for services during the six month period leading up to the study, with 66% indicating that they had increased their waiting lists and 60% that had referred community members to other service providers (United Way of Calgary and Area, 2009). Increased complexity of issues was another common theme.

“For many of the people attempting to access services, the complexity continues as they encounter increased wait times, overburdened staff, and agencies stretched beyond capacity. Many people are finding that they have to approach several agencies before they find one with the capacity, skills, expertise or mandate to help them.”

– United Way of Calgary and Area – *The Resiliency Report*

In an Ottawa study conducted between June and September 2009, social service agencies reported a sharp increase in demand for their programs and services, with the greatest increased need among children and youth, new Canadians and immigrants, people with mental health issues, and women (United Way Ottawa, Ottawa Chamber of Volunteer Organizations, Volunteer Ottawa and 211 Ottawa, 2009). When asked whether their funding for the 2009/2010 fiscal year was secure, slightly more than one-third of agencies were uncertain. Thirty-five percent of organizations reported that 50% or less of their funding was secure for the current fiscal year.

A survey of British Columbia nonprofits and charities conducted in September 2009 reported similar findings of increasing demand, declining revenue and future uncertainty (Vancouver Foundation, 2009). Participating agencies included social services, arts and culture, education, health, environment, animal welfare, sports and recreation, and other sectors. More than half reported a decrease in revenue in their current fiscal year, with an average decline of 19%. Social service and health organizations were particularly affected by increased demand for services. Most agencies anticipated funding cuts in 2010, with some organizations expecting substantial increases in demand as well.

Dozens of studies from across the United States, Australia and the UK echo the themes of the Canadian research (see references). The consequences of the recession on nonprofits and the communities that

they serve are clear. Working with diminished resources, agencies and their staff are struggling to meet the needs of vulnerable communities in uncertain times.

The Latest Word

Imagine Canada's *Sector Monitor* is the most recent Canadian study to look at the impact of the economic climate on the charitable and nonprofit sector (Imagine Canada, 2010). Conducted from November 2009 to January 2010, this survey of more than 1,500 leaders from registered charities across Canada found that the nonprofit recession is far from over. Almost half of organizations report having difficulty fulfilling their mission, and more than one in five report that their existence is at risk because of the economic downturn.

The majority of agencies expect to have difficulty covering their expenses in the future: one in ten in the next month or next quarter, nearly one in five anticipating difficulties later in 2010, and more than one in five expecting trouble in 2011. A total of 39% used reserve funds in response to the economic downturn. Almost half of the agencies expect demand for their products or services to increase in the next three to four months. Despite the grim news, charity leaders remain optimistic about the future with 44% expecting to be in a better position to carry out their organization's mission in the next 12 months. All the same, the current state of the sector is far from rosy.

Responding to the Squeeze

Agencies across studies identified a similar roster of coping strategies to address soaring demands, falling revenues and rising costs – increase fundraising efforts, stretch staffing and resources, increase reliance on volunteers and cutback on staffing costs and resources. Agencies also reported using reserves to pay for operations. Partnering and collaboration within the sector was also a common theme. In some cases, agencies joined together in an official merger. Research also highlighted the innovation of the sector to respond to economic challenges, and the resilience of both organizations and the communities that they serve to weather the storm.

While innovation and collaboration, cost and space sharing, and general 'thinking outside of the box' are fine ideas, one and all, none takes the place of adequate resourcing of the sector. Imagine Canada's research underscores the importance of government funding to nonprofits. Among the 19% of charities that experienced government cuts in the past year, just over half identified this decrease as having the most impact on their overall revenue compared to cuts from other sources (Imagine Canada, 2010). This may be due to the size of government funding and cutbacks relative to the organization's total budget, and/or the importance of the services delivered through government dollars.

In the recommendations of the 2009 *Hard Hit* report, we recognized the important role of senior levels of government in promoting the stability of the nonprofit community social service sector and facilitating its capacity to respond to urgent community needs. The Ontario government launched a process to recognize and support this vital role.

In April 2010, the Ontario government made an announcement that it would forge a new relationship with the nonprofit sector (Province of Ontario, 22, April 2010). Over the coming months, the Province will be developing a long-term strategic action plan for its partnership with the sector. Led by Ontario Citizenship and Immigration Minister Dr. Eric Hoskins and Ontario Trillium Foundation Chair Helen Burstyn, this initiative is intended to engage the nonprofit, public and private sectors in discussions about how to make government more responsive to the needs of nonprofit and voluntary organizations. A white paper, including a review of the structural and legislative framework in which the sector operates, options to better coordinate the government's approach to the sector, and models of government-not-for-profit partnerships from other jurisdictions, is expected in the Winter of 2010.

This new initiative is a welcome opportunity to reshape the role of provincial government in the nonprofit community social service sector, as well as, the broader nonprofit sector. Long-time structural and more recent recession-induced challenges of the nonprofit sector underscore the need for immediate and effective action.

Non-Governmental Funders Struggle with Tough Economic Times

Non-governmental funding bodies, such as United Ways, community foundations and other independent grant-making organizations, have an important role to play in the operation of nonprofit agencies. Small nonprofits with little or no governmental funding are especially affected by the state of these organizations.

Media reports have highlighted the challenges faced by non-governmental funders during the economic downturn. The value of foundation endowment funds has decreased with rocky stock markets. Individual and corporate donations have fallen, as middle class donors affected by job loss and uncertainty, and high income and corporate donors hit by losses in the stock market have cut back on charitable giving. The most recent figures from Statistics Canada show charitable giving in Canada down by 5.3% in 2008, and at its lowest level since 2005 (CBC News, 16, November 2009). In Ontario, the decline was greater at 7.9% compared to 2007 figures.

Community foundations have felt the effects of declining revenues. According to a survey of 170 Canadian community foundations conducted by the Community Foundations of Canada, granting levels, while still substantial, fell from \$165 million in 2008 to \$140 million in 2009 (Community Foundations of Canada, 2010). In some cases, community foundations suspended funding entirely. As well, media reports show the challenges that United Ways have faced in reaching their fundraising targets in recent years. For example, United Way Toronto fell short of its 2008 fundraising target by \$2.5 million – an unfortunate first in 18 years (Ferenc, 22, January 2009), although it rebounded in the 2009 campaign.

Ten funders and grant-makers took part in the Ottawa study on the impact of the economic downturn on social service agencies (United Way Ottawa, Ottawa Chamber of Volunteer Organizations, Volunteer Ottawa and 211 Ottawa, 2009). Results show that requests to funders from both supported and new agencies between 2008 and 2009 increased by about two-thirds. Funders reported an inability to meet these rising needs, and spoke about their own need for more support. While funding from government

sources remained relatively stable, funders reported declines in revenue from corporate giving, individual donations and investment portfolios.

In a survey of 284 Canadian foundations, Imagine Canada's *Sector Monitor* reported that just over one-third of foundations experienced a decrease in revenues from sources such as investment income, corporate sponsorships, donations and grants, and individual donations (Imagine Canada, 2010). In response to economic conditions, 41% of foundations cut the total value of grants made and 44% cut the number of grants made. A total of 17% of foundations stopped accepting new grant requests in response to economic conditions, and 7% suspended grant-making. Despite tough times, nearly two-thirds of foundation leaders remain optimistic that their organizations will be in a stronger position to fulfill their mission in one year. How this is likely to affect grant-making levels in the future is unclear.

The nonprofit sector's struggles with the ongoing economic downturn are clear across Canada, in the United States, and beyond. In the following section, we present results from a one-year follow-up to the 2009 *Hard Hit* survey of nonprofit community social service agencies in Ontario. The follow-up study was conducted to assess the impact of the current economic climate on the sector. The intention is to track the changes that are happening in Ontario. For the 2010 study, we expand the focus to include non-governmental funders to begin to see a wider view of the funding situation for Ontario non-profit organizations.

Survey Results

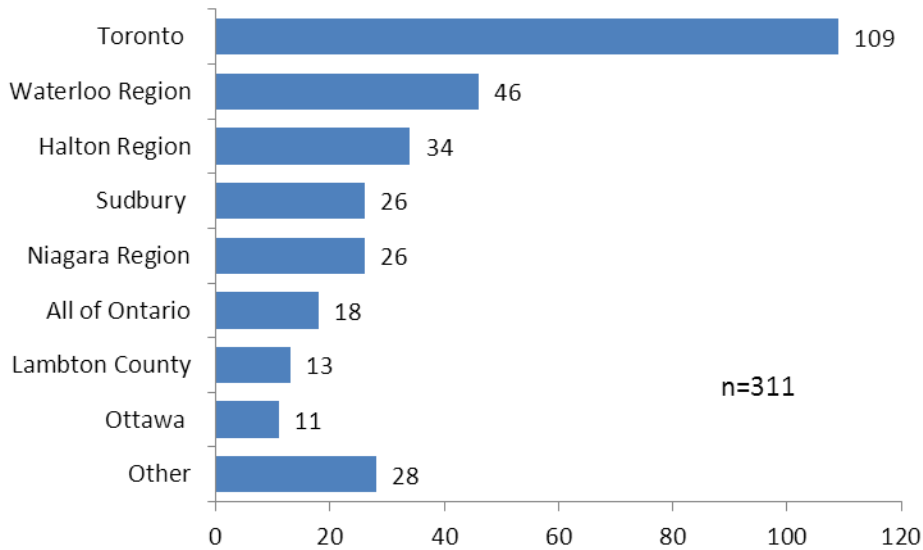
Summary of Respondents

There were a total of 311 respondents to the 2010 survey representing nonprofit community social service organizations from across the province. These respondents represent an array of service sectors and communities served.

Geographic Distribution

As shown in Figure 1, the highest proportion (35%) of respondents is from organizations located in the City of Toronto, which is an increase from 32.7% from 2009. A further 14.8% of the 311 respondents are from organizations located in communities in the Greater Toronto Area (GTA) which is exactly the same as in 2009. Of the remaining respondents: 23.2% represented organizations located in communities in the Greater Golden Horseshoe; 9% represented organizations located in Northern Ontario; 6.4% represented organizations located in Eastern Ontario; 5.8% represented organizations serving all of Ontario; 4.5% represented organizations located in South Western Ontario; and 1.3% represented organizations located in Central Ontario. A total of 5.8% of participating agencies provide programs and services province-wide.

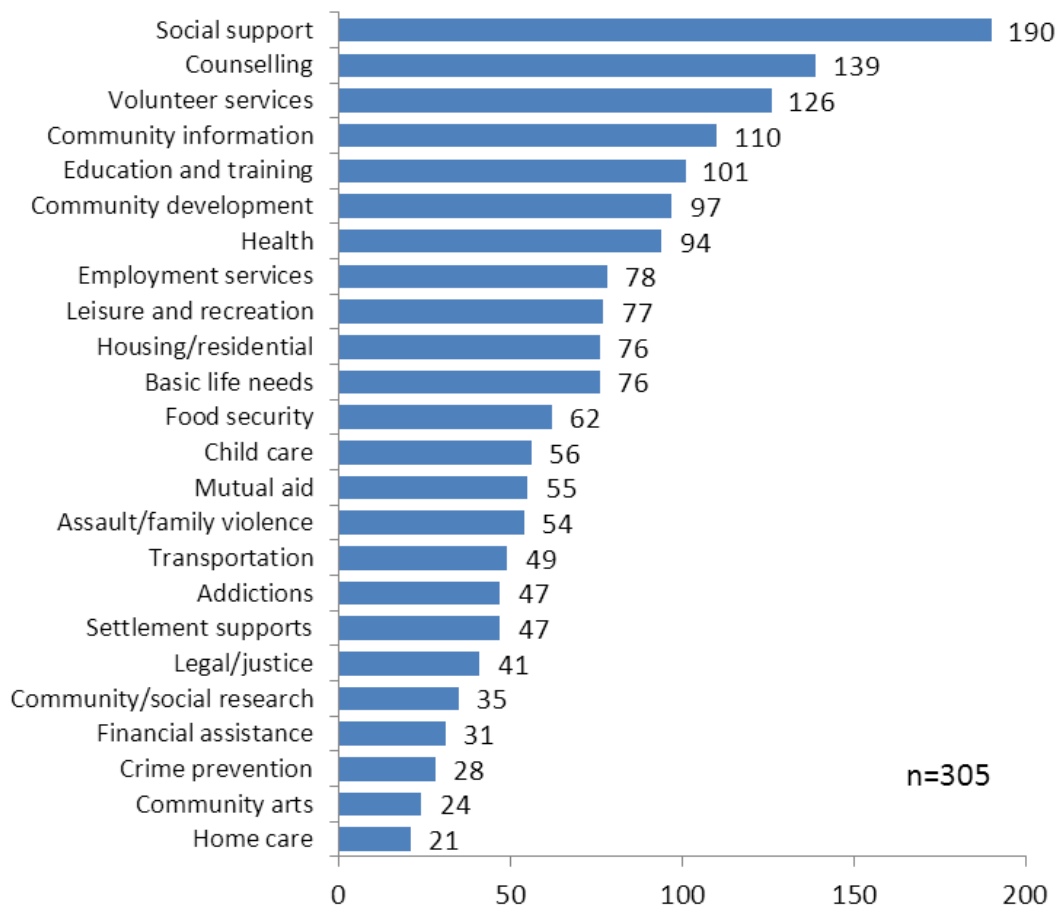
Figure 1. Number of Respondents by Location (Region/County) of Organization



Area of Service

Respondents were asked to identify all of the areas in which their organizations provide programming or services (see Figure 2). The top seven areas of service are identical to the 2009 survey, with only a slight difference in order. The majority – 62.3% – of respondents represented organizations in the social service and support sector, followed by 45.6% of respondents providing counselling services, 41.3% of respondents providing volunteer services, 36.1% of respondents providing community information services, 33.1% of respondents providing education and training services, 31.8% working in the area of community development, and 30.8% of respondents providing health services.

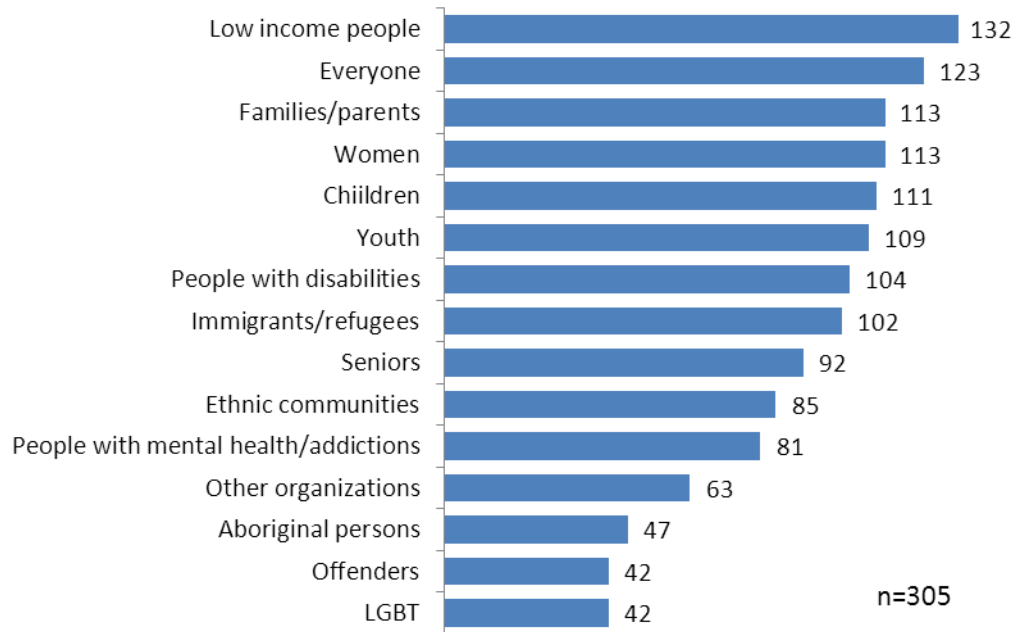
Figure 2. Number of Respondents by Area of Service of Organization



Groups and Communities Served

Agencies provided serves to a broad range of groups and communities as shown in Figure 3. The top five populations served by the respondent organizations were low income people (43.3%), everyone (40.3%), families and parents (37%), women (36%) and children (36.4%).

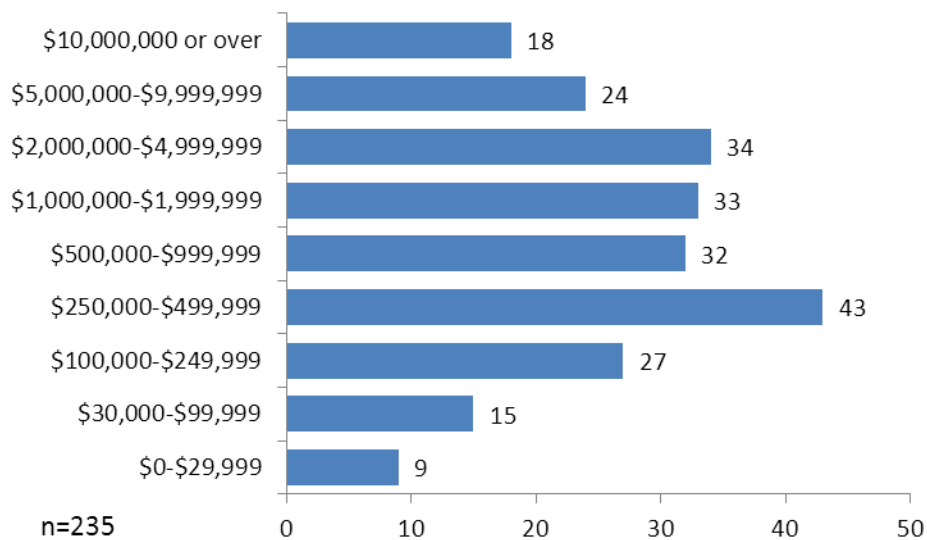
Figure 3. Number of Respondents by Populations Served



Annual Budget

In order to help gauge the size of the organizations, we asked respondents to identify the size of their total agency budgets within a range of nine categories for \$0 to \$10 million and higher for the previous fiscal year (2009) (see Figure 4). Respondents represented organizations with budgets ranging across a wide spectrum, with over half – 60% – having an annual budget of \$500,000 and over in 2009. Using this measure we can see that our respondents represented organizations of vastly different sizes, ranging from the 3.8% of respondents representing organizations with budgets under \$30,000, to the 7.7% with budgets over \$10,000,000.

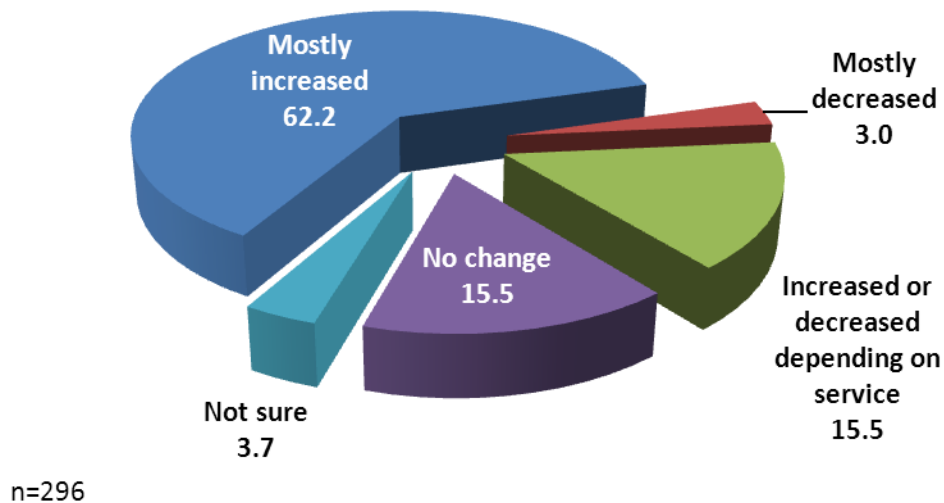
Figure 4: Number of Respondents by Annual Budget (2009) of Organization



Changes in Service Demand

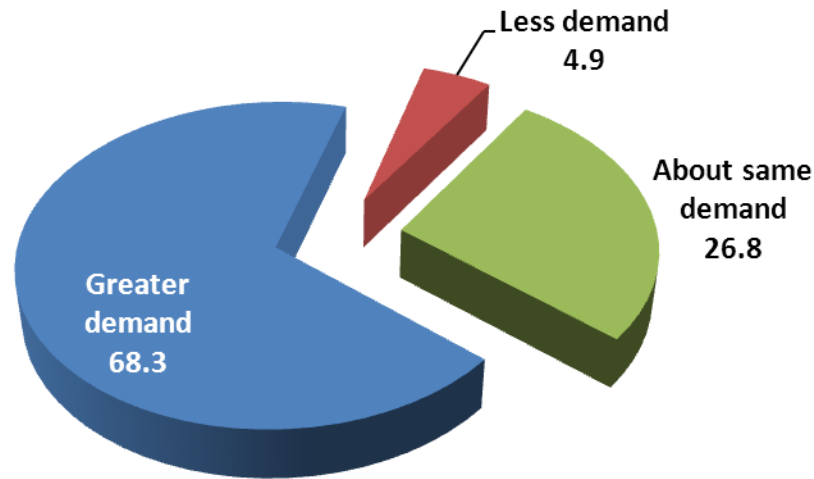
Respondents were asked to indicate what kind of change, if any, their organizations had experienced in demand for programming or services over the past 12 months since April 2009. A total of 75.9% indicated that they experienced a change in service demand since April 2009 (see Figure 5). A total of 62.2% indicated that they mostly experienced an increase in the overall demand for services, and a further 15.5% indicated that they experienced increased demand in some areas of service but not in others. Only 3% indicated that they experienced a decrease in demand and 15.5% indicated that they experienced no change in service demand. A further 3.7% indicated that they were not sure if service demand had changed.

Figure 5. Change in Service Demands over Past 12 Months



Further, respondents were asked about how their current level of service demand compared to levels of service demand prior to the economic downturn that began in September 2008. Nearly 70% of the respondents indicated there is currently a greater demand for services than before the economic downturn (Figure 6).

Figure 6. Change in Service Demand Since September 2008



The qualitative responses were in many cases extremely detailed, painting a picture of several agencies experiencing distress as they deal with increasing demand from the communities they serve. Community members served by these agencies are experiencing more mental health issues, anxiety and stress and increased need for basic needs such as food, housing and transportation. In many cases, service users have multiple or other kinds of more complex needs.

The majority of organizations are experiencing an increased demand for their programs and services as a result of the impact of the economic downturn within communities, and for families and individuals.

Organizations have responded to increased service demands by:

- Working harder,
- Staff working many unpaid hours,
- Recruiting more volunteers,
- Decreasing individual care and putting a focus on group approaches,
- Decreasing preventative care and increasing crisis management, and
- Introducing fees and/or increasing program fees in some cases.

However, the wait lists in many agencies are growing and clients are frustrated. There are numerous comments about prioritizing efforts through programs and services – focusing on core services, with innovations and piloting work being set aside for the time being.

According to a majority of comments, staff, volunteers and boards are experiencing stress, decreased morale and burnout. Though the number is small, some organizations are on the brink of closing. Staff at all levels have worked harder without any increases in salary over the past several years and in some cases have had hours reduced. Many groups have not received the same level of funding as in the past

from government and/or foundation sources and fundraising is a growing challenge. Although many have focused their efforts on fundraising as they look towards the uncertain future.

Some organizations have received new dollars from government to address aspects of the impact of the economic downturn. For example, some organizations reported the arrival of the 2.5% increase from the provincial government for their sector.

A number of survey respondents made comments about the inadequacy of one-time funding related to sustainability. Whereas such one-time grants provide temporary relief for organizations, the grant often results in more instability and difficult choices when that funding comes to an end.

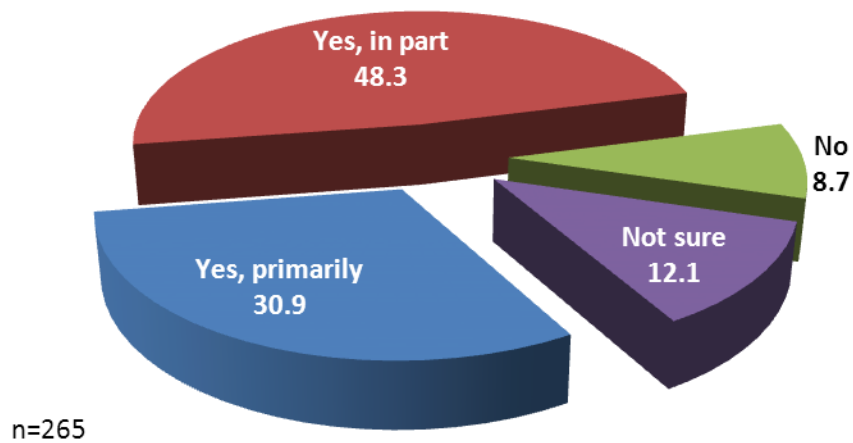
The marginalization of the nonprofit sector in regards to funding and the impacts on clients and employees is not new to this current recession. However, the downward spiral that many in the sector are experiencing now is compounding a stressful situation that has been in place for many since the mid-nineties.

A few respondents commented on positive outcomes in this challenging time for the nonprofit sector. Many of these organizations are reaching out to create a volunteer base for the first time and are enjoying that connection to community. Others wrote about feeling proud of their people's (staff and board) perseverance and grit during these economically challenging times and how they have confirmed the importance of the work that they do. The challenges have also resulted in innovation and creativity. Some organizations have developed ways to do more with less so they can continue to provide programs and services in the best way possible for the communities they work with and serve. The most prominent theme amongst the positive comments is the relevance, effectiveness and efficiencies that have come when working in collaboration with local partners.

Reasons for Change in Service Demand

Respondents were asked to report reasons why their organizations have experienced a change in demand for programming and services. Among respondents that mostly experienced an increase in service demand, 79.2% indicated that the increase in service demand was at least partially due to conditions related to the current economic recession (Figure 7).

Figure 7. Economic Downturn is the Reason for Service Demand Changes Since April 2009



Service Users and Employment Insurance

Further, respondents were asked about community members that they serve and issues with Employment Insurance (EI). Nearly two out of five respondents (38%) experienced an increase in the number of clients seeking services due to EI benefit exhaustion (Figure 8). As well, the same number of respondents indicated seeing an increased number of EI exhaustees applying for Ontario Works (Figure 9).

Figure 8. Has There Been an Increase in the Number of People Who Are Seeking Services Because They Have Exhausted their Employment Insurance (EI) Benefits?

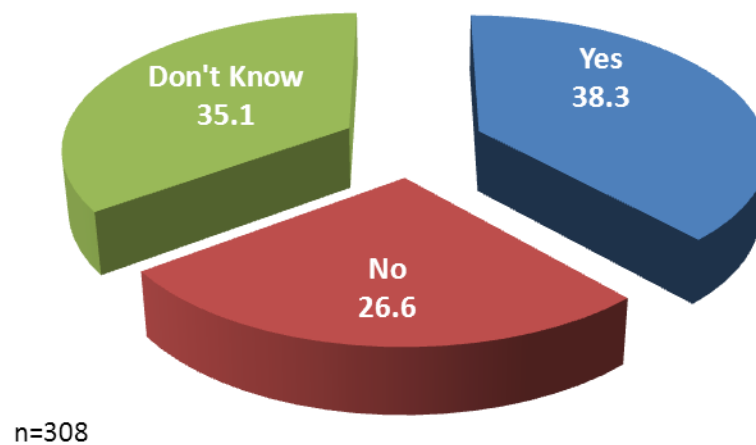
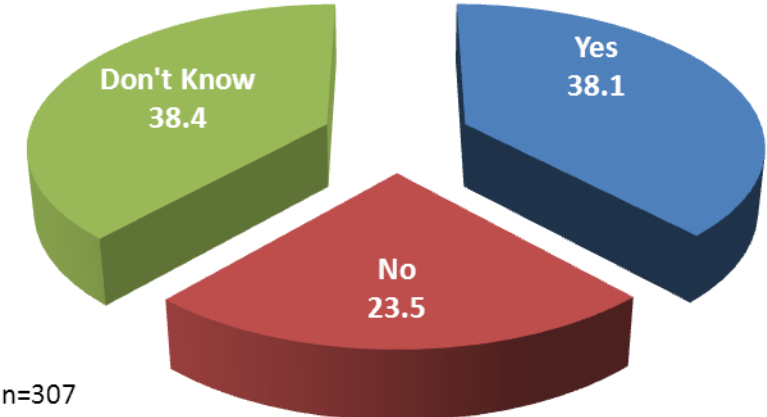


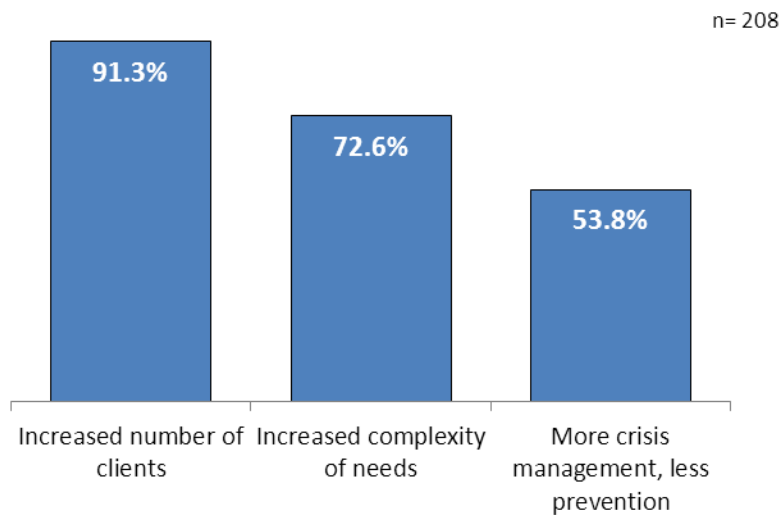
Figure 9. Has There Been an Increase in the Number of People Who Have Exhausted their Employment Insurance (EI) Benefits Who Are Now Applying for Ontario Works?



Impact of Change in Service Demand

Respondents were asked to give more details about two key programs for which they had experienced increased service demand since April 2009. Of all respondents, 208 identified at least one key program or service. Among these respondents, the vast majority (91.3%) indicated that the increase in demand has largely been reflected in an increase in the number of clients that they are seeing (Figure 10). Almost three-quarters reported seeing clients with an increased complexity of needs, and over half reported more crisis management with less time for prevention.

Figure 10. Impact of Increase in Service Demand for Up to Two Key Programs/Services



More complex and acute client needs contribute to increased staff stress levels. These results mirror those reported in the 2009 *Hard Hit* study. Demands come in the form of multiple issues across a number of areas reflecting determinants of health or from a spiralling effect once economic issues are experienced. Clients are requiring more help which may or may not be within the mandate of any given organization.

Survey respondents gave a number of examples where people with significant health issues have lost their jobs, leaving them without benefits to cover high prescription drug costs. This was particularly the case for mature workers who have recently become unemployed.

In addition to the recession, other demographic trends are seen to be playing a role in increased demands on organizations. The needs of our aging population are becoming more evident as a larger number of seniors seek services for more complex issues. Organizations are also seeing an increase in the numbers of new immigrants requiring assistance. Language and/or cultural differences are adding to the complexity of issues for newcomers.

“With increased jobless[ness] comes unstable housing. There is an increase in the number of folks that require support, guidance and advice. More folks are asking for budget counselling and support from rent banks and winter warmth programs. The mature worker who is now seeking work after being employed in the same company for 20 years has grown considerably.”

For others, the demand comes in the form of meeting the growing needs of other agencies - agencies serving other agencies (like social planning councils).

“There is an increased demand on our social planning services to provide quality information for program planning and grant writing. The need for volunteers to guarantee service provision is increasing while the capacity of agencies to maintain their volunteer core is diminishing.”

Agencies wrote about how they have responded to these specific program demands. Again, their comments mirror many of those noted earlier. They are doing less preventative work and are involved in short-term interventions. Where possible, some agencies are working in partnership with one another.

In some cases, agencies have been able to hire staff to deal with the demand, while others have shifted staffing responsibilities to address the demand. Some note that their agencies are less able to be involved in community committee meetings. In a number of organizations, staff members are working a portion of the week for free.

The largest number of comments given for how organizations were responding to the demand are about 1) staff stress due to workload, 2) no additional salary and 3) the complexity of needs that staff are seeing.

“Staff are stretched and we have to watch for burnout. We have a very committed staff and they give volunteer hours to see that everything is done.”

Numerous positive comments were made about the number of new volunteers as well as the need to better support volunteers and board members to meet higher levels of demand. Innovative service models are also a positive spin-off.

However, again we read about preventative care falling to the wayside with the potential to result in deepening crisis.

“The lack of preventative work creates opportunity for more crisis to occur.”

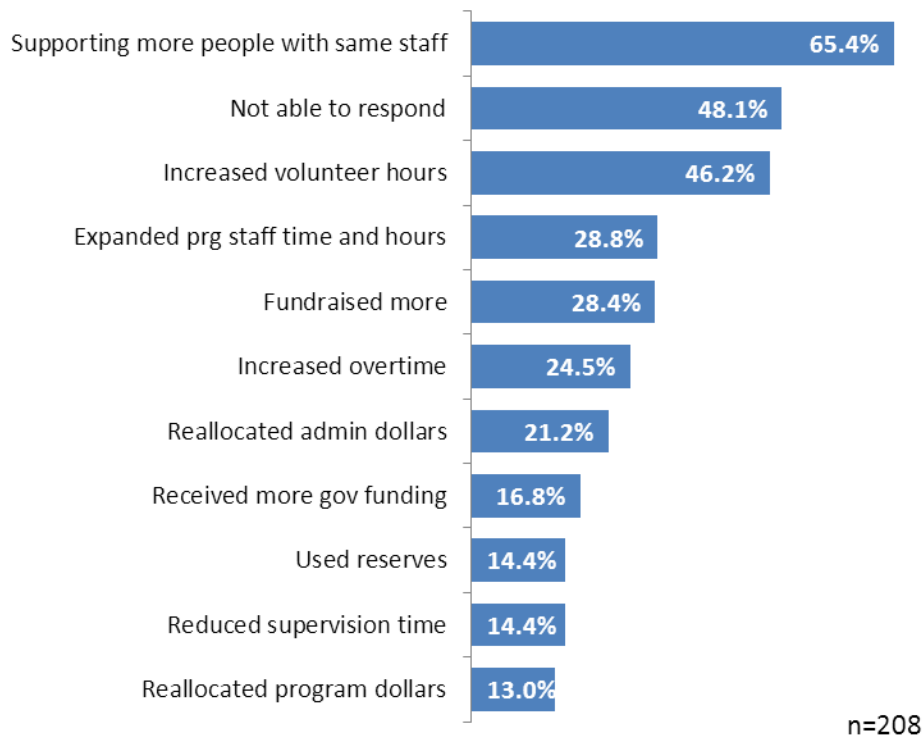
As noted many times earlier by several respondents, partnerships seem to be one of the most positive outcomes of the economic challenge. Although partnerships can be time-consuming to develop, they can lead to effective solutions for clients, as noted in the following survey quote:

“The positive effects to the actions we have taken to meet the needs of increased demand, the relationship and communication building with other organizations. This has evolved and been fine tuned over the past year, we are finding the clients are transitioning at a quicker rate.”

Response to Change in Service Demand

As shown in Figure 11, agencies took many actions to address the increased demand for key programs and services. Most commonly, organizations reported supporting more people with the same staff, increasing volunteer hours, expanding program staff time and hours, and increasing fundraising efforts. Despite efforts to address the need in communities, almost half of the organizations reported being unable to respond to the need.

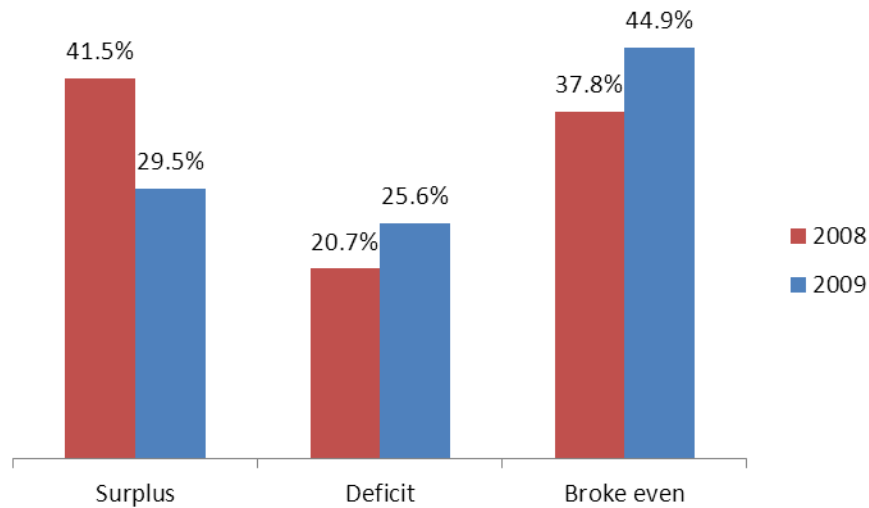
**Figure 11. Organization Response to Increase in Service Demand
(% organizations that experienced an increase in demand)**



Change in Budgets

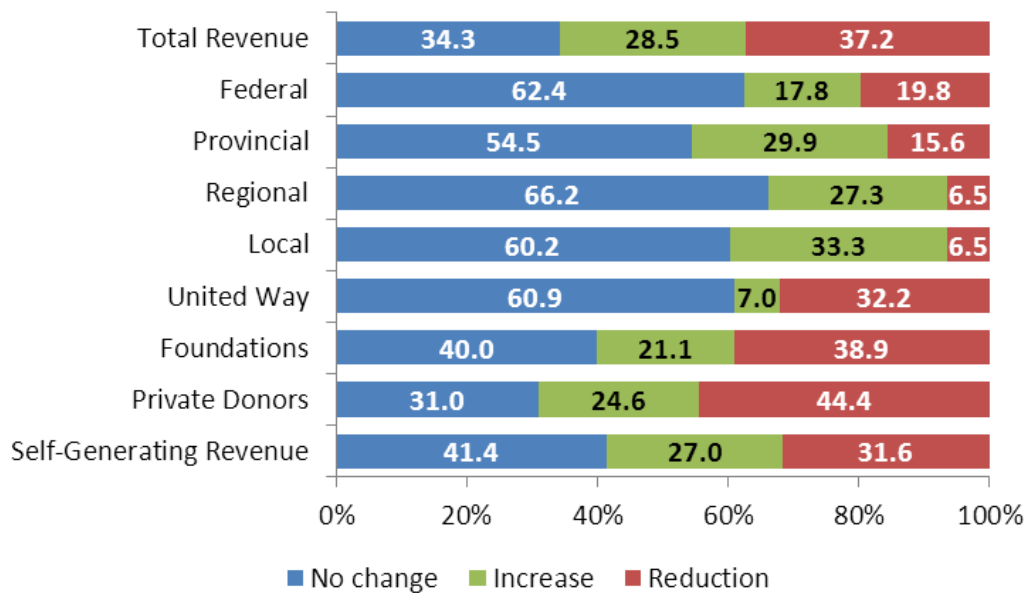
Respondents were asked to indicate whether they had experienced any actual changes to their organizations' budgets or if they anticipated any forthcoming changes to funding in the wake of the economic downturn. As shown in Figure 12, we see a trend toward instability with a 12% drop in the number of organizations posting a surplus between 2008 and 2009, and a 5% increase in those posting a deficit.

Figure 12. Organizational Financial Position for 2008 and 2009



In the 2010 fiscal year, a total of 37.2% of respondents experienced a decrease in revenue, taking into account all funding sources, compared to 28.5% that experienced an overall increase (Figure 13). Further, 27.3% of respondents anticipate a decrease in funding in the 2011 fiscal year, while 20.9% anticipate an increase (Figure 14).

Figure 13. Respondent Organizations that Experienced Actual Funding Changes at the Time of the Survey (April 2010) by Source of Funding



When we look at specific sources of funding, we see that while about half of the respondents are confident that they will maintain their overall funding level in 2011, more than one in five of these agencies already experienced an overall cut in funding in 2010. In these cases, agencies do not anticipate that they will recoup losses from 2010.

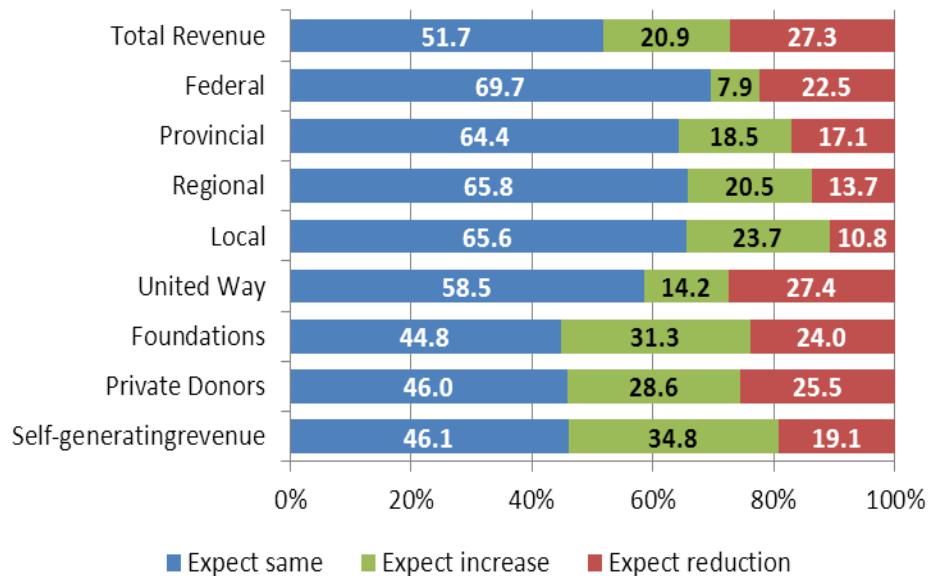
While a majority of respondents are confident that they will maintain government funding levels, many do anticipate cuts including 22.5% of agencies receiving federal funding, 17% receiving provincial funding, 14% receiving regional funding, and 11% receiving municipal funding (see Figure 14). While this trend is supported at the regional or local (municipal) level for the current fiscal year, we do see that 20% of those receiving federal funding and 16% of those receiving provincial funding experienced reductions (see Figure 13).

Respondents are less confident in the stability of funding from sources reliant on donations or investment returns. For example, 27% of respondents anticipate reductions in funding from the United Way and 24% from community foundations in the coming fiscal year. This is similar for respondents anticipating a reduction in funding from private sources, such as individual or corporate donations and self-generated revenue. Once again, these expectations are supported by actual reductions reported by respondent organizations in the current fiscal year, with 32% reporting reductions in United Way, 39%

reductions from community foundation funding and 44% reporting actual reductions in funding from private donors.

Respondent organizations also appear to be struggling to maintain self-generated financial resources, such as fee-for-service or investment returns, with 19% of respondents anticipating reductions in funding from these sources and 32% reporting actual reductions in the current fiscal year.

Figure 14. Respondent Organizations that Anticipate Funding Changes by Source of Funding in 2011



Two agencies noted that that they were closing as a result of the downturn.

“...this agency will probably close due to the lack of funding, and the exhausting process to try to secure funding.”

Eleven responses indicated increased budgets because of funding for a government funded program targeted as a response to the downturn (e.g. EI, homelessness), through short-term grants and others through new grants and funding increases. In one case, the budget had increased due to the fact that they had to take over program responsibilities from an agency that had closed down. One respondent points out that although there is an increased budget, in some cases, this does not provide a full picture of their economic situation. With increased operational costs and increase demands, the bottom line is still uncertain. For those parts of the sector that received 2.5 to 5% increases from the provincial government, it was often noted that they had waited a long time for that increase and it was not going to have a large impact given service demand increases.

There were nine comments about decreased budgets, and three that said that some funding lines had gone up while others had gone down. Ten responses were about the uncertainty of the organization going forward in respect to their budgets.

“We have received no funding for 2010 from three funders – this is typical but two funders – one local municipality and the United Way have notified us of 100% funding cuts for this year which is about 1/3 of our stable core funding.”

When probed for other information regarding their financial position, there were a number of comments about the need to rely on agency reserves or surpluses which were very small. Many others commented that they will be running a deficit.

Several organizations stated that many funding agreements do not allow agencies to run a deficit, so that they often need to make up deficits with fundraising efforts. Transfer payment agencies (ministry-funded service providers) are also not allowed to post surpluses.

“We can’t have a deficit as we have no way to pay it back. Therefore, we work very hard to manage our money and break even each year. We’re punished if we have a surplus, as our funders take it back.”

A handful of respondents reiterated that they were in a good financial position and a few others wrote about the generosity of their local communities demonstrated through donations.

“Very prudent operations resulted in surplus – also ensuring dollars put away for a rainy day. This does not represent a cash-rich position.”

Some agencies had not replaced staff after they left, creating some room for them in the budget. However, as will be seen in other comments, this also created staffing stresses associated with meeting service demands with less staff.

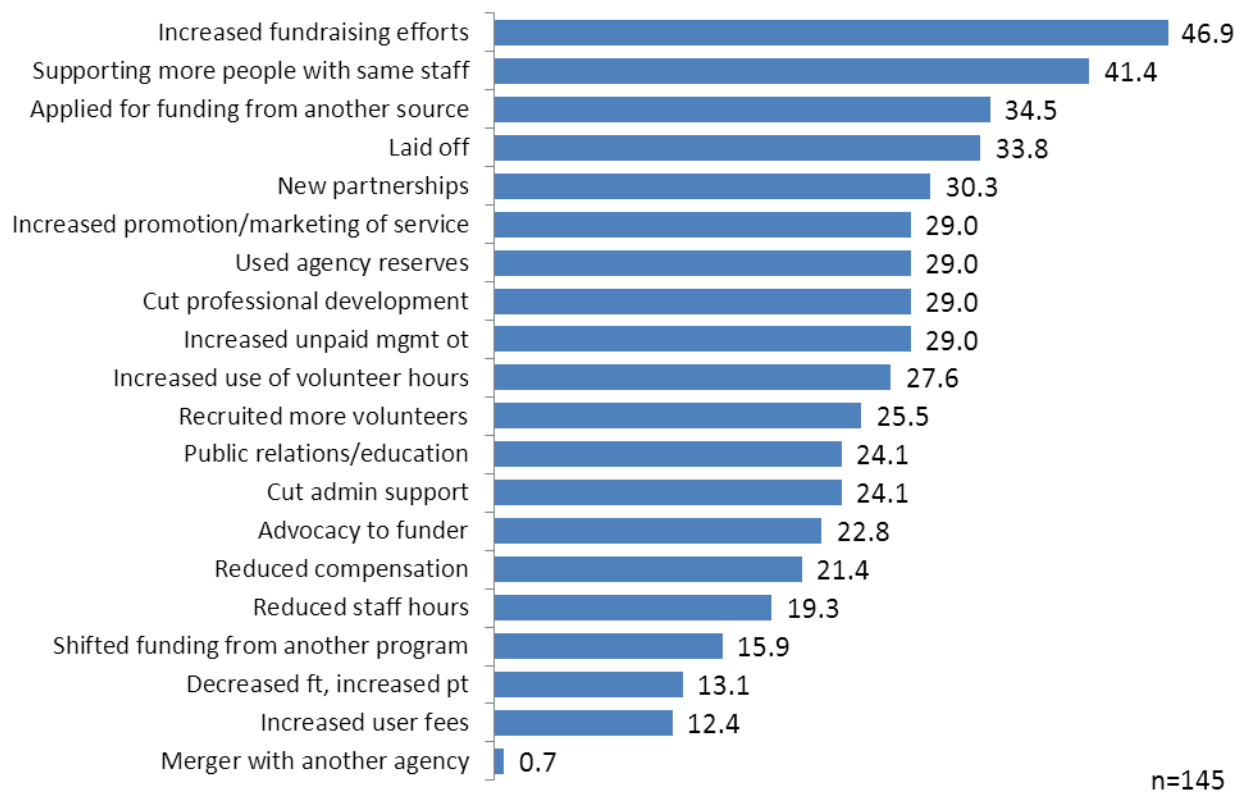
Impact of Change in Budget

Respondents who experienced funding reductions were asked to identify how they have responded to these changes as of April 2010. A significant number of respondents (41%) indicated that they are supporting growing numbers of clients with either the same level or reduced resources as in previous years. As a result, the most common response was that of organizations increasing their fundraising efforts or applying for funding from other sources to try to bridge the gap between financial resources and program and service demand. Many respondents also indicated that their organizations were already starting to feel the strain caused by these conditions. They have responded by reallocating

resources from other agency programs, putting these programs at increased risk and strain, reallocating or cutting administrative resources, increasing the number of volunteer hours, increasing unpaid management overtime, and using agency reserves to cover funding shortfalls.

At the time of the survey, over one-third of respondents who had faced funding cuts had laid off staff, and an additional 13% reduced full-time positions to part-time (see Figure 15).

Figure 15. Organization Responses to Funding Reductions at Time of Survey (April 2010) as a % of Organizations Facing Budget Cuts



Overall impact of actions taken to mitigate funding reductions

The impact of funding reductions on community members accessing services have taken the form of:

- Decreased services and programs,
- Increased or new added fees for program and services and
- Less preventative programming and education initiatives, with staff focusing on crisis management.

Long waiting lists are contributing to client frustration, which staff members feel the brunt of.

“The impact is so great, and we are unable to measure. There are no services, no staff, even to supervise volunteers, and no government support. People are trying to find services elsewhere, and then those agencies are trying to have us assist them, with only volunteers. There are many gaps in our delivery.”

“Funding was not continued for one program, laid off a staff person. This was a Bridge Training program for New Canadians who wanted to learn about Canadian Social Services. Very discouraging since lives and workplaces had changed due to this program as well as some systemic changes which were desperately needed were beginning to take place.”

The impact of the recession on the community is obviously interconnected to the stresses at the agency level, with a downward spiralling effect as one impact builds on another.

“Staff are feeling stressed and burnt out. We are constantly having to go to the community for help. This is hard as previous donors are now having to come to us. Tourism is down so we are helping more employees and the employers are not in a position to donate. Industry that used to donate money and product are now closed and their employees that also use to give are now having to come for help.”

The impact on staff is expressed in comments articulating despair, distress and burnout for many. There is also strain on volunteers and boards. Executive staff members have to spend more time on marketing their agencies and fundraising while staff have less time to spend in the community and working with community partners.

“More time spent on resource development (i.e. ED spends at least 30% of time even when there are resource development staff). More time spent on ensuring financial sustainability and managing risk and less time spent on creative partnerships, knowledge exchange, advocacy etc.”

“Staff are feeling stretched. Caregivers are having to wait longer to receive respite services, thus increasing their stress levels.”

“Staff are somewhat disheartened, since they have gone many years without increments before. Staff are stretched to the limit.”

“Staff are worried we may have to turn clients away and they feel uncomfortable.”

“Staff burnout, stress. Staff morale is at its lowest since I have been involved (33 years) with this agency.”
“Staff working harder to maintain service levels.”

“Staffing stress has increase due to increase demand.”

“Strategic direction has shifted from organization/program growth to survival planning.”

Operational costs for agencies continue to rise (e.g. rent and utility costs) with no increase in core funding to help offset those costs.

“...a lack of increase in core funding (not even cost of living) results in a reduction in organizational capacity due to inflation. We cannot provide more or even the same level of service each year with the same money year after year. It limits our organizational ability to expand services with increasing demands, remunerate staff and keep up with the rising costs of conducting business.”

As noted in other sections, the themes reflected in the positive comments focus on creative approaches, new volunteer capacity, and where there may be fewer programs, stronger partnerships have been developed to meet community need.

“...the impact is not negative. It just is what it is - demand has gone up and we have risen to the challenge with the help of many new volunteers, the Daily Bread Food Bank and careful management.”

Other actions taken in response to funding reductions

Some agencies described other actions taken in response to funding reductions, including:

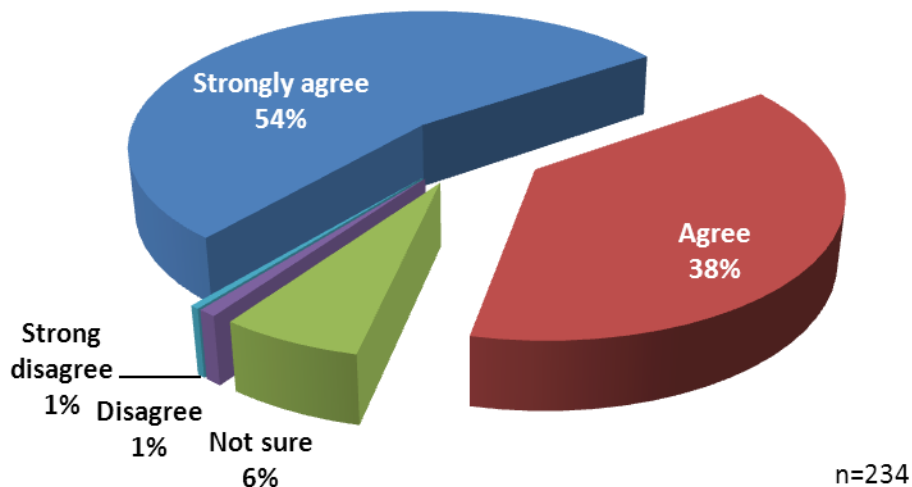
- Staff reductions,
- Vacancies unfilled,
- Focused efforts on fundraising and finding new sources of funding in combination with reduced staff hours,
- Reduced programs,
- Capped growth by organizations,
- New partnerships,
- Decreased internal organizational costs, and
- Took time to look for more in-kind donations.

“Each year pace of inflation outstrips modest increases. Organizational sustainability has been the hallmark of [our organization] for ten years. The impact of year over year cost increases outstripping funding has required us to do: unpaid management overtime; cut admin overhead, advocacy to funder, apply for funding from other sources for new programmes, partnerships and back office, zero based budgeting, tender for services constantly, tight budget control, innovation and effective use of technology.”

Final Observations

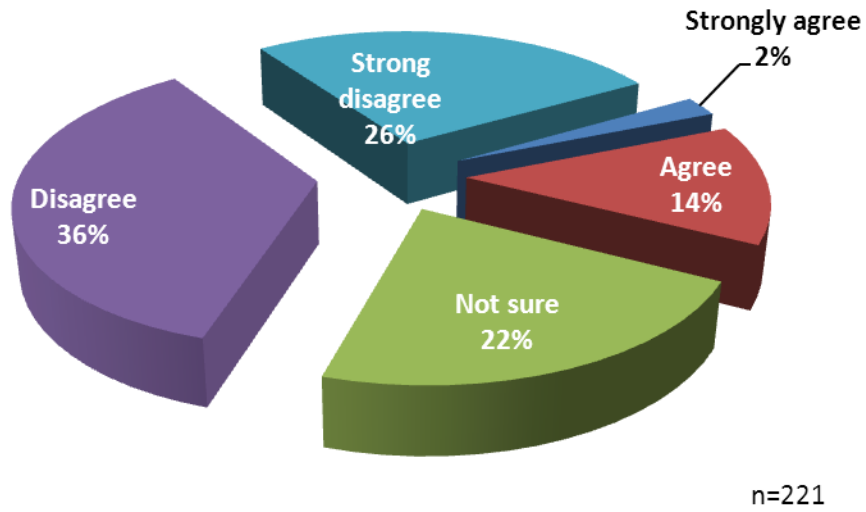
Organizations were asked to state their agreement or disagreement with a number of statements regarding the impact of the economic downturn. When asked if organizations felt that the communities they serve continue to be affected by the economic downturn, 92% of the respondents felt that this was the case, with over half of the respondents strongly agreeing with this statement (Figure 16).

Figure 16. Communities that We Serve Continue to be Affected by the Economic Downturn



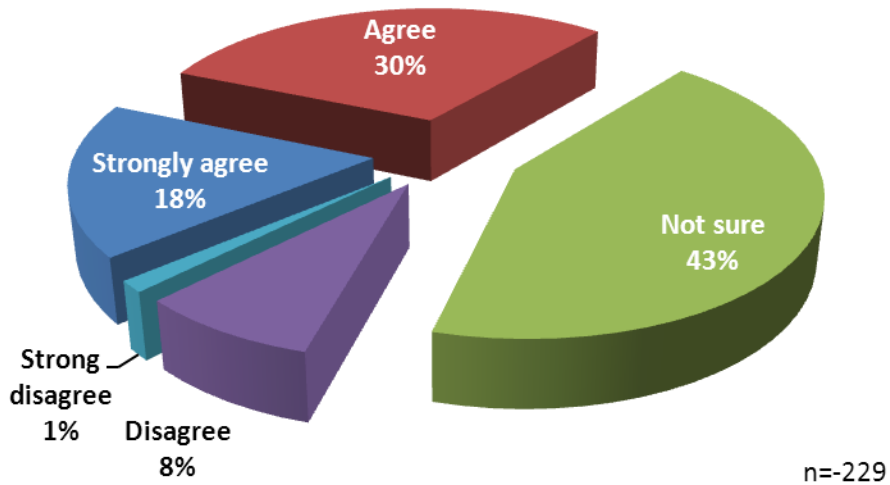
Conversely, nearly two-thirds of the respondents (62%) indicated that they disagreed with the statement that the impact of the economic downturn is lessening for the communities that they serve (Figure 17). Nearly a quarter were unsure if the impact was lessening in their community.

Figure 17. The Impact of the Economic Downturn is Lessening for the Communities that We Serve



Finally, nearly half of the respondents (48%) anticipate that the economic downturn will have a lasting impact on their organizations. Although an almost similar number of organizations (43%) were unsure. Few organizations were confident that the downturn would not have a lasting impact (Figure 18).

Figure 18. Anticipate that the Economic Downturn Will Have a Lasting Impact on Our Organization



It is hard to know where to start with the final comments that people submitted to the survey. Respondents took substantial time to detail how they were feeling and for the most part it was a reiteration of frustration about the stress and *“marginalization of social services agencies who are serving the marginalized.”*

The comments point to the negative impact that the current funding “systems” and structures have on the nonprofit sector, with the real potential that many good leaders in the sector will leave due to the extreme strain they find themselves in.

“As an organization, we have 23 years of experience of receiving/using funding from all levels of government, the United Way, and corporate sponsors. The funding climate has never been so difficult, under-funded, and over-burdened by administrative processes and requirements by key funders. I know of good leaders who are giving up and leaving the sector, or contemplating it soon.”

The comments reveal that this strain is not new but has been elevated by the economic downturn and the ultimate results are negative outcomes for families and individuals on waiting lists, in limited programs and in survival and crisis mode.

For the reader of the cumulative comments from the survey results, although there have been some positive highlights such as new partnerships, for the most part, it has been a challenging process to adequately summarize what is often despair and frustration. The following quote is a fitting closing comment:

“I think I've given all the sad news possible.”

Summary of Funder Respondents

In addition to surveying community agencies across Ontario in 2010, the SPNO also conducted a complementary survey of non-governmental funders to gauge the impact of the recession on these funding bodies. A total of 33 respondents took part in the 2010 survey, representing non-governmental funders from across the province. Forty percent of the respondents represented United Ways, with the rest representing foundations.

Revenue Available for Granting

According to 32 funders who provided valid responses to questions regarding revenue available for granting purposes over the past two years:

- 11 (34%) have less revenue available for granting purposes in 2010 compared to 2008 prior to the recession, including 3 funders whose revenues for granting purposes have improved but not recovered to pre-recession levels
- 2 (6%) experienced a loss in revenue available for granting purposes between 2008 and 2009 but are unsure how current levels compare to the pre-recession period
- 9 (28%) experienced an increase in revenues available for granting purposes over the past two years – of which 6 experienced an increase in requests for funding
- 7 (22%) recovered after initially experiencing a loss in revenue available for granting purposes
- 1 (3%) experienced no change in revenue available for granting purposes over the past two years
- 2 (6%) were not sure how revenue levels available for granting purposes had changed over the past two years

According to 30 funders who provided valid responses to questions regarding requests for funding over the past two years:

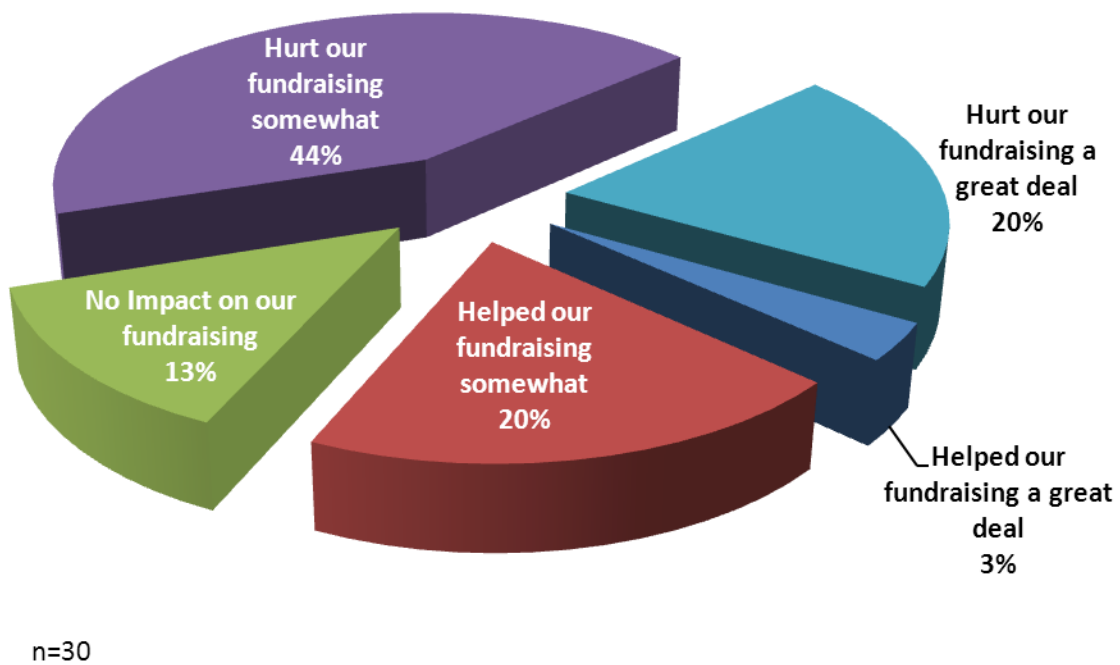
- 12 (40%) experienced an increase in the number of requests over the past two years
- 2 (7%) after an initial decrease in the number of requests between 2008 and 2009, then experienced an increase, resulting in more requests in 2010 compared to the pre-recession period in 2008
- 5 (17%) experienced a decrease in the number of requests over the past two years – of which 2 eliminated or suspended funding programs and 1 delayed making funding decisions
- 8 (27%) received the same number of requests in 2010 compared to the pre-recession period in 2008, including 1 funder that initially experienced an increase in the number of requests between 2008 and 2009, followed by a decrease between 2009 and 2010

- 3 (10%) were not sure how the number of requests for funding had changed over the past two years

Impact on Funders

Funders were asked what impact, if any, the economic downturn had on their ability to raise revenue for granting purposes. Nearly two-thirds of the funders indicated that the economic downturn hurt their fundraising, with 20% indicating it hurt their fundraising a great deal (Figure 19). Just over one in five funders indicated that the economic downturn helped them in their fundraising efforts.

Figure 19. Impact of Downturn on Revenues



Funders offered comments that elaborated on their experience of the economic downturn.

A number of funders commented on the increased numbers of requests from local agencies. The majority said that their donations were down from previous years with many naming corporate donations and employee contributions being down because local companies were “just working to survive” or in some communities there were plant closures.

“The economic downturn has reduced employee contributions to our fundraising efforts due to layoffs, lock outs and company closures. We have also been hit by the corporate matching of employee contributions as well as corporations not able to support our campaign due to restrictions in their revenue generating efforts. The downturn in the tobacco industry has had a big impact on our community as well.”

The most frequent pair of comments focused on the way endowment funds had suffered because of decreased market returns and how funders then relied on “flow through” dollars to either sustain their granting or to at least maintain current commitments.

“Saw an increase in “flow through” gifts versus endowment growth. Spent lots of effort on marketing our legacy program through profession advisors of clients with high-net worth.”

“Endowment fund growth has stalled, as this was largely fuelled by stock transfers (post 2007 budget provisions). While income earned on existing endowments collapsed, a number of donors chose to make 'flow through' grants - i.e. an annual outright gift to provide for charities in the absence of endowment earned income. This alone is the reason we could maintain granting at the 100,000 plus level. Our 'pure' endowed funds generate under 100,000 in grants - flow through grants stretched granting at a time it was most needed. But it is a short term strategy - building a steady funding mechanism (endowed) is still our primary goal.”

Several respondents wrote about their awareness campaigns focusing on people and groups in their local communities in need, resulting in new donors, and in some cases, larger numbers of small donations coming to the foundation.

“We think people may think about social services during an economic downturn, recognizing that the downturn impacts people around them. While there are fewer people in a position to give, those who have the capacity tend to give more.”

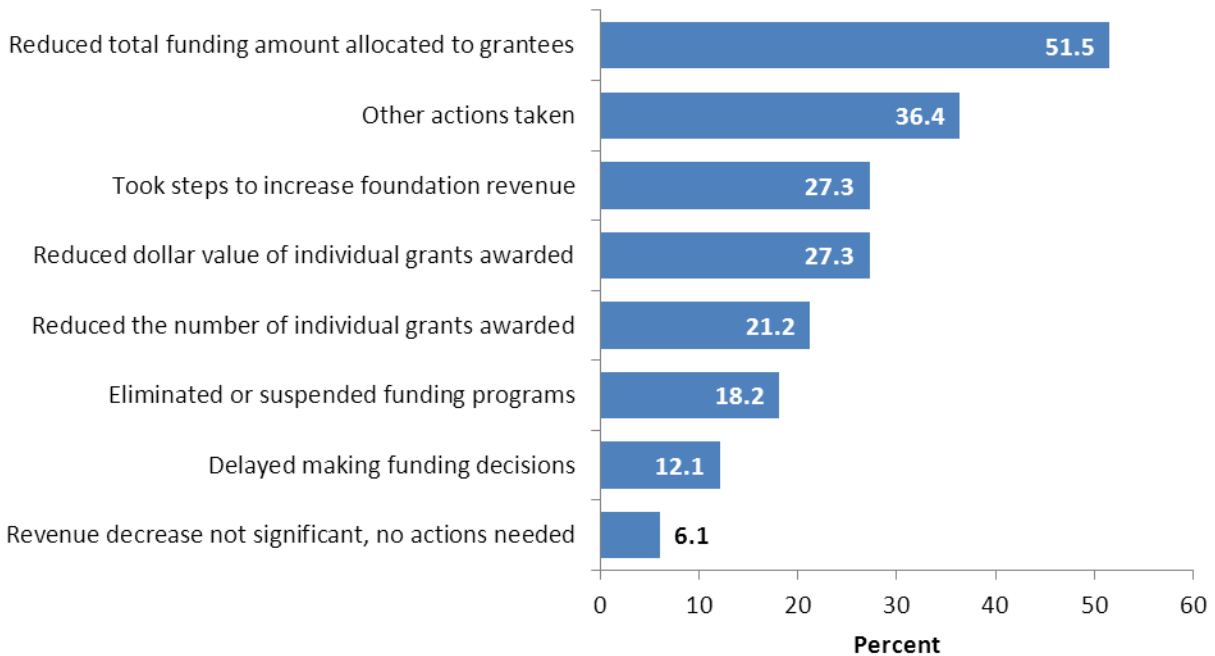
In three cases, respondents talked about the impact of the disaster in Haiti or other local charities' efforts in fundraising that resulted in local donor-fatigue and as a result less revenue.

Five funders commented that they had not had significant changes to their revenue. These funders indicated that they had stuck to the targets that had been set, benefited from the generosity of the community during difficult times, and launched effective awareness campaigns to address the significant need in local communities.

Response to Decrease in Revenue

Funders were also asked how they have responded to a decrease in revenue available for granting purposes. Over half of the funder respondents indicated that they reduced the amount of funding allocated to organizations, as indicated in Figure 20. Other steps that funders took were to either reduce the dollar value of grants or the number of grants given.

Figure 20. Funder Response to Decrease in Revenue



Many funders noted that they had worked to “preserve the core” funding areas that they had already set out and/or focused on maintaining funding for their current commitments, providing no new grants for the fiscal year. As noted earlier, many funders looked to their “flow through” sources to provide funding, and in a couple of cases, the funders dipped into reserve or stabilization funds to be able to meet community needs.

“In 2009 we honoured current commitments but suspended any new granting.”

“Sought flow-through dollars to fund granting either from present fund holders or from the community.”

Several funders mentioned that they had cut costs internally to save; examples given included management wage freezes, and measures to contain human resources, administrative and operational costs.

“When reductions have been necessary, 60% of the total to be reduced has been cut from our own internal operating budget, with the other 40% being cut from our community investments (grants) budget.”

Some of the “other” activities that were undertaken were non-grant related and included supporting local agencies through capacity building initiatives, such as workshops on how to “weather the storm” and develop organizational resiliency. One particular project also included a forum for funders to examine their own practices within the context of resiliency.

“Engaged in supporting charities in non-financial ways - e.g. workshop on collaboration to collectively strengthen the sector for future.”

Actions Funders are Taking to Prepare and Respond to Economic Uncertainty

The key themes in the qualitative responses to the action that foundations are taking to respond to the economic uncertainty included strategic planning, review of policies, aggressive fundraising and awareness-raising and the development of partnerships.

The strategic planning work in foundations includes attempts to re-focus on what their core business areas are and the specific community need they are able to identify. Some foundations are doing research and consulting with their communities to inform their decision-making.

“The Foundation is developing a two year allocation plan and has set targets for funds available for each grant category. We will be more focused and we will strive to support a few key programs which have been threatened by the economic downturn and by the policy changes related to full day learning for 4 and 5 year olds.”

“Based on our consultations with community groups, we will give lower priority to capital requests.”

For some, policy reviews were intended to look at investment approaches. There were a number of comments about the need for conservative portfolios given their reliance on the market for the health of their endowment funds. Other policy review efforts were looking at spending practices.

“Our Investment Committee and Board of Directors monitor investments very closely to ensure that our policies are producing the best possible returns. We are revising our disbursement policy to build protected reserve funds that can be utilized for granting in years when earnings are not available.”

“We amended our Spending Policy in 2009, to ensure a faster provisioning of our “rainy day” reserves, to be better able to grant through the next downturn.”

Although not specifically mentioned as a policy review, there were comments that identified changes in how grant applications should be assessed in relation to increased acknowledgement of operational issues and focusing spending on core priorities.

A number of foundations noted that they would be working to increase their foundation profile and “aggressively” seeking new donation sources in an attempt at securing more funding for the future.

“We have redesigned our campaign structure and operations, recognizing that there is a need to expand our community education piece. We are being very assertive when it comes to new account development, have hired a dedicated prospecting officer and put together a business development committee with high profile volunteers.”

Funders noted the need to diversify their donor base, rebuild endowment funds, and develop larger reserve funds.

The final theme was the development of partnerships. This was mentioned by three funders as part of their action steps.

“And we will work with other local funders to coordinate our activities. We have developed a common application form for three foundations; in cases of multiple funders we negotiate a common reporting form.”

Actions Needed to Support Non-Governmental Funders/Foundations Affected by Downturn

In the qualitative comments from funders, there were a number of calls for government to provide tax incentives for giving.

“Possibly better tax incentives to donate; encourage more people to benefit from giving philanthropically.”

Several funders focused on the importance of smart, well-educated, well-backed advocacy efforts that can push forward changes in how the sector is funded. There were a few comments that indicated that funding for foundations needs to support operational costs during difficult times. This is reflective of the staffing layoffs that some foundations reported on as indicated in earlier sections.

“Government assistance with general operating costs may assist all organizations to maintain basic stability during economic downturn, if this is feasible for government.”

A few funders also asked that there be more lead time in learning about government stimulus grants so that foundations have enough time to react and apply.

The need to support foundations as they look to develop partnerships for efficiency and “explore new structures and ways to ensure organizational resilience” was mentioned by more than one respondent.

“Need to re-examine how we do our business and put resources behind expanding our donor stewardship policies and practices.”

In addition to the comments about what is required to support the work of foundations, several funders noted recent positive changes by the government, as well as the advocacy and support work carried out by other non-governmental groups in support of the sector (e.g. Imagine Canada, Social Planning Councils and Ontario Nonprofit Network).

“Future consideration of the Stretch Tax Credit as defined by Imagine Canada would be supportive to donors thus resulting in increases of charitable donations.”

Some of the other positive comments included:

- Recent federal budget change to “repeal the 10 year gift rule and the new way disbursement quotas are dealt with in the first step”, and
- Recent federal steps for more flexibility for foundations.

Conclusion and Recommendations

As one survey respondent commented, *"I think I've given all the sad news possible."* Nonprofit community social service agencies in Ontario are struggling to meet the urgent needs of communities rocked by the recession. For these agencies, signs of the recovery are few and far between. Squeezed between soaring demands and falling revenues, Ontario's nonprofit community social service sector is living the recession daily.

To make matters worse, many of the sector's non-governmental funders continue to feel the effects of the downturn as a result of falling revenues from individual and corporate donors and diminished values of endowment funds affected by shaky markets.

A recent announcement from the provincial government offers a bright light on the horizon. The Government of Ontario is launching an initiative to re-envision its relationship with the nonprofit sector, with a focus on how to make the government more responsive to the needs of nonprofit and voluntary organizations. This much welcomed endeavour will open up discussions with private, public and nonprofit sector stakeholders over the coming months. A white paper, including a review of the structural and legislative framework in which the sector operates, options to better coordinate the government's approach to the sector, and models of government-not-for-profit partnerships from other jurisdictions, is expected in the Winter of 2010.

While it is our hope that this work will shore up the capacity of nonprofit organizations to effectively support communities in tough times (among other critical goals), the Winter of 2010 is a long ways away – and the release of the white paper will only be a starting point. Results from the Hard Hit studies underscore the need for immediate action to address the most urgent issues facing the sector and the communities hard hit by the downturn. To this end, we recommend:

1) Invest in People

We reiterate our 2009 recommendation to extend stimulus funding for a nonprofit employment program that would provide work for some of the 647,000 unemployed Ontarians (as of May 2010, up from 457,000 in September 2008; Statistics Canada, 2010; 2008) while delivering urgently needed social and employment support services to community members hammered by the downturn across the province. The program has the benefit of reducing unemployment, delivering vital services for those hardest hit, stimulating local economies, increasing revenues for the Province, and bringing new hope to communities where green shoots of recovery have, as yet, failed to germinate.

Similarly, we echo our 2009 recommendations to improve access and benefits to the federal Employment Insurance (EI) program and the provincial Ontario Works program. Almost two in five agencies are seeing more people seeking services who have exhausted their EI benefits, and similar numbers that are supporting EI exhaustees to apply for social assistance.

The federal government continues to deny EI eligibility to more unemployed workers in Ontario than it lets into the program – disproportionately impacting youth, women, immigrants and members of racialized communities. For those who have been able to access EI, the clock has been ticking. Senior economists with the Canadian Labour Congress estimate that half a million claims across Canada could exhaust between late 2009 and into 2010 (Jackson & Schetagne, 2010). For those whose EI has run out and those who couldn't get it in the first place, the Ontario Works social assistance program is the only option for income support. But because of stringent asset rules, applicants to Ontario Works must all but empty their bank accounts and sell off most assets to be eligible for assistance. Paying this price of admission, recipients then have access to income support at a level so low that it leaves half of the province's social assistance recipients living in food insecure households (Social Planning Toronto et al., 2009) – many at risk of homelessness. These crisis-inducing policies have the effect of bringing more people, desperate for support, to the doors of nonprofit community social service agencies.

Improving access and benefits to EI and Ontario Works, as well as, extending EI coverage periods, is essential to struggling communities across Ontario, and will lessen the number of people in crisis that nonprofit community social service providers are currently scrambling to support.

2) Don't Balance the Books on the Backs of the Most Vulnerable

As governments focus their attention on tackling record deficits resulting from this historic global recession, we are deeply concerned that austerity measures will be put in place in the name of debt- and deficit-reduction, that will in turn, deeply harm residents still reeling from the impacts of the economic downturn – and may in fact, bring about further economic decline as an unintended consequence.

The Ontario government's decision to cancel the Special Diet Program, a benefit provided to social assistance recipients with particular medical conditions, is a case in point. To date, it remains unclear what program will be introduced in place of the Special Diet Program, and how it will affect current and future recipients. As it stands, loss of the Special Diet Program could effectively represent a substantial cut to social assistance – ironically, enacted by a government with an explicit commitment to poverty reduction.

The record of past governments responding to debt and deficit does not bode well for marginalized communities. Austerity measures that hit residents most affected by recession are often the order of the day to bring the books back into the black. The recession of the early 1990s is a prime example, when then Finance Minister Paul Martin made a name for himself as the deficit-slayer by cutting deep into social programs at the expense of low and modest income Canadians. To top it off, the Liberal government of the day even used Employment Insurance contributions to pay off deficits and pay down debt - while denying benefits to many unemployed workers all the while. Some success.

It is particularly concerning that growing numbers of nonprofit community social service agencies are anticipating federal and provincial cuts in 2011. Moving forward, we urge governments to safeguard our social programs, and public and community services that deliver for vulnerable and marginalized communities, and are never more important than during tough economic times.

While Bay Street may be enjoying some signs of recovery, the recession on Main Street is clearly evident from the unemployment line to the realities in Ontario's nonprofit community social service agencies. Don't make a bad situation worse. Now is the time for real political leadership. Let's invest in people and the social infrastructure that supports local communities in good times and bad.

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