

# RESPONDING TO THE ECONOMIC DOWNTURN

## NONPROFITS IN CAMBRIDGE & NORTH DUMFRIES



**Social Planning Council of Cambridge and North Dumfries**

**SEPTEMBER 2009**

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### INTRODUCTION

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#### **THE ECONOMIC SUSTAINABILITY OF THE NONPROFIT SECTOR**

The economic sustainability of nonprofit organizations has been a topic of interest to the Social Planning Council of Cambridge and North Dumfries (SPC-CND) for several years. In 2007, we developed and distributed a survey to local agencies exploring the financial strains facing community agencies. Findings of that preliminary work suggested that while many agencies were facing considerable strains and challenges to their sustainability, others had actually seen their funding increase in recent years resulting in expanded program delivery. A constant for all of these agencies, however, was the serious challenge of securing long-term, stable funding. Highlights from the findings of the 2007 SPC-CND survey include:

- a strong majority (67%) of respondents reported an increase in demand for services.
- approximately 75% reported that they were experiencing financial challenges.
- over 90% reported feeling pressure to find more revenues/resources than they were currently receiving.
- 50% of the agencies reported having had to cancel programs due to financial instability.

All respondents reported increased fundraising activities; almost two-thirds were involved in public relations and education; and half were developing new partnerships. These initiatives were aimed at ensuring financial stability in the face of reduced funding through traditional sources.

These findings are consistent with the growing body of literature and experience provincially and nationally. For example, a recent study by Lynn Eakin for the Ontario Nonprofit Network established that agencies are spending an increasing amount of time and resources on efforts to secure funding, in large part due to the move away from organizational funding (core funding) towards project or program funding. While some agencies have found creative ways to respond to this changing environment, it remains a source of considerable stress for many organizations (see resources section for Eakin article).

#### **THE IMPACT OF THE ECONOMIC DOWNTURN ON NONPROFIT SUSTAINABILITY**

The funding context of nonprofits is inextricably linked to their sustainability and the challenges in ensuring their capacity to respond to community needs. With the onset of the economic downturn, many of these challenges have been exacerbated and new ones have emerged. This study attempts to shed light on how local community agencies are experiencing and responding to the current recession, within the context of existing sector realities.

In the spring of 2009, the Social Planning Network of Ontario (SPNO) developed and distributed a survey through local partner Social Planning Councils (SPCs) regarding the impact of the economic downturn on nonprofits around the province. It meant to establish a baseline regarding the experience of the non-profit community in order to assess the actual and anticipated impact of the changing economic climate. This survey will be repeated at regular intervals over the course of the next two years to track the ways that nonprofits are experiencing and responding to this downturn.

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## METHODOLOGY

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Locally, surveys were distributed to agencies via the SPC-CND electronic mailing lists. Between April 20, 2009 and May 1<sup>st</sup>, 2009 agencies were invited to complete the brief survey aimed at providing a baseline look at the situation facing nonprofits within the context of the current economic downturn.

Data was compiled by SPNO staff and agency liaisons and distributed for local analysis. Based on these results, interviews were scheduled with representatives from several local agencies to further explore some of the issues and ideas identified within the survey. Additional interviews were scheduled with local funders to provide a more comprehensive view of the current context within which nonprofits are working and to identify possibilities for collaboration and partnership with funding bodies. The interviews were conducted one-on-one in person or by phone and were open-ended to allow for new issues to emerge. The discussions focused generally on three areas: changing community needs as perceived by agencies, organizational responses to the economic downturn, and long-term planning.

The interviews held with funders and nonprofit agencies were used as a way to validate the emerging trends captured in the primarily quantitative survey. By combining the survey and interview data a rich snapshot of the current state of the nonprofit community in Cambridge and North Dumfries emerged. While the numbers of respondents reflect only a small fraction of the agencies serving our communities, their experience can provide us with some preliminary insights into the challenges and the creative solutions being explored to continue to meet the growing needs of the residents of Cambridge and North Dumfries. This will provide an opportunity for ongoing dialogue with a broader section of stakeholders in the future.

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## RESULTS

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Thirty-eight agencies responded to the survey request and provided information on the impact of the downturn on their agency. Of the 38 agencies that responded to the survey, approximately 2/3rds of them provide services to the entire Waterloo Region, while a smaller number of agencies focus services in Cambridge and/or North Dumfries only.

Sixty-seven percent of the agencies identified themselves as deliverers of social services and supports, while 40% provide counseling services. Thirty percent of respondents were providers of volunteer services, employment services and education and training respectively. Other service areas were reported in lesser numbers with a total of 14 different areas identified by respondents.

The primary groups served by these agencies included the community at large, families, people living on low-incomes, children, youth, immigrants/refugees and persons with disabilities.

Annual organizational budgets ranged from under \$30,000 to over \$10,000,000+, with just under ¼ of the budgets falling between \$500,000 – \$999,999. Another 16% had budgets of over \$10,000,000, and 18% were working with annual budgets of under \$100,000.

Questions posed in the survey focused on the experiences of agencies in terms of service demand, actual and anticipated changes in funding and financial stability. The strategies required to ensure that agencies emerge from the economic downturn in a strong position to meet future community needs were also discussed.

Findings from the local analysis were consistent with preliminary provincial findings that agencies are facing increased service demand, considerable organizational stress, and small changes in actual funding to date with anticipated future funding reductions in the coming years. Overall, agencies reported having to find new and creative ways to manage the challenges posed by the economic

downturn and were having to explore new avenues of funding and service delivery.

### **CHANGES IN SERVICE DEMAND**

When asked about changes in service demand experienced by agencies since September 2008, 68% of respondents reported seeing an increase in service demand, 18% saw no change, and 12% saw service demands increase or decrease depending on the service. No agencies reported an overall reduction in service demand.

Several agencies reported seeing significant changes in the composition of their clientele due to layoffs. They reported that people who “never expected to need any of these services” were now requiring emergency supports, whether that be food assistance, employment counselling, subsidies for rent, recreation, etc. Often these new clients do not know how to navigate the system to access the services they need and require significant investments of time and resources. Respondents suggested that these individuals are often hesitant to access the supports they need due to feelings of shame and guilt. Many of them have relied on privately-funded services (such as mental health supports) prior to this economic downturn which they can no longer afford.

“84% of the people who come for counselling cannot cover the cost of the service they receive. Essentially the more people we see, the more money we lose. As such, the impact of increased service demand means that we need to fundraise additional money to make service-provision possible.”

One youth-serving organization reported an increase in housing referrals from families in financial distress wherein a parent must relocate out of town or downsize to a one-bedroom apartment and can no longer accommodate their child.

The majority of respondents (65%) felt that the changes in service demand were directly attributable to the worsening economic situation,

primarily or in part. Thirteen percent of respondents saw other factors as primarily responsible for the changes in service demand, including increased public awareness regarding their agency or issue and enhanced program marketing.

### **IMPACT OF INCREASED SERVICE DEMAND**

The organizational impact of the increased service demand was being felt by over three-quarters of agencies. While 20% felt they could not fully gauge the impact at this early stage, 76% reported that the impact is being felt already. These effects include: increased caseloads, more hours worked without additional staff; increased stress on staff and organization; an inability to provide clients with the holistic support they need; increased human resource costs; volunteer burnout; increased wait times ; increased reliance on fee-for-service work; and increased human resource investments in securing additional funding sources.

“Staff has been stretched to the limit to meet the demand with fewer resources.”

When asked how their organizations were responding to the increased demand they were facing, most agencies responded that they were simply “doing it”, despite the challenges. This was highlighted by several respondents as inherent in the “nonprofit model” – that no matter what the circumstances the face, the sector will continue to provide services and “get by”. For many, this involved reallocating administrative resources to extend programming, or redirecting funds between programs. Many others relied heavily on increased volunteer hours, often running the risk of volunteer burnout. Some respondents acknowledged that they were simply unable to respond to the increased demand and few saw the status quo as sustainable. *No agency reported having received additional funding to meet this increased demand.*

Several respondents highlighted the broader context of economic vulnerability facing non-profit organizations. This recession was seen as merely

exacerbating existing concerns around sustainability for agencies that are struggling to meet community needs and changing funder expectations despite being chronically understaffed and under-resourced.

“Our agency and the approximately thirty that we work with in our network are under tremendous stress to try to meet the sharp, steep rise in demand for our services. They want to provide programming but there are only so many hours, staff and resources to be stretched. We have already put up with a 10-year funding freeze so this added pressure is very difficult.”

### FUNDING CHANGES TO DATE

To date agencies have seen few dramatic changes in funding, particularly from higher levels of government. A few agencies reported minor changes in funding (increases or decreases of 10% or less), particularly at the regional and municipal levels. However, several agencies did report having already seen shifts in funding from the United Way, foundations and private donors. Reductions in United Way and foundation funding of 10% or more were reported by several agencies, and others reported experiencing reductions but had not yet determined to what degree they had occurred. Private donations (both individual and corporate) had increased for some agencies, while others had experienced considerable reductions from these sources. Unfortunately, it is not known if there is a pattern in the types of agencies that have experienced these changes, although it might be hypothesized that “emergency services” may have benefited from increased donations in the short-term. In terms of self-generated revenue, some agencies have increasingly focused on building their capacity to generate revenue through fee for service work, while others have seen decreases in access to this type of funding.

Some agencies that saw losses in traditional funding sources reported that the community has rallied to make up the difference in their budgets, allowing them to continue to meet their service demands. Greater awareness regarding the impact of the recession on our community has prompted generous private donations to some local service providers. Interviewees questioned the sustainability of this community response and whether it could be maintained in the face of a continued recession. Therefore, the need for a more strategic approach to securing funding was acknowledged.

“We are increasing our fundraising efforts. We have very limited administrative resources and program dollars. Staff are being flexible and doing multiple tasks.”

Several agencies that rely on fundraising events as part of their core budgets, however, have noticed decreases in donor contributions. For example, one respondent noted a \$25,000 decrease in private donations and a 20% reduction in corporate participation in their annual fundraiser at the end of 2008.

Agencies that have yet to experience funding decreases are already planning for anticipated changes in 2010. Many are coming to the end of multi-year funding and are concerned that funding from private donors, foundations, and corporate sponsors may be considerably less accessible in the coming months. Several agencies reported considerable time and energy at the Board of Directors and staff levels being invested in contingency planning.

### RESPONSES TO FUNDING CHANGES

When asked if the impact of increased service demand and precarious funding had resulted in cuts to services, almost three-quarters (72%) said no, while 8% had already made cuts and a further 12% are currently reviewing the need to make cuts in upcoming months.

For those agencies who have experienced some funding reduction (23 of the 38 respondents), 61% said they were serving more people with the same staff, 57% had increased fundraising, 52% had increased public relations/education hours, 48% has relied on increased volunteer hours. Just under a third had focused on advocacy with funders (30%) while a further 13% had laid off staff. Almost 40% of respondents reported using agency reserves to cover program hours and 40% had been forced to apply for funding from new sources.

When asked about the strategies currently in place for “getting by” in this time of organizational uncertainty, respondents highlighted the need to ensure that staff and volunteers were effectively informed and engaged in order to maintain morale and productivity. Almost all respondents within the one-on-one interviews highlighted that staff members are being asked to go ‘above and beyond’ in their roles and that it was critical to have good communication and honest dialogue to counter the fear and uncertainty they experienced. The emotional and physical impact of the increased demands on staff was seen as a serious concern if the downturn continues.

### **LOOKING AHEAD TO 2010**

#### *Anticipated Changes to funding:*

Despite relatively few dramatic changes in funding for 2009, many agencies anticipate funding reductions to occur over the next fiscal year. Changes are largely anticipated from non-governmental sources. Federal funding is perceived to be the most secure by agencies, with most recipients expecting funding to remain stable in coming years. Provincial funding was anticipated to be maintained at current levels by a majority of recipients, although several agencies expected reductions of at least 10% next year. Regional funding was also seen as quite stable and to remain constant in the medium-term. Municipal funding was seen as slightly more variable, and although a majority of agencies expect to maintain the same level of funding in 2010, several anticipate at least minor reductions.

United Way and foundation funding were seen as considerably more uncertain, with a majority of agencies fearing at least some decrease. Private donors were seen as the least dependable source, with many agencies expecting to see considerable decreases in this type of funding in upcoming years. A small number of respondents, however, anticipate increases in contributions by private in 2010. Similarly, the opportunity for self-generated funds was seen as fairly limited in upcoming months by most respondents. Consistent with actual funding shifts in 2009, a small number of agencies reported becoming increasingly focused on fee-for-service arrangements to offset reductions from other sources of funding.

“At a time when our community is struggling with how to respond to the economic downturn, innovative strategies rather than traditional service models are required to help people to adjust. Unfortunately, with no funding increases, and the transformation that is occurring within the funding system and increasing parameters in funding, it is difficult to advocate for innovative strategies.”

#### *Meeting Growing Community Needs:*

Several grassroots agencies expressed concern about the longer-term impact that the layoffs and lack of employment opportunities will have on our communities, particularly for individuals and groups already experiencing marginalization. Respondents reported that their outreach workers are witnessing a loss of hope in many of the families they serve particularly those who have received employment services and training and are “job ready” with no jobs to go to. There is a growing pool of unemployed workers competing for low-wage jobs with a broad range of skills and experience. This may lead to the further exclusion of individuals who might previously have been able to access employment through these entry-level positions. On the other hand, respondents pointed out the opportunities being created within this context to build new relationships across agencies, and to engage and support previously underserved communities. One respondent expressed hope that

a legacy of the downturn may be increased public awareness of, and commitment to, reducing the economic inequalities in our society as many more people will have first-hand experience of economic vulnerability by the time the economy rebounds.

The economic situation was also seen by several respondents as an opportunity to review their work as an agency, and as a sector to ensure that services are flexible and creative in meeting community needs. Advocacy was an area that was also seen as a priority, in order to raise the profile of the non-profit sector and the critical role that it plays in times like these.

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### **THE EXPERIENCE OF LOCAL FUNDERS**

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Based on the survey results, the need to explore the experience of local funders was identified in order to provide a richer context for the agency experience. A private foundation, the local office of a provincial funding body and a local capital campaign-driven funder were interviewed. Each brought different insights and very different experiences of the economic downturn to the discussion.

A staff member from the local office of a large provincial funding body explained that there are activities occurring at the provincial and local levels exploring how they can respond to the emerging needs of non-profits in this time of uncertainty. Lessons learned from the recession of the early 1990s have helped both funders and agencies respond more effectively and have informed the planning of many non-profits within this latest downturn. The respondent noted that many agencies are hesitant to approach funders with their concerns about sustainability, for fear of being seen as weak and therefore an “unsafe bet” for funding. While recognizing that their reluctance is understandable, a lack of honest dialogue can be an obstacle to funder attempts to help agencies weather the current economic reality.

Much time is currently spent meeting with agencies to ensure that the “fit” between proposals and agency realities are a match. The funder is exploring a transitional fund that will allow agencies to have some consistent funding as they develop longer-term strategies to address the impact of the economic downturn, to restructure, or to access new funding sources.

The respondent also highlighted the crucial role the sector plays in maintaining healthy, vibrant communities, particularly in times of difficulty. This respondent also acknowledged the high levels of organizational and individual stress caused by the need to maintain services in the face of increased demand and uncertainty. Supporting the sector (both individual agencies and collectively) is seen as a key role of the funder community.

Due to the economic downturn, this local office received a significant increase in 2009. As funding is allocated based on yearly contracts, the future of funding availability is uncertain, however, an acknowledgement of the role of the nonprofit sector in economic recovery was recognized by this funder and the provincial government.

The respondent from the private foundation described the current situation as a “wait and see” game. The foundation is not funding any new projects this year and is unsure about funding for 2010, however all existing grants are being honoured. The respondent reported significant amounts of time being devoted to meeting with agencies to discuss their experiences and concerns regarding the impact of the recession and brainstorming changes in structure or service delivery to meet the new realities. The foundation has been working with agencies holding existing grants to ensure that the agreements still “make sense” within the current context or if changes are required to redirect funds more appropriately within the organizations to help them “weather the storm”.

The respondent described the collaborative work being done by a number of local foundations to simplify and streamline application processes for

future years and to develop a common response to more effectively support agencies in this time of uncertainty. While many foundations are not currently funding new projects in 2009 and possibly for 2010, there may be other roles such as advocacy and facilitating sector dialogue that community funders can play at this time.

However, foundations themselves are also struggling to understand the full impact of this recession, particularly those relying on endowments. In addition to the dramatic reductions in the value of their portfolios that many of these foundations are facing, they are also subject to a complex legal and regulatory framework that sets parameters that they must comply with. The respondent expressed that these regulations limit the ability of foundations to be as flexible as they might otherwise be. Developing a more complete understanding of this framework has been a significant commitment of time and resources for many foundations, as they may not have been fully aware of the regulations they were subject to prior to the recession.

**“[The economic downturn] brought to light a lot of issues many foundations have not had to face before – what flexibility do we have, what can we and can’t we do. It has been a steep learning curve.”**

Drawing on lessons from earlier recessions, this respondent highlighted to need to maintain organizational capacity at the foundation and the relationships that have built with the non-profit community so that when we emerge from the downturn, we are able to move forward quickly and effectively.

The third respondent was a staff member at a local funder that receives the bulk of its funding from annual capital campaigns and corporate sponsorships and has also been dramatically affected by the downturn. It has been forced to cut funding to several of its programs and has made significant cuts to its own core operating budgets, including a review staffing requirements. This funder has been in the midst of a transformation of

its organizational mandate and many of the changes that were meant to accompany the strategic shift have had to be shelved temporarily, including much more direct involvement in the community. This funder has not had the same degree of continued dialogue with non-profits regarding the impact of the economic downturn but sees this happening in the future. Pledge-loss is a key concern of this agency that has prevented it from moving forward with a number of the activities from its workplan. The respondent was cautiously optimistic about the campaign for 2010 given the heightened public awareness of the growing needs of our communities. Contingency planning is underway at the Board level to ensure the continued capacity of the funder to support community agencies.

The respondents who participated in these interviews represent a range of different types of funding organizations. While they face very different challenges within the current economic climate, they have all committed to supporting local non-profit agencies to successfully adapt to the current reality. All respondents seemed to recognize the larger contextual issues that the voluntary sector is operating within and the need to work collaboratively to strengthen sector capacity and sustainability.

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## **CONCLUSION**

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It is clear that our communities are struggling to support our members in this difficult economic context of job loss and increased stress and that agencies are currently managing to do more with less. The sustainability of this strategy is questionable, however, as several respondents noted. There is a growing need for advocacy, for creativity, for a greater recognition of both the vulnerability of non-profits and the enormous contribution they make to the public good by the community and by all levels of government.

Despite the challenges they are experiencing and the unknown duration of this recession, some respondents were able to reframe this time of

“crisis” as an opportunity for the sector to rethink its role and to develop new strategies to invest in sustainability in the long-term. This will require collaborative planning, strong leadership, and new and improved agency-funder partnerships.

Crucial to this planning and sector transformation is a clear sense of what is happening to agencies “on the ground” and how they are currently responding individually and collectively. It is hoped that the work being done by the SPNO and its local partner agencies will contribute to this dialogue and help us to build a revitalized non-profit sector.

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### NEXT STEPS

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The SPNO survey will be re-distributed in the fall and then semi-annually for the next two years in order to develop a clear sense of the impact of the economic recession on non-profits locally and provincially. A provincial report on the SPNO survey will be released in the fall of 2009.

In June of 2009, preliminary survey findings were presented to the Human Services Advisory Committee to Cambridge City Council. This committee’s mandate includes policy development and analysis, service planning and advising City Council on a broad range of human services issues. Following the presentation, it was determined that there was a need to further explore the local context of the economic downturn. The SPC-CND offered to undertake some interviews of local agencies in order to provide some additional local information, on behalf of the committee.

A subcommittee of the Human Services Advisory Committee has also been formed to study the impact of the economic downturn on our communities and to strategize regarding possible collective responses at the municipal level. Data from this report will be provided to them in order to advocate at the municipal level. The SPC-CND will continue to work with the SPNO and its local and provincial partners to advocate for the sector and to continue to build a vibrant and sustainable sector.

The SPC-CND will forward copies of this paper to appropriate governing, policy and funding bodies for use in their planning and programming decisions. These include:

- The City of Cambridge
  - Mayor Craig
  - Cambridge City Council
  - Community Services
  - Cambridge Poverty Roundtable
  - Human Services Advisory Committee
  
- The Regional Municipality of Waterloo
  - Regional Chair Seiling
  - Regional Council
  - Social Planning, Policy and Program Administration
  
- The Provincial and Federal Government
  - Cabinet Minister Matthews
  - MPP Martiniuk
  - MP Goodyear
  
- Social Planning Network of Ontario
- Ontario Nonprofit Network
- Local Funding Agencies

In addition, local agencies and advocacy groups interested in the work of the SPC-CND will receive this report through our distribution lists.

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### RESOURCES

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**Ontario Trillium Foundation: Challenges and Opportunities for Ontario’s Not-For-Profit Sector During Tough Economic Times (March 2009)**

[www.trilliumfoundation.org/User/Docs/PDFs/research/challenging\\_times.pdf](http://www.trilliumfoundation.org/User/Docs/PDFs/research/challenging_times.pdf)

The Ontario Trillium Foundation (OTF) is an agency of the Government of Ontario. Its mission is to help build healthy and vibrant communities by strengthening the capacity of the voluntary sector through investments in community-based initiatives.

**Ontario Non-profit Network: Resources for Managing in Tough Times**

<http://ontariononprofitnetwork.ca/resource/resources-managing-tough>

The Ontario Nonprofit Network (ONN) is a network of networks that helps to build communication and coordination amongst nonprofit organizations working for the public benefit in Ontario.

**Imagine Canada**

<http://www.imaginecanada.ca/en/node/47>

Imagine Canada is a national registered charity that looks into and out for Canada's charities and nonprofits through research, policy development and the facilitation of relationships within the nonprofit community and between the sector and government, business and the broader community.

**Canadian Centre for Policy Alternatives**

<http://www.policyalternatives.ca/>

The Canadian Centre for Policy Alternatives is an independent, non-partisan research institute concerned with issues of social and economic justice. Founded in 1980, the CCPA is one of Canada's leading progressive voices in public policy debates.

**John Hopkins University – Center for Civil Society Studies: Impact of the 2007-09 Economic Recession on Nonprofit Organizations**

[www.ccscs.jhu.edu/pdfs/LP\\_Communique/LP\\_Communique\\_14.pdf](http://www.ccscs.jhu.edu/pdfs/LP_Communique/LP_Communique_14.pdf)

The Center for Civil Society Studies of the Johns Hopkins Institute for Policy Studies is engaged in a wide variety of research and capacity-building activities designed to improve understanding of the role that philanthropy and nonprofit organizations play in modern society and to strengthen the capacity of these organizations to carry out their missions.

**Please visit our website:**

[www.socialplanningcouncil-cnd.org](http://www.socialplanningcouncil-cnd.org) for more information regarding the economic downturn and our community response.

This issue paper was compiled by Shannon Balla with input from Linda Terry. Thanks to all of the people who provided the information that informed this material. It is published and copyrighted by the Social Planning Council of Cambridge and North Dumfries. Quotations from this paper may be used provided that proper and complete citations are included.

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*We actively and impartially participate in building and strengthening our community through social change, innovation, research, analysis, and facilitation.*