



Alberta's voluntary sector is resilient and resourceful. Nonprofits and charities have been adapting to the recession, but they are stretched to the limit. They have little capacity to adjust to increased demand or reduced funding as the greatest impact of the recession hits the sector in 2010.

Alberta's voluntary sector is stretched to the limit. Although nonprofit organizations and charities have been adapting to the economic downturn for some time, apprehension is growing.

Since the fall of 2008, many groups have reduced expenses by streamlining their operations and by letting go of much-needed staff. The full force of the recession, however, is yet to come. Further reductions in revenue will have a significant impact on programs and services.

These are the trends identified by 472 respondents to a provincial economic impact survey conducted by the Calgary Chamber of Voluntary Organizations (CCVO) in October 2009. This latest survey is the third in a series since November 2008.

Despite predictions that economic conditions will improve in 2010, the real impact of the recession is expected to hit the voluntary sector next year. There has been a lag effect in terms of the recession on

nonprofits and charities. Although organizations have reported reductions in this past year, the largest impact of government cuts and decreased revenues is just beginning. Organizations have already reported a deepening trend of declining revenue from every revenue category. Individual donors have cut back on their giving and will be cautious about increasing their donations to previous levels in the current uncertain economic environment. The biggest anticipated impact is the potential for significant cuts in provincial government funding, indicated to be in the range of 5-15% in 2010.

"We're holding our breath."

With declining revenue from all areas, there are few options to offset the loss. While governments and many families are able to dip into their savings or borrow on credit, voluntary organizations seldom have this cushion.

Key Findings

- 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.
- Alberta's voluntary sector is experiencing continued erosion from all revenue streams.
- More than 60% of organizations reported increased service demand and operating costs.
- Nonprofits and charities are resilient and resourceful, but further funding reductions will result in reduced programs and services for families and communities.
- Alberta's nonprofits and charities have been adapting, but they are stretched to the limit with little capacity to make further changes.

Survey Findings

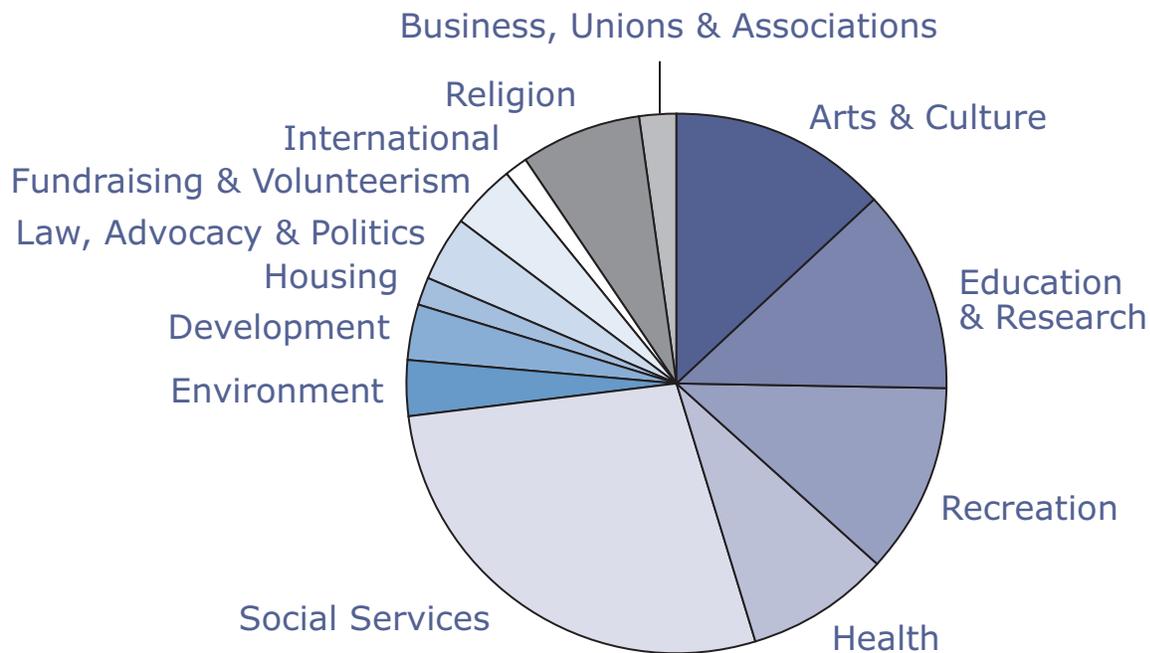
Declining Revenues

As indicated in CCVO's November 2008 survey, corporate support was the first revenue stream to show substantial decline in the voluntary sector. Continued downward trends are now coming from all revenue categories, with increased decline between February 2009 and October 2009.

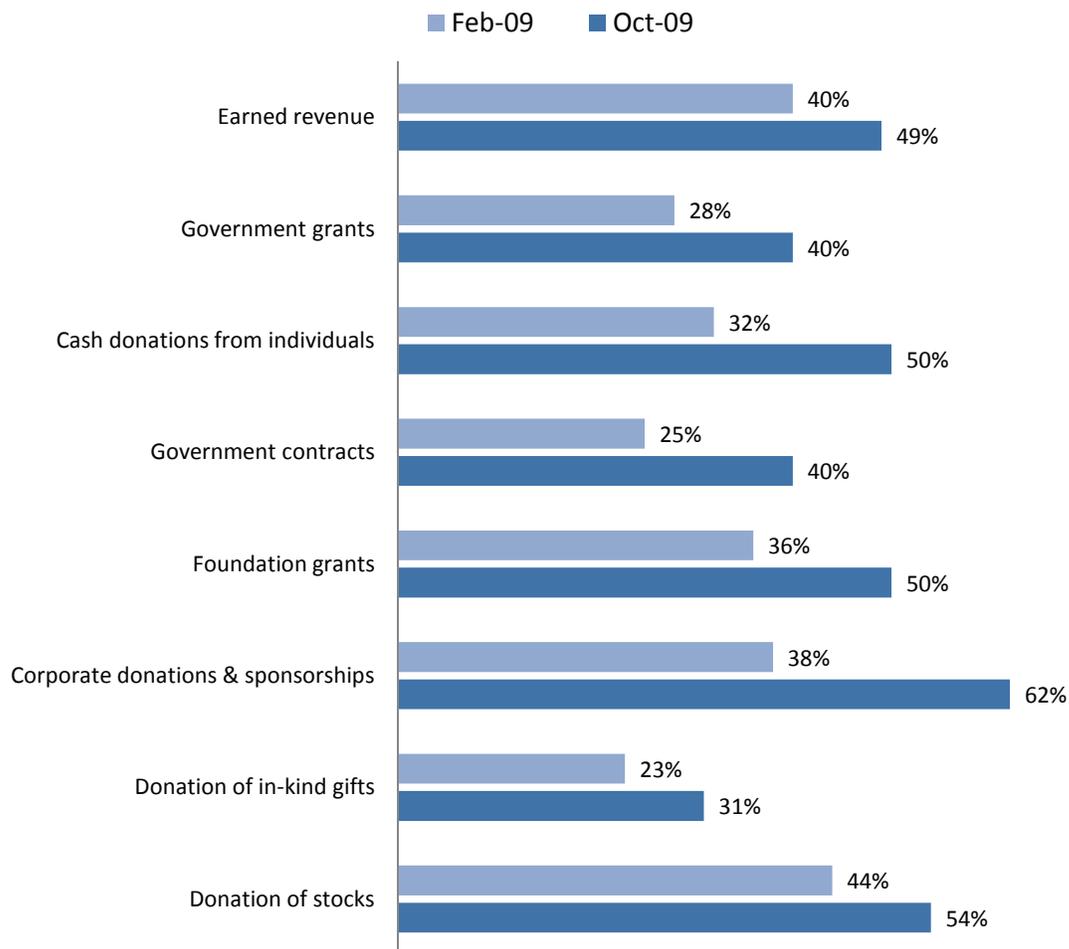
Almost half (48%) of October's respondents noted lower income from fundraising campaigns compared to the same time last year. Note: many organizations execute their principle fundraising campaigns in November and December, so those results are not reflected in this survey.

Compared to other provinces, Alberta charities and nonprofits generate a large portion of their income through earned revenues. Thus, it is particularly alarming that earned revenues have continued to decline. In February 2009, 40% of those surveyed said they were experiencing lower earned revenues – this number rose to 49% in October 2009.

Primary Activity Areas of Survey Respondents



Respondents Reporting Revenue Decline



Increased Demand

There is great diversity among the types of organizations within the voluntary sector – sports and recreation, arts and culture, health, social services, environment, and education. Almost two-thirds of those surveyed reported an increased demand for programs and services in a variety of areas.

The greatest reported increases in demand were in the social service (82%) and health (68%) sectors. Anxiety, stress, unemployment and the increased need for food, shelter and clothing have caused more Albertans to seek programs and services, including some who have never done so before.

Arts and cultural groups reported increased demand, suggesting Albertans are spending their dollars closer to home in these tentative times. The situation for these organizations, however, might not be as rosy as it sounds. Rising ticket sales may not compensate for reduced revenue from other sources such as corporate sponsorships and donations.

Increased Costs

Of those surveyed in October, 65% identified increased operating costs. Rate hikes were most commonly noted for insurance, rent, utilities, staffing, supplies and equipment. Some organizations cited cost of living increases, but also noted government grants had not incorporated inflation increases for quite some time.

“Our biggest expense is liability insurance and it increases five to eight percent per year. It has more than doubled since 2004.”

Cash Flow

Even as nonprofits and charities cope with reduced funding from major revenue sources, nearly a quarter reported experiencing other changes in cash flow such as:

- Delays receiving government grants
- Late payments for government service delivery contracts
- Cancellation of fundraisers due to lack of ticket sales
- Individual donors unable to honour pledges
- Reduced memberships
- Fewer attendees at courses and events

As a result of these challenges, organizations have had to make adjustments in program delivery and some have had to cover temporary shortfalls with bank loans. In one extreme situation, an executive director used a personal line of credit to cover staff salaries while waiting for government funds to be issued.

In these difficult economic times nonprofits and charities are particularly vulnerable, magnifying the affect of delayed payments. Cash flow irregularities further exacerbate the challenges of operating in this economy, particularly as many of these organizations have little to fall back on in the way of reserves, savings, or credit.

“This current funding year has seen far less reductions than expected, but deeper cuts are expected for the next cycle and that’s when we’re really going to struggle.”

Adapting to Difficult Times

Alberta’s nonprofits and charities are creative and resilient. More than 60% reported making adjustments to accommodate changing circumstances. Many organizations are viewing this economic climate as a time to re-examine their operations, looking for ways to further increase effectiveness and reduce costs.

The three most common strategies nonprofits and charities have adopted:

- Diversify funding
- Introduce cost efficiencies that do not affect programs
- Modify staff costs by cutting positions, cutting hours, and freezing salary increases or new hires, etc.

Stretched to the limit, many organizations are operating as lean as possible without cutting programs and services. Even then, some have had to take drastic measures.

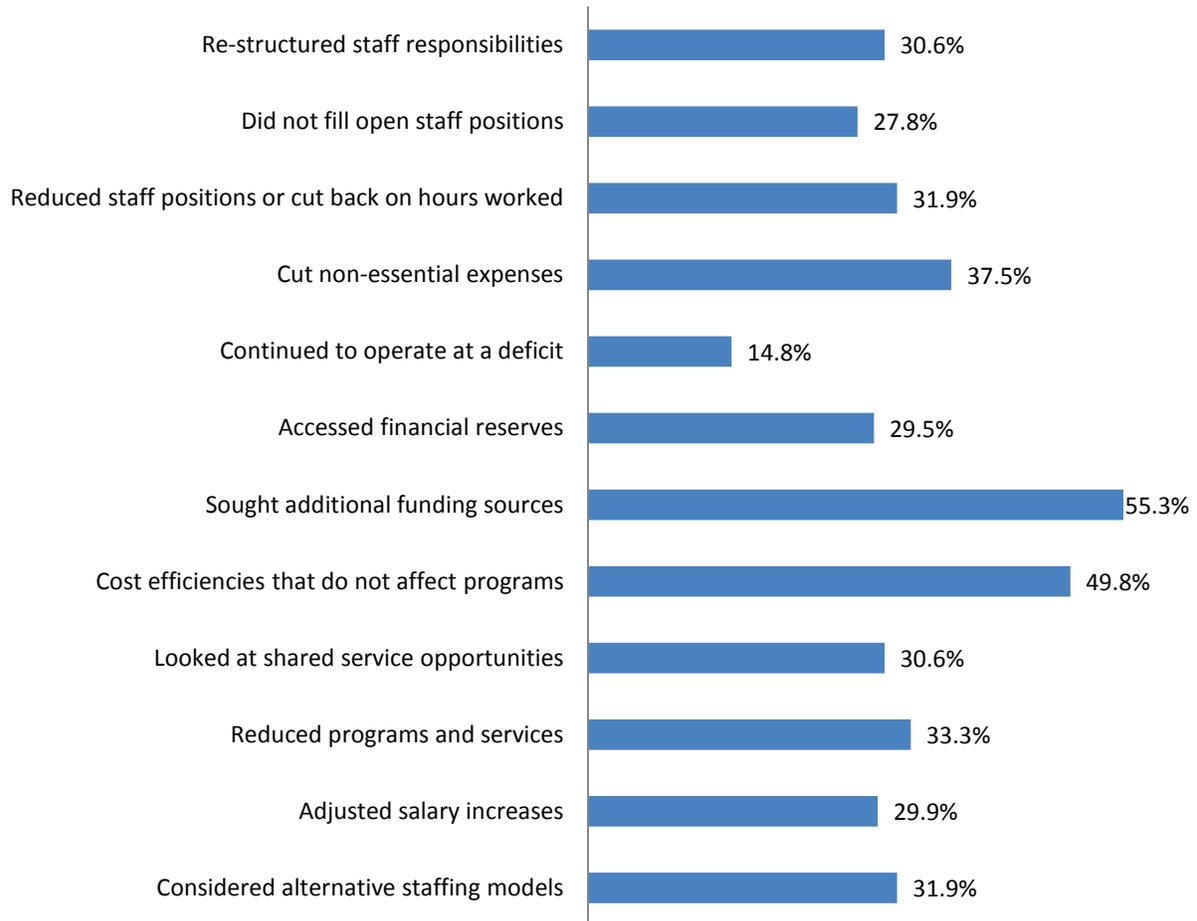
Of the 60% of organizations that reported making changes, 33.3% have already had to cut programs and services

The voluntary sector has placed a solid emphasis on maintaining programs and services for Alberta communities and families. Even though shutting down programs and services has been a last resort in adapting to falling revenues, nearly a third of the organizations surveyed were compelled to make reductions in this area.

In some instances, the recession has provided opportunities to explore greater collaboration opportunities. Partnerships and mergers can sometimes serve the community well. However, they are not a quick-fix solution. Successful partnerships are based on relationships, trust, and, most importantly, complementary missions.

Partnerships and mergers driven by economic considerations or the financial vulnerability of organizations, have a higher risk of failure. Even with mission-based opportunities, the results are not immediate and they require significant time and resources at the front end.

Ways Respondents Have Adapted



Implications

Increased Financial and Operational Stress

Alberta's nonprofits and charities are experiencing financial stress compounded by the stress of increased demand and the increasingly complex needs of clients. Staff burnout and lower morale are often the result.

75% of respondents reported experiencing moderate to very severe financial stress since September 2008, with almost a quarter reporting severe to very severe stress.

Pressure Points:

- Uncertainty about future funding
- Anticipation of increasing financial vulnerability in 2010
- Revenue declines in the past year
- Delayed payments and cash flow issues
- Increased demand for programs and services
- Changes in population served
- Increased complexity of client needs

Social service agencies, in particular, have noted the needs of users are increasingly complex – from clients with developmental delays, to those who have never had to depend on outside help, to more families dealing with addictions and violence.

Human Resources

During the recent economic boom, Alberta's nonprofits and charities were hard pressed to compete with government and the private sector in recruiting and retaining staff. To deal with this, organizations improved salaries, benefits and work-life balance policies. Now these groups are struggling to cover those salaries and benefits, as well as trying to support staff members who are dealing with uncertainty, stress and tremendous workloads.

"We have had almost a 50% turnover in employees. This is by far our greatest increase in operating costs."

As the voluntary sector faces its greatest financial challenges in the coming year, the private sector is expected to recover from the recession. Alberta's nonprofits and charities, on the other hand, will again be competing for talent, which could result in further challenges in their capacity to deliver programs and services for Alberta communities and families.

Regional Variations

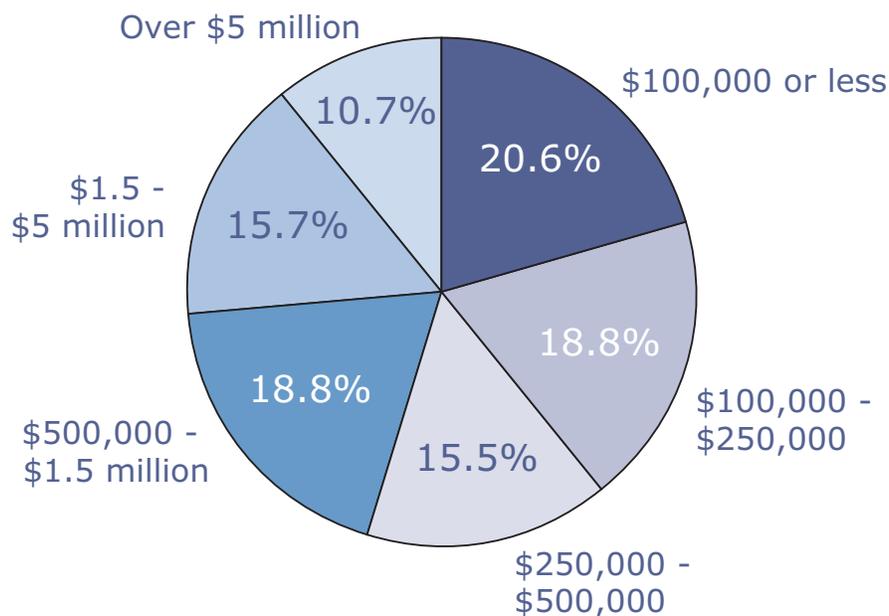
Although the majority of responses were from Edmonton and Calgary, responses came in from across the province with clusters in Fort McMurray and area, Red Deer, and Medicine Hat. Edmonton showed a more moderate decline in funding and fewer increases in service demands than the other four areas.

Edmonton was also unique in that the largest group of respondents was from the arts and culture sector, compared to other regions where health and social services constituted the largest group of respondents.

Since February, the number of organizations reporting lower government contract revenues has doubled in Calgary, Medicine Hat and Red Deer.

Fort McMurray and Medicine Hat reported the highest levels of financial stress. More than 70% of Fort McMurray and area respondents reported decreases in corporate support. While corporate support is generally a small fraction of voluntary sector revenues, in Fort McMurray it has traditionally been a more significant source of funding due to the extensive activity of the oil and gas sector. Individual donations have been less significant.

Annual Operating Budgets of Survey Respondents



Summary

The voluntary sector is crucial to Alberta's quality of life. Imagine fewer sports and recreation opportunities for children, less assistance for seniors and for families struggling on low incomes. Think about the homeless, and the sick. What about the arts, education and the environment? The true impact of losing these programs and services will not be realized until they are no longer there.

Albertans need to rally together to ensure the voluntary sector remains strong. Although stretched to the limit, our nonprofits and charities are resilient and resourceful. They do, however, need more support. We need to recognize the lag in economic impact, which will result in 2010 being their most challenging year. In order to weather the economic storm, the voluntary sector needs financial flexibility and stability to be able to maintain their levels of service.

The Calgary Chamber of Voluntary Organizations urges:

- Governments to recognize that further funding reductions will reduce programs and services in Alberta communities. There is no alternative funding to compensate for government cuts
- Individual donors to recognize the importance of their gifts

- Corporations to continue their support of communities in which they operate
- All funders to review their funding practices to provide maximum flexibility and stability to voluntary organizations

We anticipate Alberta's non profit organizations and charities will experience increased turbulence and challenges in 2010, which will have an unavoidable impact on services to Albertans and the quality of life in our communities. How great the impact will depend primarily on funding.

Calgary Chamber of Voluntary Organizations

The Calgary Chamber of Voluntary Organizations (CCVO) is a member-based, federally registered charitable organization, working to strengthen Calgary's voluntary sector and provide leadership on cross-cutting policy issues affecting the sector as a whole.

For more information about the CCVO, visit www.calgarycvo.org.

About the Survey

CCVO has been monitoring the emerging impacts of the economic climate on the voluntary sector through a series of surveys conducted between November 2008 and October 2009. The surveys asked nonprofits and charities about their revenues, operating costs, demand for services and programs, as well as changes in operations as a result of the economic downturn.

Of the 472 respondents in October: 41% were from Calgary, 41% from Edmonton, and 18% from smaller centres and rural areas. Registered charities accounted for 75% of all respondents.

CCVO appreciates the cooperation of several colleague organizations in distributing the survey, including Volunteer Alberta, the Community Foundations of Medicine Hat & Southeastern Alberta, Edmonton Chamber of Voluntary Organizations, The City of Red Deer, Alberta Association of Services for Children and Families, and United Way of Fort McMurray.