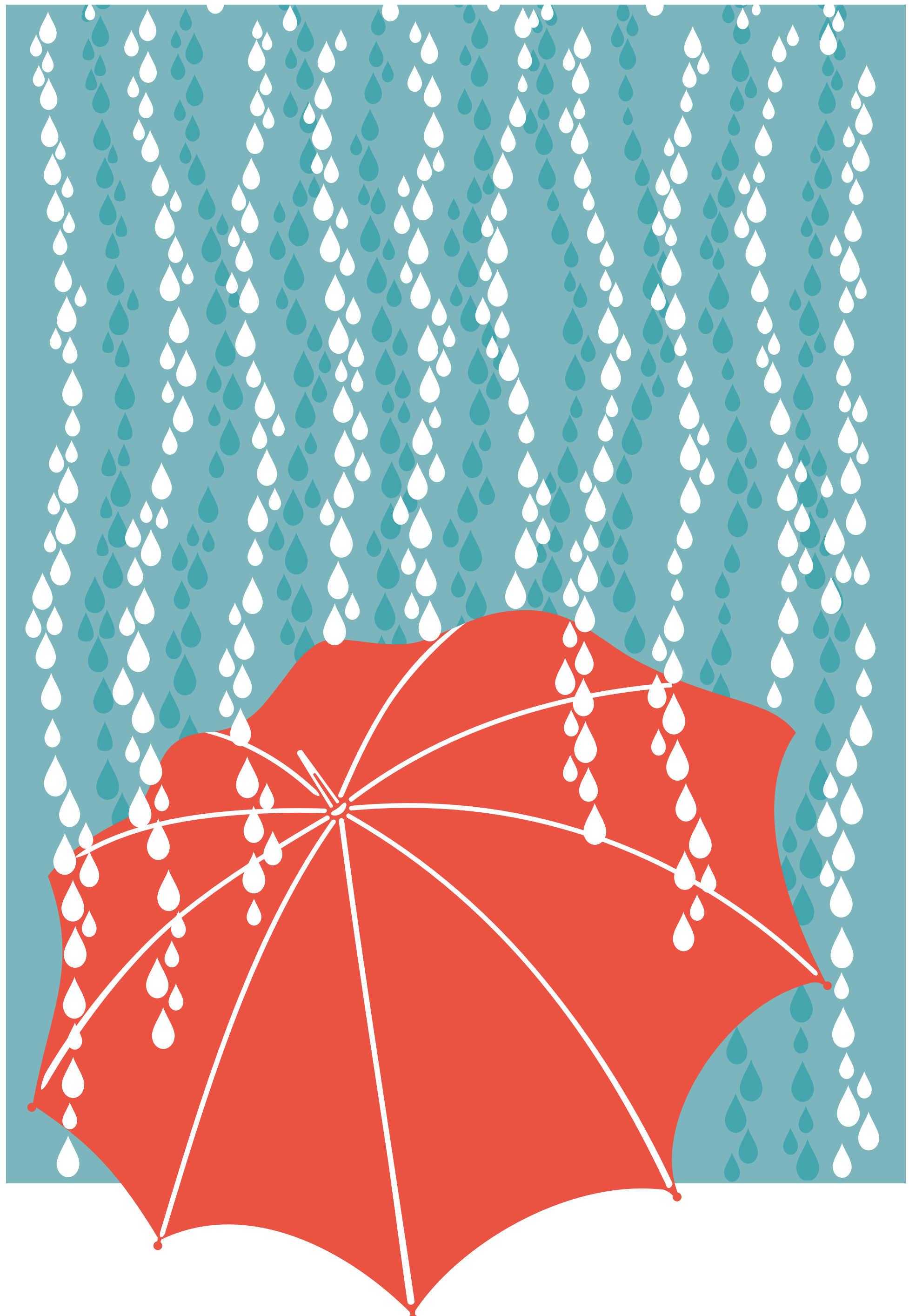

Weathering the Storm

A survey of non-profits and charities in British Columbia

October 2009

vancouver foundation

Contents

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A survey of non-profits and charities in British Columbia

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Overview

For the last year, Vancouver Foundation has been hearing how the economy has affected the hundreds of charities we work with. As one of the largest funders of charities in British Columbia, we have extensive contact with organizations across the province, and almost every day we were hearing stories about the enormous pressures they were facing.

Although these anecdotal stories were useful, we realized there was no definitive data that gave us a clear picture of what was happening to charities in 2009 and how they responded. We also started wondering, given what has happened this year, how do things look for 2010? And how prepared are charities for the challenges that may lie ahead?

It was in this environment that Vancouver Foundation decided to launch our survey "Weathering the Storm."

We approached approximately 850 non-profits and charities operating throughout the province and in a wide variety of fields, and asked them to tell us what 2009 has been like and what they anticipate for 2010.

These were organizations that Vancouver Foundation had either granted to over the last three years, or charities that hold endowment funds with us.

Our online survey was conducted during the last two weeks of September 2009, and was completed by 470 charities. Together their responses paint a picture of an important sector that is struggling, and in some cases becoming more fragile with each passing month.

General findings

Almost every charity has been impacted in one way or another by the economy. However, certain organizations – smaller charities, arts and culture and environmental non-profits – were the most negatively impacted by decreases in their revenue in 2009.

More than half of all charities surveyed (53%) experienced a drop in revenue in their current fiscal year, with the average decline being 19%.

For certain charities, the bigger challenge was the increased demand on their services. Social Services and Health-care organizations were both significantly impacted by surging demand for the services they provide.

Of the 27% of charities who did manage to see an increase in their revenue in 2009, many attributed to one-time grants that would not be carried forward into the next fiscal year.

Many charities dealt with this year's budget challenges by looking for new sources of revenue (62%) or undertaking more fundraising (58%). This means that more organizations are searching for what is, essentially, a shrinking pool of funds.

One-quarter of charities (25%) laid off staff in order to cope. Of those who did reduce their roster of employees, the average reduction amounted to a 21% cut to their total workforce.

Looking forward, charities are not overly optimistic about 2010. Most believe they will continue to experience a drop in many key revenue areas, while some anticipate a marked increase in demand for their services.

Of concern is that half of all charities feel they are either "not prepared" or only "somewhat prepared" for the challenges of 2010. Several told us they had already cut to the bone, and there was no more left to cut: any further erosion of their revenue would likely lead to closure.

Lastly, we also heard that charities want Vancouver Foundation to help educate the public on the important role charities play in our communities, and the challenges these organizations still face.

Conclusion

Despite the Bank of Canada reports that the recession is easing, and despite the improvement in the stock markets, and news that job losses are tapering off, the sad fact is that the challenges to our communities are not over. And for the charities that serve those communities, this is especially true.

In many ways, what we have been through the last year is similar to having a hurricane plow through our community.

The storm may be finally gone, and the skies clearing, but the storm has left a lot of damage in its wake. There is much rebuilding that needs to be done. And some structures are now so fragile they could collapse with the first gust of wind.

This is the environment we find ourselves in today, and it reminds us that philanthropy matters. That the work Vancouver Foundation does with its donors is an important source of funds that can help charities weather this storm, so that they can continue to serve the needs of their communities.

We hope that residents of BC will be motivated by these findings to support their favourite charities, and recognize that now, more than ever, charities need their help.

Snapshot of respondents

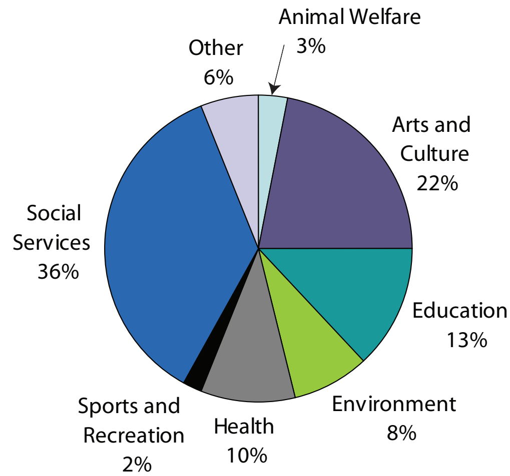
1. Responses by sector

Social Services organizations, which also included organizations that serve people with disabilities, made up the largest group of respondents at 36%, followed by Arts and Culture at 22%.

Other organizations that responded came from the sectors of Education (13%), Health (10%), Environment (8%), Animal Welfare (3%) and Sports and Recreation (2%).

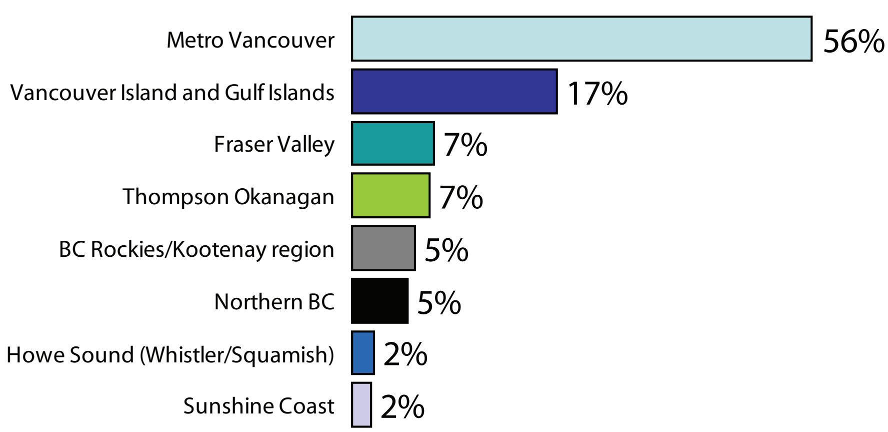
The "Other" category (6%) consisted of organizations such as: other community foundations, religious organizations, libraries, native bands, international development, public policy research, social enterprises, heritage, legal, and corporate social responsibility agencies.

Q. Which category best describes your organization? Please check one.



2. Regional breakdown

Q. Where is your organization located or primarily based?



Over half (56%) of the organizations that responded were located in metro Vancouver, or had their primary base of operations there.

The next largest group of respondents were on Vancouver Island and the Gulf Islands (17%).

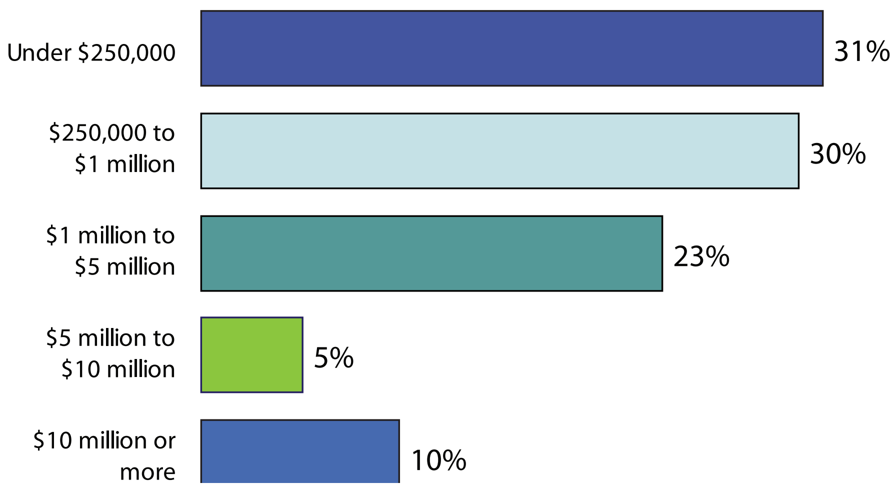
Fraser Valley, Thompson Okanagan and BC Rockies/Kootenay region made up 5% to 7% of respondents.

"The impact is felt more in rural and smaller markets; especially one or two-industry towns. Less community resources to turn to."

– Survey Respondent

3. Size of charity (based on operating budgets)

Q. What is the approximate annual operating budget of your organization?



In terms of size, over 60% of the charities and non-profits that participated in the survey had budgets under $1 million.

Sector Differences:

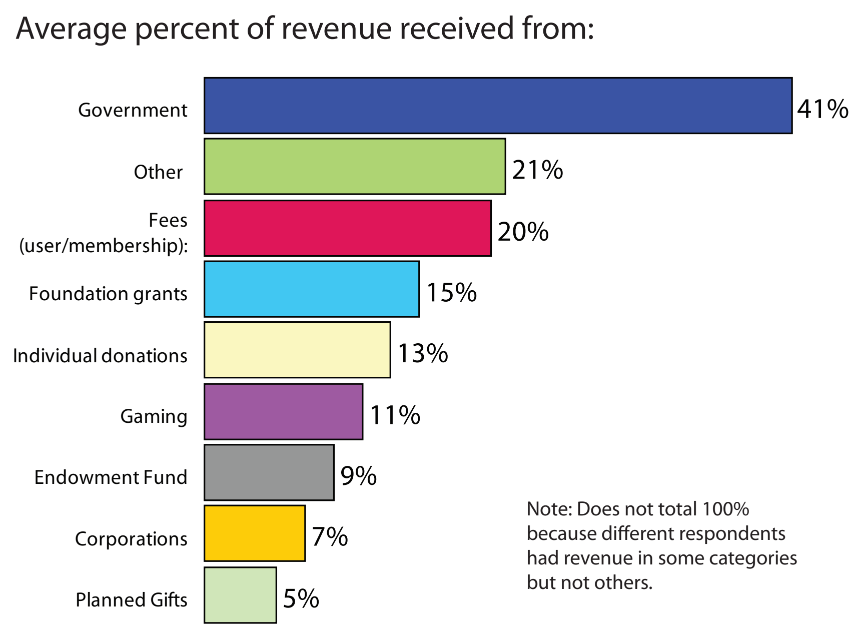
- Arts and Culture organizations were the biggest group in the lower end operating budgets, with 44% running on budgets under $250,000. Another 36% had budgets between $250,000 to $1 million.
- Environmental groups were the next group to operate with budgets on the lower end of the scale with 35% under $250,000, and 43% with budgets in the $250,000 to $1 million range.
- Educational organizations, on the other hand, had the highest operating budgets. They made up nearly half (45%) of the organizations with budgets of $10 million or more.

Regional Differences:

- Most of the organizations with larger budgets were in metro Vancouver or on Vancouver Island. Of those organizations with a budget over $10 million, 61% were located in metro Vancouver, and 14% on the Island.
- Charities outside metro Vancouver and the Fraser Valley had the highest proportion of organizations with budgets under $250,000, making up an average of 43% of the organizations from those regions that participated.

4. Budget breakdown

Q. Please estimate the percentage of your annual revenue, in your current fiscal year, that came from the following sources.



We asked organizations to tell us where their revenue came from – specifically what percentage of their revenue came from different sources.

Government was the largest revenue source, making up an average of 41% of the revenue base for non-profits that rely on government funding.

In general, smaller organizations tended to rely more on endowment fund income than other non-profits.

Environmental charities were more dependent on grants from foundations and other granting organizations, compared to the other sectors.

Health charities relied more on corporations, donations and planned gifts when compared to other charities.

"One of our biggest concerns is the uncertainty of the continuation of Gaming funds, one of the only readily available, multi-year funding sources."

– Survey Respondent

Sector Differences:

- Social Services charities were most reliant on government revenue, receiving an average of 54% of their revenue from this source.
- Arts and Culture, on the other hand, was least reliant on strictly government revenue (not including gaming funds). Government funds made up, on average, only 31% of the budgets for arts groups who receive funds from the Province.
- Environmental organizations were the most dependent on Foundation grants, receiving on average 39% of their operating budget in 2009 from this source, compared to an average of 15% in the other sectors.
- Compared to other sectors, the Health sector received proportionally more from corporations, individual donations and planned gifts: 43% for health organizations compared to 21% on average for other sectors.
- Respondents cited “other” sources as making up an average of 20% of their budget. These sources included fundraising activities and special events as well as fee-for-services (such as theatre tickets, etc.) reflecting the large number of arts organizations that participated in the survey.

Size Differences:

- Regardless of the size of budget or the organization, government funds appeared to be the largest revenue source.
- Large organizations – those with budgets over $10 million – were most reliant on government funds, which provided an average of 63% of their revenue.
- The smallest organizations – those with budgets under $250,000 – were more dependent on gaming, getting an average 19% of their revenue from that source.
- The smallest organizations also earned nearly a quarter of their revenue from endowment funds (24%), while all larger organizations were much less reliant on endowment funds, which made up on average 3% to 5% of their budgets.

“We have only a three-quarter time fundraiser and the Executive Director. Our event revenues are down, our gifts in-kind are down and the competition seems greater than ever.”

– Survey Respondent

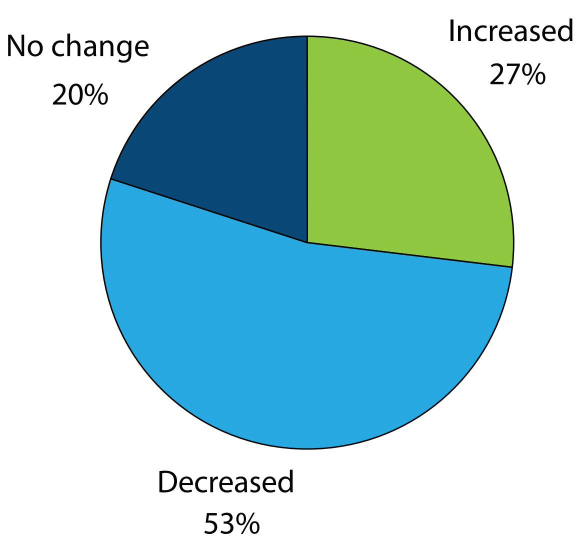
Impact in 2009 (current fiscal year)

This set of questions focused on what happened to BC charities and non-profit organizations in 2009, and how they responded to any new challenges.

Note that we asked about their experiences in the current fiscal year, and that a fiscal year varies from one organization to another.

5. Revenue change (current fiscal year)

Q. Has your revenue increased, decreased or remained the same in your current fiscal year, when compared to last year?



Over half (53%) of the organizations who participated in our survey reported their revenue decreased in the current fiscal year.

The flip side is that 20% of organizations said there was "no change" and another 27% of organizations actually reported an increase in their revenue.

Sector Differences:

The drop in revenue was felt across all sectors, but Environmental organizations and Animal Welfare groups were disproportionately hit – 68% of Environmental and 77% of Animal Welfare agencies reported their revenue declined in 2009, compared to 48% for Social Service charities.

Social Services organizations were the most likely to report an increase in revenue (31%).

Size Differences:

By size, it was the smaller organizations that were most likely to be hit in the pocketbook. Some 62% of organizations with budgets under $250,000, and 57% of charities with budgets in the $250,000 to $1 million range reported their revenue decreased during the past fiscal year.

"We will be losing some key funding sources in the next fiscal year."

– Survey Respondent

6. Revenue increase (current fiscal year)

Q. If your revenue increased, please estimate, in percent, how much your revenue has increased?

Average increase = +15%

Of the 27% of non-profits who reported increased revenue, their revenue increased by an average of 15%. However, many charities cautioned the increase was due to a one-time grant or factors such as 2010 Legacies Now funding related to the 2010 Olympic Winter Games.

"One-time VANOC funding for a big project is the reason that we have an increase in revenue."

– Survey Respondent

7. Revenue decrease (current fiscal year)

Q. If your revenue has decreased, please estimate, in percent, how much your revenue has decreased?

Average decrease = -19%

Far more non-profits – 53% – reported a decrease in revenue than those who had an increase in 2009. The decreases were on average19%.

"We may be forced to introduce fees for services that historically, have been provided to the community without charge."

– Survey Respondent

Sector Differences:

- Environmental groups were disproportionately impacted, experiencing on average a 30% decrease in their revenue.

Size Differences:

- Smaller organizations took the biggest drop in revenue from the previous year. Organizations with budgets between $250,000 and $5 million reported average decreases of 18%, while charities with budgets of $5M or more experienced an average decrease of only 5% from the year before.

8. a) Impact by revenue source (current fiscal year)

Q. How has the economic downturn affected your organization in your current fiscal year, when compared to last year? Please indicate if the following factors have increased, decreased or experienced no change (if they apply).

Percentage of organizations that receive revenue from the following sources and who reported an increase, decrease or no change in the current fiscal year:

	Increased	Decreased	No change
Government	17%	**43%**	40%
Gaming	4%	29%	**67%**
Endowment fund income	4%	**50%**	46%
Foundation grants	10%	**63%**	27%
User/membership fees	20%	27%	**53%**
Corporation	10%	43%	**47%**
Individual donations	21%	**51%**	29%
Planned gifts	10%	12%	**78%**

"We have to use our investments and are working hard to find funds and keep cash instead of working at great programming."

– Survey Respondent

We asked respondents to look at each revenue source, and let us know which sources had increased, decreased or had no change. Although this survey was conducted after the Province's gaming revenue announcements, the changes do not necessarily affect the current fiscal year for some of the charities surveyed. Many reported they were still waiting to understand the impact of the changes, or they indicated the changes would affect their budget in the next fiscal year

In the current fiscal year, the largest proportion of survey respondents (63%) reported decreased revenue from grants from foundations and other grant-makers.

This may be partly due to the fact that many of the charities surveyed were former grantees of Vancouver Foundation, which had to reduce its granting in 2009 due to a significant decline in income from its endowment funds.

Sector Differences:

- The Health sector was most affected by reduced grants from Foundations - 79% of these organizations reported cuts from this source. This sector also had the largest proportion of agencies who noted declines in individual donations and revenue from corporations. (Note: Vancouver Foundation put health and medical granting on hold in 2009 while it undertook a comprehensive review of this funding area.)
- Social Services organizations were most likely to have reported increases in government funding (23%).
- Environmental groups were more likely than any other group to report a decrease in government funding (61%).
- Many who reported no change noted that they think it too early in the fiscal year to evaluate the full impact of the economic downturn, or changes to gaming funding.

Size Differences:

- Nearly half of all organizations with budgets from $250,000 to $10 million reported their government revenue decreased.
- Small organizations with budgets under $250,000 were most likely to report a drop (68%) in grants from Foundations, as were charities with budgets of $1 million to $5 million (68%).

8. b) Impact on other factors (current fiscal year)

Q. How has the economic downturn affected your organization in your current fiscal year, when compared to last year? Please indicate if the following factors have increased, decreased or experienced no change (if they apply to your organization).

	Increased	Decreased	No change
Demand for services	65%	11%	24%
Staff morale	13%	40%	**46%**
Volunteer pool	26%	23%	**52%**
Other	27%	35%	38%

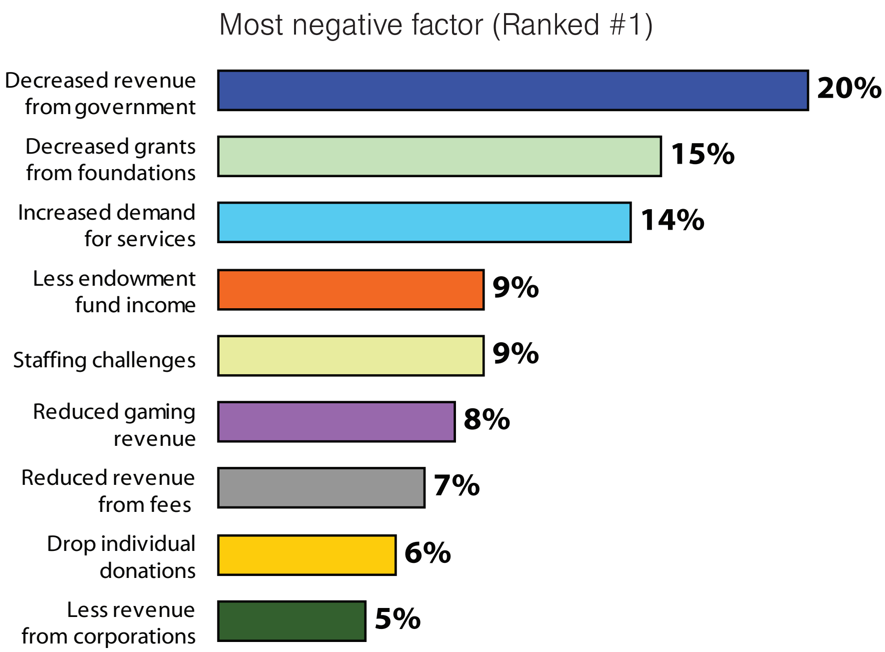
We also asked about the impact of the economic downturn on other factors.

Almost two thirds (65%) of those who provide services reported they had experienced an increase in demand for their services.

Over a third (40%) indicated staff morale had gone down. But more (46%) reported there had not been much change in their staff's attitudes.

9. Most negative factors (current fiscal year)

Q. Which THREE factors have had the most negative impact on your organization in this fiscal year? Please rank up to THREE in order of importance.



"The greatest impact is on our staff and clients – not knowing where we will get cut. Both groups are displaying a lot of stress, the rumour mill is rampant, and it is difficult to be positive about this agency's future."

– Survey Respondent

When we looked at the most negative factor for 2009, decreased revenue from government (20%) was most often cited, followed by decreased foundation grants (15%) and increased demand for services (14%).

When we combined all the top three negative factors identified, and weighted them, decreased foundation grants came out as the most overall negative factor. (Note: this may be partly due to the fact that a large portion of survey respondents were charities that received grants from Vancouver Foundation in the last three years).

Sector Differences:

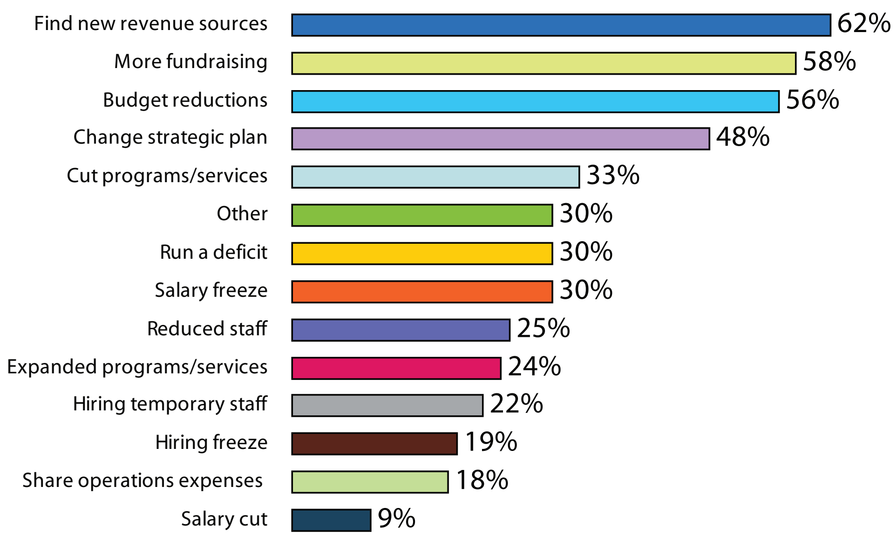
- 38% of Environmental charities, 28% of Education groups and 21% of Arts and Culture organizations ranked "decreased revenue from government" as their most negative factor, higher than the average response.
- 17% of Health and 22% of Social Services groups ranked "Increased demand for services" as having the worst impact on them in 2009.

Size Differences:

No significant differences were noted by organization size for this question.

10. Actions taken

Q. How has your organization responded to challenges created by the economic downturn? Choose all that apply.



We asked how organizations had responded to the challenges in 2009. The most common solutions were finding new revenue sources (62%) or doing more fundraising (58%). This leads to the conclusion that more organizations are asking or searching for funds in a climate where there is less money available.

More than half (58%) of the charities surveyed reduced their budget, and 48% changed their strategic or operational plan in order to adjust to the new realities.

Sector Differences:

- Disproportionately more environmental organizations (80%) said they were turning to increased fundraising, and also looking for new revenue sources (76%).
- Cutting their budgets was mentioned more often by Arts groups (68%) and Health organizations (64%).
- Environmental organizations were more likely to have staff layoffs (35%).

Size Differences:

- Proportionally, mid-to-large size organizations (i.e., those charities with budgets of $1 million to $10 million) were more likely to have cut staff (30%); introduced budget reductions (over 65%); and adjusted their strategic plan (61%).

"The economy has caused us to find ways to build our capacity, especially in the areas of fund development, public awareness, donor stewardship and building partnerships."

– Survey Respondent

11. Job cuts (current fiscal year)

Q. If you had to reduce staff in the current fiscal year, please tell us the number of staff reduced, and indicate what percentage that represents of your total staff complement.

Average staff cuts: 3 people per non-profit

Average percentage of total staff cut: 21% of workforce

The non-profit organizations who laid off staff cut, on average, 21% (or one-fifth) of their workforce. The average number of employees cut was just over three. (It is important to consider that many small non-profits may have just one or two paid staff.)

Sector Differences:

- The deepest cuts took place in environmental organizations (on average they cut 28% of their staff).
- Arts and Culture was a close second. This sector cut an average 27% of their staff.

Size Differences:

- Organizations with budgets under $250,000 cut, on average, 31% of their total staff (this amounts to one person, on average).
- Organizations with budgets of $250,000 to $1 million cut 22% of their workforce (or 1.5 persons).
- Large organizations with budgets of $10 million or more cut 4% of their workforce (about 20 people, on average).

"We are anticipating that we may need to close and lay off all staff for July and August 2010 (these are our quieter months). We would prefer to do that rather than cutting staff hours (25 hours a week is already our 'full-time')."

– Survey Respondent

Expectations for 2010

12. a) Predictions for 2010 – Revenue

Q. How do you anticipate your organization will be affected in 2010? Please indicate whether you expect an increase, decrease or no change to the factors that apply.

	Increase	Decrease	No change
Government	8%	54%	38%
Gaming	2%	56%	42%
Foundation grants	14%	56%	30%
Endowment fund income	22%	26%	53%
User/membership fees	23%	24%	53%
Corporation	21%	36%	43%
Individual donations	30%	41%	30%

Non-profits are not overly optimistic for 2010 in terms of the stability of their revenue. They generally expect a decrease in foundation grants (56% of organizations surveyed), government support (54%) and gaming revenue (56%). Some 41% also predict donations from individuals will go down, and over one-third (36%) also anticipate that corporate support for their organizations will drop. However, more than half (53%) expect their endowment fund income to remain stable in 2010.

Sector Differences:

- 73% of Arts & Culture organizations expect a decrease in their revenue from government sources, higher than any other sector.
- Some 46% of Educational charities said they expect increases in their investment income; and 53% in this group expect increases in membership and user fees.
- 43% of Health organizations predict an increase in individual donations.
- 53% of Social Services charities expect a drop in donations.

Size Differences:

- Organizations with budgets between $1 million to $10 million were most likely to expect an increase in government revenue (62%).
- Organizations with budgets between $1 million to $5 million were more likely to expect a decrease in funding from gaming (64%). In contrast, only 37% of the $5 million to $10 million group expect gaming funding to decrease in 2010.

12.b) Predictions for 2010 – other factors

Q. How do you anticipate your organization will be affected in 2010? Please indicate whether you expect an increase, decrease or no change to the factors that apply.

	Increase	Decrease	No change
Demand for services	76%	3%	21%
Staffing	14%	31%	55%
Volunteer pool	30%	21%	50%
Other	39%	24%	37%

76% of respondents expect increased demand for services.

This was especially relevant in the Social Services sector, where 92% projected increased demand. Similarly, 85% of Health care charities predict they will see an increase in demand for their services in 2010.

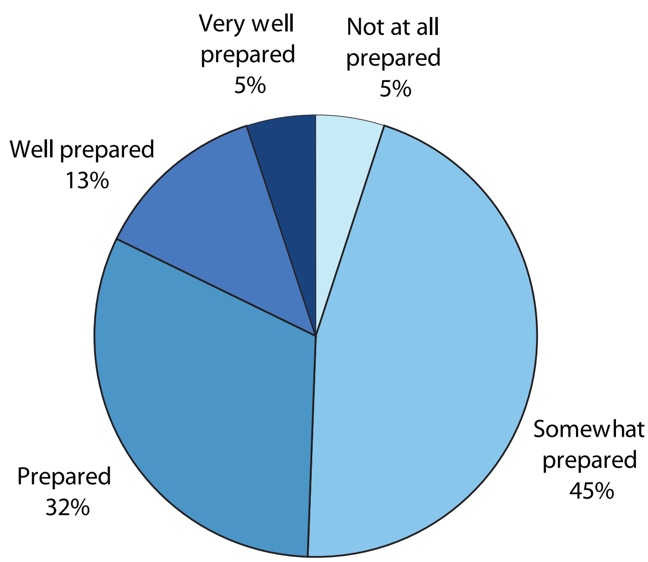
Across all sectors, more than half (55%) believe they can maintain staffing. Among the Health sector (44%) are expecting an increase in volunteers, higher than average.

"There are more and more people marginalized in society and the programs were already at capacity to try to assist them. We cannot survive on status quo or reduced funding and hope to have any impact at all."

– Survey Respondent

13. Prepared for 2010

Q. In general, how well-prepared do you feel your organization is to meet its mandate if the economic challenges continue in 2010? Choose one.



"We have not experienced a drop yet, but only because we are really trying. This may change."

– Survey Respondent

Do charities feel they are ready for 2010 and any challenges it holds?

Most organizations feel, to some degree, they are prepared.

But about half feel they are either "not prepared" or only "somewhat prepared" for the challenges of 2010.

Sector Differences:

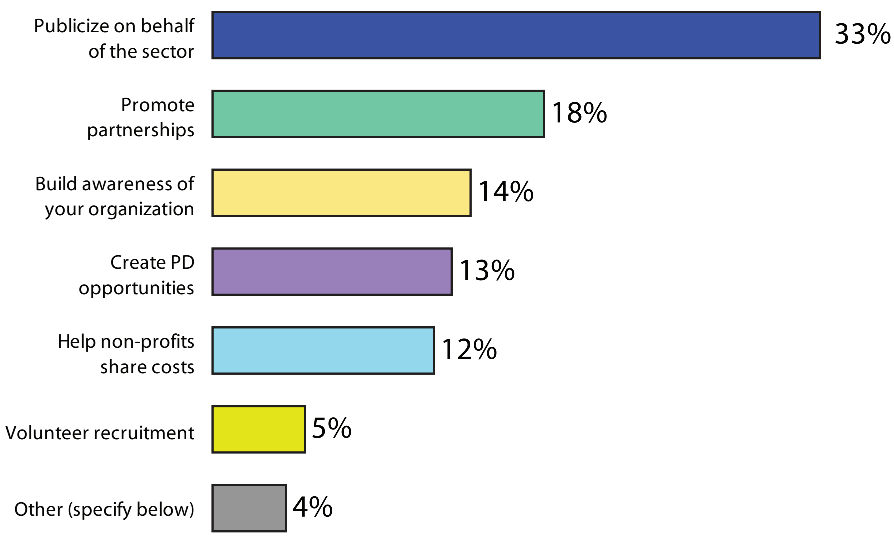
- There was little variation between sectors on this question.

Size Differences:

- It is the largest organizations (budgets over $5 million) that feel most prepared for another year.
- Charities under $5 million are more likely to indicate they are only "somewhat prepared" for 2010.

14. What Vancouver Foundation can do

Q. In addition to financial support, how could Vancouver Foundation use its resources, knowledge and connections to help your organization and other charities meet their mandate?



We asked participants what Vancouver Foundation could do, besides offering financial support. They were asked to select their top two suggestions from a list. This chart shows their selection for the top priority.

Overwhelmingly, charities felt Vancouver Foundation needed to be an educator and advocate for the sector. It was their top priority by far (33%).

Charities felt the second most helpful activity would be supporting projects that promote partnerships, and give financial incentives to organizations that work collaboratively (18%).

The third choice was to help build awareness of an organization's work and create opportunities for the public to contribute to their endowment fund.

"Continue to encourage the Government to maintain their commitment to people in need. Funding cuts to programs impacting societies most vulnerable will have huge personal and fiscal implications for the future."

- Survey Respondent

15. Comments

Q. Lastly, is there anything else you would like to share with us concerning how the changes to the economy have impacted your work?

The very last question gave respondents a chance to share what is on their mind.

From the comments it is clear that many organizations are suffering and fearful. Some said cuts to Gaming revenue could be their deathblow and the real impact would be felt next year. Some are unable to plan for the future because there is so much uncertainty. We heard comments such as:

"Our organization may not be able to continue beyond February 2010."

"We may need to close and lay off all staff for July and August 2010."

"National expansion plans put on hold."

"What will be the impact of our higher rent, or Harmonized sales tax?"

Some are slightly more positive:

"Challenges had forced innovation and more partnerships."

Others see an opportunity:

"In crisis is opportunity, not-for-profits do not need to only respond as victims of government actions, but ask how can the sector contribute to solutions, how can the Foundation promote the assets of the sector to engage the philanthropic community in discussions about how to support innovation and entrepreneurship as alternatives to a granting cycle which creates dependency."

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