

HIGHLIGHTS OF THE NATIONAL SURVEY OF NONPROFIT AND VOLUNTARY ORGANIZATIONS

*By Terrance S. Carter, B.A., LL.B., Trade-mark Agent
and Nancy E. Claridge, B.A., M.A., LL.B. Candidate*

A. INTRODUCTION

Statistics Canada's new report, *Cornerstones of the Community: Highlights of the National Survey of Nonprofit and Voluntary Organizations*¹ ("Cornerstones of the Community"), is the first comprehensive study of nonprofit and voluntary organizations in Canada. Based on information collected in 2003 for the National Survey of Nonprofit and Voluntary Organizations ("Nonprofit Survey"), which surveyed 13,000 incorporated nonprofit organizations and registered charities, the report provides essential baseline information on the number of organizations operating in Canada; the areas in which they operate; the financial and human resources they rely on; regional variations; and the challenges faced by nonprofit and voluntary organizations in fulfilling their missions.

It is envisioned that the information collected for the Nonprofit Survey will:

- ◆ help address concerns that the potential social, economic and cultural contributions of these organizations are not being fully realized and recognized;
- ◆ enable evidence-based policy development by governments and others to strengthen nonprofit and voluntary organizations;

¹ "Cornerstones of the Community: Highlights of the National Survey of Nonprofit and Voluntary Organizations," Statistics Canada, 2004, is available at <http://www.statcan.ca/english/freepub/61-533-XIE/61-533-XIE2004001.htm>.

- ♦ provide individual nonprofit and voluntary organizations with benchmark data against which to compare their organizations' experiences and characteristics, drawing more attention to areas where organizations may need help to improve their capacity to fulfill their missions and meet their objectives;
- ♦ offer Canadians a richer understanding of the role that nonprofit and voluntary organizations play in their lives; and
- ♦ provide baseline information that will enable tracking of the changing state and nature of the sector.

This *Charity Law Bulletin* reviews the results of the Nonprofit Survey as reported in *Cornerstones of the Community*.

B. KEY FINDINGS

In 2003, 139 million memberships were held in the 161,000 nonprofit and voluntary organizations in Canada – 80,000 of which were registered charities – which generated \$112-billion in yearly revenues and utilized 19 million volunteers who gave 2 billion volunteer hours. Those were just some of the numbers that came out of the Nonprofit Survey. But what do the numbers reveal? Several themes were said to emerge from the results of the survey.

Although nonprofit and voluntary organizations in Canada tend to occupy specific niches that have been left empty by government and the private sector, the survey indicates that they also occupy a broad scope of activities, tending to touch upon almost every aspect of Canadian life. In the words of the *Cornerstones of the Community* report, they are “vehicles for citizen engagement,” with a focus on community, providing public benefits. Still, clear differences were found between organizations with disparate revenues, those depending on government funding, and those relying primarily on volunteers to achieve their missions. The survey also found jurisdictional variances.

A commonality among the organizations was a problem in fulfilling their missions and achieving organizational objectives, thereby suggesting that despite the substantial economic presence, many organizations may be struggling to provide the public with all of the benefits they have the potential to offer.

Another key finding was that larger organizations, which are more dependent on government funding, receive the bulk of resources. And the big are getting bigger, not only in terms of revenue, but also in terms of volunteer and paid staff.

Funding varies by area of activity, with “Hospitals, Universities and colleges, and Social service” organizations tending to depend more on government funding; “Business and professional associations and unions, Sports and recreation, Arts and culture, and Development and housing” organizations relying more on earned income from non-governmental sources; and “Religion, International, and Grant-making, fundraising and voluntarism promotion” organizations depending more on gifts and donations. However, while financial and human resources vary by area of activity, many organizations reported that even though resources are not in decline, they may still be inadequate to fulfill the ever growing demand for products and services.

C. KEY CHARACTERISTICS

1. How They are Constituted

As the Nonprofit Survey demonstrated, nonprofit and voluntary organizations are unique entities. Just over half – or approximately 80,000 – of the voluntary and nonprofit organizations are charities registered with the Canada Revenue Agency, which allows them to be exempt from a variety of taxes and enables their donors to claim tax credits for donations. This provides advantages over non-charitable organizations in terms of their ability to attract donations, yet it imposes a heavy burden of complying with regulations in order to maintain their charitable status. Voluntary and nonprofit organizations exist in a wide variety of areas such as sports and recreation, social services, arts and culture, and development and housing. They also include large institutions such as universities and colleges, education and research organizations, business and professional associations, and unions. However, charities are limited to purposes that are charitable at common law, and as such predominate in areas such as religion, hospitals, grant making, fundraising and voluntarism promotion, health, and social services.

2. Who They Serve

Unlike government and private sector organizations, one of the distinguishing features of many nonprofit and voluntary organizations is that they are collectively “owned” by their members, who do not receive a share in any revenues that are generated. Generally, membership is primarily composed of individuals, however in some instances membership is made of up other organizations. Although nonprofit and voluntary organizations record 139 million members in their ranks, a majority of the organizations report serving the general public, or specialized groups, as opposed to providing members only with special benefits or privileges. In fact, in only 27 percent of organizations do members receive special benefits or privileges from their membership.

3. Where They are Located

Fifty-seven percent of the nonprofit and voluntary organizations are located in the provinces of Ontario and Quebec. However, a comparison of the number of organizations per 100,000 population found there to be the highest prevalence of organizations in the Territories and the lowest in Ontario. Surprisingly, Quebec’s average number of organizations per 100,000 population was 40 percent higher than Ontario’s, with the average across Canada being 508 organizations per 100,000 population. Still, the organizations operating in each province bring a unique regional variance; each province having different focuses.

D. FINANCIAL RESOURCES

As noted above, Canadian nonprofit and voluntary organizations reported a total of \$112-billion in yearly revenues in 2003. But the Nonprofit Survey determined that these impressive revenues are not distributed equally among the 161,000 organizations. In fact, it is less than one percent of the organizations that bring in one-third of those revenues; hospitals, and universities and colleges representing that one percent. Still, \$75-billion in total revenues are in the hands of the remaining 99 percent of the organizations.

Registered charities, representing 56 percent of organizations, account for 63 percent of all revenues reported, and typically have larger average total revenues than organizations that are not registered as

charities. This success is largely attributed to the tax benefits donors receive by making donations to registered charities.

The Nonprofit Survey separated revenue sources into three categories: governments, which provide 49 percent of the funds; income earned from non-government sources, like memberships and sales of goods and services, which represent 35 percent of revenue; and revenue in the form of gifts and donations from individuals, corporations and other organizations, which represents 13 percent of all revenue received. If hospitals, and universities and colleges, are excluded from the equation, the above percentages change to 36, 43 and 17, respectively.

A majority of the government funding comes from provincial government, providing 39 percent. Municipal governments provide 6 percent and the federal government provides 2 percent. Of the funding coming from government, almost two-thirds is in the form of grants and contributions, with the remaining revenues coming in the form of payment for goods and services that the organizations delivered.

The Nonprofit Survey determined that larger organizations depend more on government funding than do smaller organizations, with government sources accounting for approximately 58 percent of total revenues for organizations with annual revenues of \$10-million or more, but only 12 percent of total revenues for organizations with annual revenues of less than \$30,000. For smaller organizations, membership fees, gifts, and donations, are more important sources of income, and accordingly are subject to fluctuations in individual involvement and donations. Investment income and charitable gaming represent only a small portion of revenues for nonprofit and voluntary organizations.

While *Cornerstones of the Community* noted various distinctions in financial resources based on the size of the organization, it also noted differences depending on the organization's area of primary activity. For instance, government was a major source of revenues for hospitals, but religion relied primarily on gifts and donations from individuals. Almost \$4.7-billion in revenues came from transfers between organizations, such as transfers to the national arm of an organization.

A majority of organizations reported that their revenues had increased or remained the same for the time period from 2000 to 2003, however 22 percent of the organizations reported that their revenues declined in the same period.

As expected, the Nonprofit Survey found there to be a regional variance in financial resources, with Ontario-based organizations receiving a greater share of total revenues than those located in other provinces.

E. HUMAN RESOURCES

Considered to be an organization's greatest strength, the Nonprofit Survey demonstrated that virtually all nonprofit and voluntary organizations rely on volunteers to some degree, with more than half relying solely on volunteers to fulfill their mission. The survey determined that there are over 19 million volunteers in Canada, contributing more than two billion hours of volunteer time or the equivalent of one million full-time jobs. From the perspective of an individual organization, this represents an average of 14,360 hours, or 7.5 full-time jobs per year.

Volunteers serve in a variety of functions, from delivering programs to engaging in fundraising activities. Interestingly, a majority of the volunteers are frequently engaged by organizations, with a minority giving of their time only once or twice a year. Most organizations reported that there was little change in the volunteer complement during the period from 2000 to 2003, but organizations with 100 or more volunteers were more likely to report an increase in the number of volunteers.

Nonprofit and voluntary organizations employed a total of two million people in 2003. However, as with the concentration of financial resources, a significant portion of these paid positions were with hospitals, and universities and colleges. Although 46 percent of nonprofit and voluntary organizations employ staff, employment was concentrated in a small number of organizations, with 71 percent of the employees working in the two percent of organizations that employ 100 or more persons. The bulk of employment was permanent, and a significant proportion of employees worked part time.

Similar to the reports about volunteer complements, most organizations reported little or no change in the number of employees during the period from 2000 to 2003.

F. ORGANIZATIONAL CAPACITY

As *Cornerstones of the Community* noted, the capacity of nonprofit and voluntary organizations to achieve their missions has a direct bearing on the contributions they are able to make to the lives of Canadians. Despite the sizable economic presence and the large complements of volunteers and paid staff, many nonprofit and voluntary organizations appear to be experiencing problems in fulfilling their missions. The areas that appear to pose the greatest problems are those that involve recruiting and retaining volunteers, planning for the future, and obtaining funding.

The majority of organizations reported difficulty recruiting the types of volunteers the organization needs, difficulty obtaining board members, and difficulty planning for the future as problems. Close to half of the organizations reported difficulty retaining volunteers, difficulty obtaining funding from other organizations such as government, foundations or corporations, and difficulty obtaining funding from individual donors as problems.

Approximately 40 percent of respondents reported problems with competition with other organizations for funding or revenues, increasing demands for services or products, difficulty earning revenues, difficulty adapting to change, lack of internal capacity, difficulty participating in development of public policy, and difficulty providing training for volunteers.

Less than 30 percent of organizations reported difficulty retaining paid staff, difficulty obtaining the type of paid staff the organization needs, difficulty providing staff training and development, and difficulty collaborating with other organizations.

Organizations in the lowest revenue class, who typically use fewer resources to achieve their missions, were less likely to report similar problems to those noted above. However, the size of the organization was not the only distinguishing factor when reporting problems. The Nonprofit Survey noted that certain types of organizations were more likely than others to report problems. For example, health, social services, education and research were more likely to report problems of any kind.

Problems with external funding was reported by a substantial percentage of organizations, particularly hospitals, universities and colleges, health, and social services, which reported the problem as serious. As expected, organizations reporting a decline in revenues from 2000 to 2003 were more likely than others to report problems in most areas.

G. CONCLUSION

Cornerstones of the Community presents an important and groundbreaking glimpse into the life of nonprofit and voluntary organizations in Canada. The Nonprofit Survey demonstrates that there is a clear divide between those organizations that are relatively well resourced and those that are not. A small number of organizations with large annual revenues account for the vast majority of total revenues largely from government sources, paid staff, and volunteer positions, while small organizations on the other side of the divide depend more on income earned from non-government sources and volunteers to fulfill their missions.

With the critical role that nonprofit and voluntary organizations play in the daily life of individual Canadians, it is important to gain a better understanding of these organizations. The Nonprofit Survey adds substantially to our understanding of the nature and state of nonprofit and voluntary organizations in Canada, and provides critical baseline information that will enable the voluntary sector to focus more attention on areas where organizations need help to improve their capacity to fulfill their missions and meet their objectives.



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Offices / Bureaux
Orangeville (519) 942-0001
Ottawa (613) 235-4774
Toll Free: 1-877-942-0001
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