

Imagine Canada's

Sector Monitor

Ongoing Effects of the COVID-19 Pandemic

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Foreword

Nearly a year into the global COVID-19 pandemic, Canada's charitable sector has been at the forefront of providing supporting and vital services to people in need. In the early days of the pandemic, Imagine Canada sought to better understand how lockdowns, cancelled events, the need for immediate digital adaptations etc. were impacting the ability of organizations to fulfill their missions.

Months later, we felt that it was time to check-in.

This second *Sector Monitor* report, focused on the health and well-being of the country's charities, was commissioned to take the pulse of how organizations and leaders were faring. In particular, we sought to track the ripple effects of the global pandemic and its impact on the ability of organizations to continue to deliver services.

With over 1,000 organizations reporting, we are confident that this snapshot accurately reflects the 'on the ground' reality that is being experienced. We have been able to better understand the changes in demand for services, the softening of revenue streams, the impact of federal government support measures and the impact to staff well-being.

Thank you to all of those who took the time to complete the survey. Your insights are invaluable.

It is our hope that this information will be used in a multitude of ways. From being the centrepiece of ongoing advocacy efforts to stories in the media to helping local leaders compare their own situation to that of peers, the data in this *Sector Monitor* can be leveraged to ensure that Canada's charities continue to be cornerstones of their communities.

Bruce MacDonald
President & CEO, Imagine Canada

Executive Summary

Since our first COVID-19 tracking *Sector Monitor* in late April, charities have made significant shifts in adapting to a dramatically changed operating environment and needs. Over three quarters are currently operating with modified procedures and a significant fraction of organizations previously forced to close have now been able to resume operations (8% are temporarily closed, down from 18%).

Compared to earlier in the pandemic, when organizations were in the process of adapting their programs for new delivery channels and emerging needs while simultaneously adapting to the challenges of remote work, charities have somewhat more positive views of their organizational capacity. The number of organizations reporting increased capacity since the onset of the pandemic has risen (22% to 28%), while the number reporting significantly decreased capacity has dropped (23% to 17%).

Over the same period, demand for the goods and services charities provide has increased. Organizations are substantially more likely to report higher demand than in late April (45% vs. 35%). At least a third (34%) are seeing demand grow faster than their organizational capacity. Demand outpacing capacity is most common among charities delivering human services (e.g., Education, Health, etc.).

As they grapple with the pandemic, most charities are shifting their focus on key organizational functions. With the upsurge in remote work, information technology has become a key priority for many charities, a significant change from previous norms. Beyond this, organizations are mainly increasing efforts in key functional areas, such as marketing and communication, program design and financial management. They are less likely to be increasing effort in functional areas typically considered less important, such as measurement & evaluation and research.

These shifts are causing considerable strain for organizations and for those who work in them. While innovation and experimentation are up sharply, most charities are prioritizing immediate challenges over measures to build organizational capacity over the longer term. As they shift and adapt, organizations are being spread thin and having to attempt change in four or five functional areas simultaneously, rather than being able to focus on just one or two. Fully half of charities have seen their staff's ability to maintain an appropriate work-life balance and avoid burnout decrease since the onset of the pandemic.

While overall the financial situation is slightly better than earlier in the year, it remains grave. Revenues are down for over half of charities (55%) and the average revenue decline for these charities is only modestly smaller than in late April (-43% vs. -49%). Most revenue sources are in decline. Three quarters of charities have seen donations drop and half have seen declines in earned income. The only major area where revenues are on the rise is government funding, with two fifths of organizations reporting increases, largely driven by Federal and Provincial support programs.

Federal government supports are playing a significant financial role, with 42% of charities applying for at least one program. The vast majority of organizations (86%) are in-scope for support and many have benefited. The Canada Emergency Wage Subsidy (CEWS) has the highest uptake (over half of charities with paid staff), followed by the Canada Emergency Business Account (CEBA). Larger organizations are more likely to have received supports, as are Health charities. Smaller charities and Philanthropic intermediaries are more likely to be out of scope for support programs, as are charities that primarily depend on earned income and gifts and donations.

Paid and volunteer labour supplies continue to be significantly disrupted by the pandemic. About a third of charities have seen paid staff layoffs and reductions in working hours since the onset of the pandemic. Three in five have seen their volunteer levels and hours decline. While some charities have been able to rehire staff since April, attrition is high and the percentage of organizations with reduced paid staff levels has remained constant. CEWS is playing a large role, supporting over half of current positions for recipient organizations, on average.

Overall, charities are fairly pessimistic in their predictions for the future. They are substantially more likely to believe their financial condition will worsen rather than improve over the next three to six months. Only about half are ruling out layoffs or reductions in paid staff hours if current conditions continue. Organizations that have already seen declines in their finances, human resources and organizational capacity are more likely to predict further declines, across multiple areas. Finally, about one in six charities believe they will not be able to operate for at least a year if conditions do not improve and another one in six aren't sure how long they can continue their work.

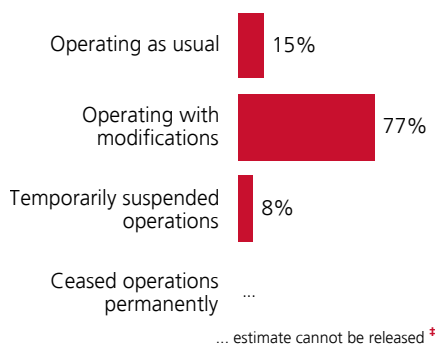
Introduction

This edition of the *Sector Monitor* details how charities have been adapting to the ongoing challenges of the pandemic. It looks at how the pandemic has affected demand for services, organizational capacity, areas of organizational focus, the availability of financial and human resources, and the impact of governmental supports. It summarizes the responses of 1,089 charity leaders who answered our online survey between November 3rd and December 4th 2020.¹ All responses are weighted by organization size, activity area, region, principal source of revenue, and the presence of paid staff to produce estimates more representative of charities as a whole. Historical comparisons are based on our first COVID-19 tracking survey, fielded between the 15th and 28th of April 2020.² Where sample sizes permit, the report provides breakdowns of results by key organizational characteristics such as revenue size, sub-sector, and principal source of revenue.

Since the onset of the pandemic, most charities have changed how they operate – frequently dramatically. Consistent with the high percentages of charities taking measures to operate more safely in a pandemic environment seen in our first COVID-tracking *Sector Monitor*, over three quarters of charities are currently operating with some type of modification and just 15% are operating as usual (see Figure 1). Although to date virtually no charities responding to the *Sector Monitor* report having permanently ceased operations,³ one in every 13 have temporarily suspended their operations. This is a significant shift from late April when nearly one in five (18%) had ceased or suspended their operations due to lock-downs and physical distancing protocols.

Larger organizations are more likely to have adapted their operating procedures, likely because they are able to draw on the resources needed to make changes (see Table 1). Smaller organizations are more likely to be continuing to operate as usual or, as with the very smallest, to have temporarily suspended their operations. In terms of sub-sector variations, Arts & recreation charities and Philanthropic intermediaries (organizations focussing on grantmaking and fundraising) are less likely to be operating with changed procedures. Arts organizations, which have been particularly hard-hit by physical distancing protocols, are about two and a half times as likely as the typical charity to have temporarily suspended their operations. Philanthropic intermediaries are more likely to be operating as usual, likely because grantmaking activities are more amenable to working remotely. Looking at revenue models, charities deriving the bulk of their revenues from government and from gifts & donations are most likely to be operating with modifications to their procedures, while those depending

Figure 1: Current operating situation.



¹ The survey was sent to 4,763 leaders of registered charities with annual revenues of \$30,000 or more that are not religious congregations (about 36,600 or 43% of registered charities meet these criteria). In total, we received 1,089 useable responses, yielding a response rate of 23.6% once undeliverable emails are accounted for.

² Results from the April *Sector Monitor* are based on 1,458 responses. Survey scope and weighting are the same as with the current survey.

³ In fact, the number is so small that it cannot be measured accurately with a survey of the size of *Sector Monitor*.

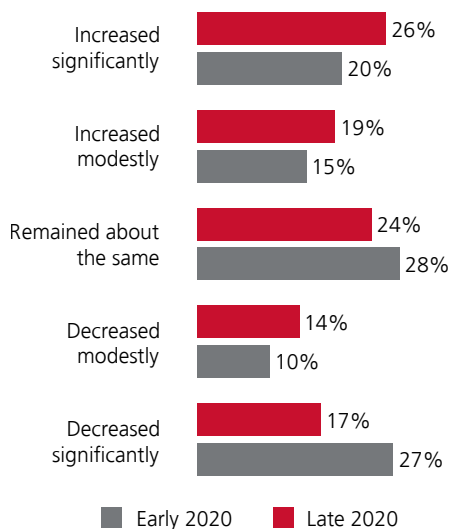
[‡] Generally speaking, the larger the number of charities contributing to a given figure (or "estimate") and the more consistent their responses are, the more accurate an estimate is likely to be (i.e., the more likely it is that the estimate derived from survey respondents is close to the true figure for all in-scope charities). When the number of charities contributing to an estimate is small and/or their responses are highly variable, we have marked the estimates with two symbols: "*" means the figure should be used with caution - the zone around the estimate which we believe contains the true population figure is larger than usual, but it is still useful for decision making; "... " means the figure should not be used - the zone around the estimate which we believe contains the true population figure is so large that it is not a useful basis for decision making.

TABLE 1: Current operating situation by organizational characteristics.

	Operating as usual	Operating with modifications	Temporarily suspended operations
ANNUAL REVENUES			
\$30,000 to \$149,999	16%*	69%	14%*
\$150,000 to \$499,999	16%*	79%	5%*
\$500,000 to \$1,499,999	16%	79%	...
\$1,500,000 to \$4,999,999	11%*	86%	...
\$5,000,000 or more	9%*	88%	...
ACTIVITY AREA			
Arts, Culture & Recreation	...	69%	21%*
Education & Research	17%*	81%	...
Health	...	84%	...
Social Services	12%*	81%	...
Philanthropic Intermediaries	28%*	70%	...
Other	16%*	77%	...
PRINCIPAL REVENUE SOURCE			
Government	12%*	84%	...
Gifts & donations	13%*	82%	5%*
Earned income	26%*	59%	15%*
Other	...	61%	...
Mixed revenue sources	10%*	82%	...

* use with caution ... estimate cannot be released

Figure 2: Changes to demand since the beginning of the pandemic..



primarily on earned income are more likely to be either operating as usual or to have temporarily suspended their operations, depending on their individual circumstances.

CHANGES TO DEMAND AND ORGANIZATIONAL CAPACITY

Well into the pandemic, the charitable sector is increasingly seeing demand outstrip organizational capacity. Close to half of charities have seen demand increase since the onset of the pandemic, up from just over a third in late April (see Figure 2). Over the same period, the percentage of

Figure 3: Changes to capacity since the beginning of the pandemic.

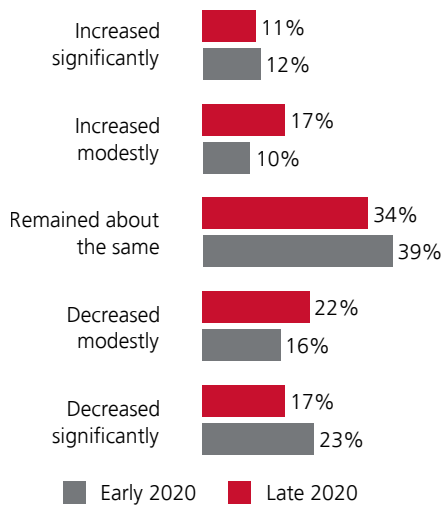
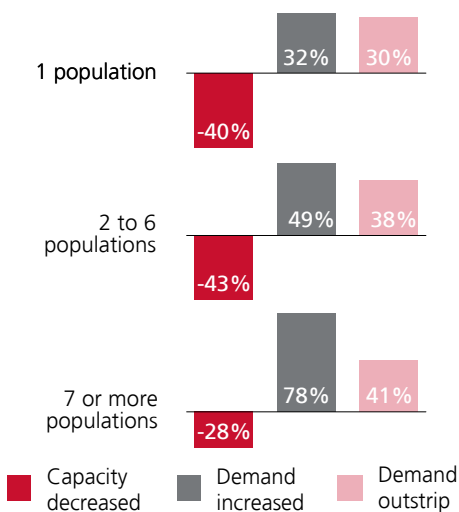


Figure 4: Percentages of charities reporting capacity and demand shifts by number of populations served.



⁴ In this context, reduced demand is mainly organizations being **unable** to provide goods and services because of physical distancing protocols and closure of facilities, rather than a true absence of need.

⁵ These charities are either seeing capacity hold steady or decrease while demand increases or seeing capacity decrease while demand holds steady.

⁶ For the purposes of this survey, "Other" organizations include those working in the areas of the Environment, Development & housing, Law, advocacy & politics, and International development & relief.

* use with caution

charities reporting significantly decreased "demand"⁴ has dropped noticeably, largely because many charities have modified their activities to operate in a pandemic environment or even ceased some activities completely.

At present, about four in ten charities say their organizational capacity has decreased since the onset of the pandemic (see Figure 3). While charities are somewhat more likely to report increased capacity than they were earlier in the year, demand is increasing more rapidly than capacity. Currently, charities are about 1.6 times more likely to report increased demand than increased capacity. The end result is that just over a third (34%) are seeing demand rise faster than organizational capacity.⁵

What charities are experiencing in terms of demand and organizational capacity varies depending on the specifics of their situation. Perhaps the most significant difference depends on the breadth and diversity of the groups/populations they serve. Charities serving seven or more specific groups/populations are much more likely to have seen demand increase than those serving just one group/population (see Figure 4). While charities serving seven or more groups/populations are less likely to have seen their organizational capacity decrease since the onset of the pandemic, this is more than offset by the increased demand. The net effect is that charities serving multiple groups/populations are more likely to be seeing demand outstripping organizational capacity.

Looking at other organizational characteristics, charities with annual revenues of \$500,000 or more are more likely to report increased demand, while both the smallest (annual revenues less than \$150 thousand) and moderately large organizations (revenues between \$1.5 and \$5 million) are more likely to report decreased organizational capacity (see Table 2). Arts, culture & recreation organizations continue to face particular challenges, with significant numbers reporting decreased demand and organizational capacity due to the impact of physical distancing requirements. Philanthropic intermediaries, in contrast, appear to have recovered somewhat compared to earlier in the year. They are more likely to be seeing increases in demand and organizational capacity than earlier in the pandemic (in April 2020, 41% reported increased demand and 26%* increased capacity) as well as more likely than charities in other sub-sectors to be seeing increases. Education & research and Health organizations appear to be under particular pressure in that they somewhat more likely to report both increased demand and decreased capacity. The end result is that these charities (along with the diverse grouping of "Other"⁶ charities) are more likely than others to see demand for services rising faster than their organizational capacity.

TABLE 2: Changes in demand and capacity by organizational characteristics.

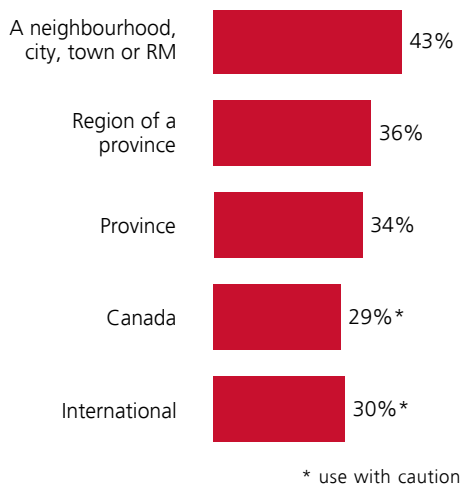
	Demand			Capacity		
	Increase	About the same	Decrease	Increase	About the same	Decrease
ANNUAL REVENUES						
\$30,000 to \$149,999	35%	29%	37%	24%*	34%	42%
\$150,000 to \$499,999	44%	26%	30%	31%	33%	37%
\$500,000 to \$1,499,999	56%	19%	24%	31%	33%	36%
\$1,500,000 to \$4,999,999	53%	20%*	27%	23%	36%	41%
\$5,000,000 or more	57%	18%	25%	32%	36%	32%
ACTIVITY AREA						
Arts, Culture & Recreation	15%*	17%*	67%	12%*	34%	54%
Education & Research	54%	24%*	22%*	23%*	33%*	44%
Health	53%	24%*	23%*	26%*	34%*	40%
Social Services	49%	22%	29%	36%	30%	35%
Philanthropic Intermediaries	56%	29%*	15%*	41%	38%	21%*
Other	41%	31%*	29%*	15%*	38%	47%
PRINCIPAL REVENUE SOURCE						
Government	49%	23%	28%	31%	35%	34%
Gifts & donations	50%	24%	26%	34%	33%	33%
Earned income	34%	28%*	38%	20%*	32%*	48%
Other	41%*	...	38%*	...	43%*	46%*
Mixed revenue sources	40%	23%*	37%	21%*	27%*	52%

* use with caution ... estimate cannot be released

Finally, looking to organizational revenue models, charities drawing on earned income, either for the bulk of their revenues or as an element of a mixed revenue strategy, are more likely to report decreased demand, while charities that depend on gifts and donations are more likely to report increased capacity. Finally, charities that rely primarily on government revenue are somewhat more likely to report increased demand.

Capacity challenges also appear to be correlated with the size of the area charities serve. Broadly speaking, the smaller the area served, the more likely charities are to report decreased capacity. For example, over two fifths of charities that serve a single neighbourhood, town, city or rural municipality have seen organizational capacity decrease since the onset of

Figure 5: Changes in capacity by area served.



the pandemic, compared to less than a third of charities with a national focus (see Figure 5). Given the large proportion of charities focusing on smaller localities,⁷ this pattern should be of considerable concern.

Impact of the Pandemic on Charities

In this section of the report we look at how the pandemic has changed the operating environment for charities and how they have shifted their priorities and operational focus to adapt. It then takes a deep dive into how organizational finances and labour supply have changed since the onset of the pandemic. In broad strokes, the pandemic is driving significant shifts to organizational priorities and focus as well as dramatically affecting their ability to access financial and human resources. While there has been some improvement on the resource front since April, improvements are not broadly distributed and the situation for much of the charitable sector remains grave. More charities are reporting constrained resources than we had ever seen prior to the pandemic and a significant number are drawing on governmental programs to operate at current levels. While the current situation is an improvement from earlier in the pandemic, it is far from representing the early stages of a recovery and remains highly dependent on ongoing supports.

SHIFTING PRIORITIES AND FOCUS

To better understand how operational priorities have shifted, we asked how charities have changed the levels of attention and resources they devote to twelve common functional areas of activity since the onset of the pandemic. With a few exceptions, organizations seem mainly to be increasing their focus on areas that have traditionally been high operational priorities. What is particularly striking, however, is how much change is occurring and the extent to which charities are being spread thin, pulled in multiple directions. On average, the typical charity is increasing the attention and resources it devotes to 3.5 different areas of activity but decreasing its focus on just 1.8 (with median values of 3 and 1 respectively).⁸ Put another way, the typical charity is increasing its focus on almost twice as many functional areas as it is reducing it – all in a context of rapidly increasing demand during upheaval virtually without parallel in living memory.

Looking at how charities are shifting their focus on specific functional areas, they are most likely to be increasing their focus on information

⁷ 41% of charities serve a single neighbourhood, city, town or rural municipality, 27% a region within a province, and 14% a single province.

⁸ The median is the halfway point in a set of values (e.g., if three hypothetical responses were ordered as 10, 20, 70, the median value would be 20). Medians are commonly used as a supplemental measure of the “typical” response because they are less sensitive to extreme values (the mathematical average in the above example would be 33).

Figure 6: Percentages of charities reporting changes to organizational focus since the onset of the pandemic.

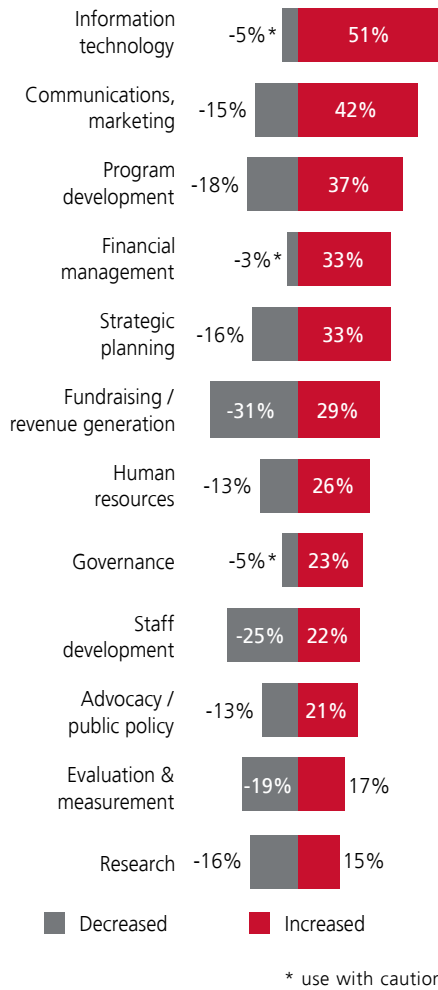
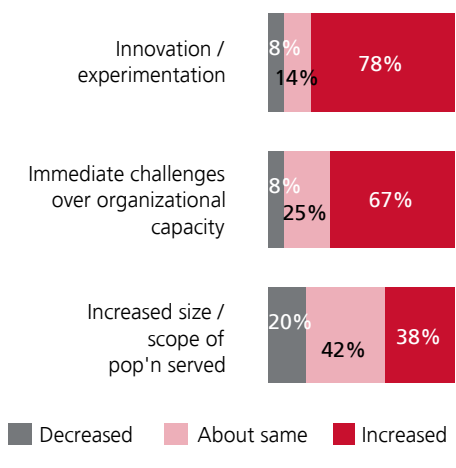


Figure 7: Pandemic driven changes to work focus.



⁹ Charities not changing the resources and attention devoted to a particular area either did not change their focus on the area or did not typically engage in the activity

technology to better support remote work and delivery of distanced programming (see Figure 6).⁹ This shift is particularly striking given that information technology has historically been a comparatively low priority for many charities (previous unpublished Imagine Canada research indicates that measurement and evaluation, information technology, and research are typically the lowest three priority areas). Other areas where focus has particularly increased include communications and marketing, financial management and strategic planning (according to the same previous research, these three areas typically rank in the top four priority areas for charities). Program development is also receiving more attention in many charities, consistent with findings from our April *Sector Monitor* showing that many charities were spending considerable effort retooling their programs for a pandemic environment.

Organizations are split in terms of their focus on fundraising and revenue generation, slightly more likely to reduce their focus in this area than increase it. This is particularly significant given that our previous research indicates this area is typically considered the second highest priority for charities, only very slightly behind financial management in importance. The split in responses seems mainly to be based on size and revenue dependency. Larger charities and charities drawing primarily on gifts and donations are more likely to increase their investments here, while smaller charities and charities primarily drawing on government sources are more likely to decrease them.

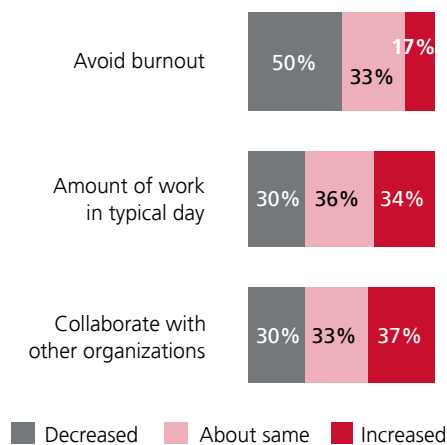
Staff development, evaluation & measurement, and research appear to be somewhat lower priorities, with comparatively few charities increasing their investments (and about as many decreasing them). While comparatively few charities are increasing their emphasis on advocacy & public policy compared to other priority areas, the percentage reducing their emphasis is somewhat smaller. Finally, human resources management and governance rank roughly in the middle of the pack in terms of increased attention, roughly consistent with their importance per our previous research.

Beyond reprioritizing traditional functional areas, charities are making broader shifts in the emphasis of their work in response to systemic changes in their operating environment. Paralleling increasing focus on information technology, communications, and program development, over three quarters of charities are increasing their innovation and experimentation to reach those they serve and accomplish their mission (see Figure 7). Worryingly, given concerns about charities spread thin by the demands of increased investments across many functional areas, two thirds of organizations are prioritizing work that addresses immediate challenges over work building or maintaining organizational capacity over

the longer term. Charities that have increased their focus on immediate challenges are increasing their focus in an average of 4.2 functional areas and decreasing it in 2.1. In contrast, charities more focused on longer term capacity are increasing their focus in an average of 1.4 and decreasing it in 2.4.

Paralleling these broader operational shifts, over a third of charities have seen increases in the size and/or scope of the populations they serve since the onset of the pandemic, though a significant minority are seeing the populations they serve shrink, principally due to physical distancing requirements. Charities in sub-sectors focusing on particular types of human services delivery, such as Health, Education and Social services are more likely to report increases in the size and scope of the populations they serve, as are charities that serve a wide diversity of populations or groups. Not surprisingly, organizational experiences are closely correlated with both demand and capacity. Charities that have seen demand increase are more likely to be serving a broader population while charities facing reduced capacity are less likely to be doing so.

Figure 8: Pandemic driven work limitations.



As they respond to systemic changes and reallocate resources across functional areas, many charities are seeing changes to factors that may limit or constrain their work. Faced with increased demand and significant increases in the attention devoted to many functional areas, half of charities are reporting that the ability of their staff to maintain an appropriate work-life balance and avoid burnout has decreased (see Figure 8). The key driver of response here appears to be organizational capacity. Charities with reduced organizational capacity since the onset of the pandemic are more likely to be facing challenges in this area.

Experiences are somewhat more mixed with other potential limiting factors. Roughly equal percentages of charities are seeing the amount of work they can accomplish in a typical day increase, remain about the same, or decrease. The picture is very similar for charities' ability to collaborate or co-ordinate with other organizations. With each of these factors, key drivers largely boil down to demand and organizational capacity – charities experiencing increased demand are able to get more work out in a typical day and better able to collaborate with other organizations while charities experiencing reduced organizational capacity are less able to do each of these.

FINANCIAL IMPACT

The pandemic continues to have the most significant effects on organizational finances we have ever seen, though current challenges may be slightly less acute than earlier in 2020. At present, over half of charities report revenues are down since the onset of the pandemic (see Table 3). This is a modest decrease from nearly seven in ten earlier in the year. While the percentage of charities reporting stable revenues remains unchanged from earlier in the year, about one in six have seen revenues increase since the beginning of the pandemic – about three times the number previously.

TABLE 3: Financial impacts of the pandemic.

	2008/09	Early 2020	Late 2020
REVENUES			
Increase	31%	6%	18%
Remain about the same	37%	26%	28%
Decrease	32%	69%	55%
Average change	-0.75%	-30.60%	-15.71%
EXPENDITURES			
Increase	42%	15%	29%
Remain about the same	36%	52%	41%
Decrease	22%	33%	31%
Average change	4.53%	-0.50%	-0.37%

Looking at the size of the revenue shifts experienced by charities, revenues have declined by an average of 16%. While this decrease is somewhat smaller than earlier in 2020, it is important to understand that these measures are the average revenue change across all charities (i.e., they include charities that have seen stable, increased, and decreased revenues). For the 55% of charities currently reporting decreased revenues, things have not changed significantly from earlier in the year. At present, they have seen their revenues drop by an average of -43%, only slightly better than the average drop (-49%) earlier in 2020. Significantly, the median decline for these charities was -40% in both surveys. Looking only at charities reporting revenue increases, the average reported increase is 43%, up from 33% in early 2020 (the current median increase is 25%, up from 15% in the earlier survey).

Turning to expenditures, the percentage of charities reporting higher spending has increased since early 2020, while the percentage reporting lower spending has remained essentially constant. Unlike earlier in the

year, when the typical revenue decrease was somewhat larger than the typical increase, increases and decreases are now more equivalent, with the median increase and median decrease essentially balancing each other (+20% vs. -20%, respectively).

Not surprisingly, revenue trends are closely linked to how organizations are coping with increased demand. Two thirds of charities with higher revenues are seeing increased demand, compared to about two fifths of those with stable or lower revenues, but higher revenue charities are less likely to experience demand outstripping their organizational capacity (see Table 4). Put another way, the typical revenue experience for charities experiencing decreased demand is an average decline of -33%, with average declines of -14% for charities with stable demand and -8% for charities with increasing demand.

TABLE 4: Revenue trends, demand and relative capacity.

	DEMAND			Total	Demand outstripping capacity
	Increased	About the same	Decreased		
REVENUES					
Higher	65%	20%*	14%*	100%	20%
Constant	44%	33%	23%*	100%	37%
Lower	40%	20%	40%	100%	38%

* use with caution

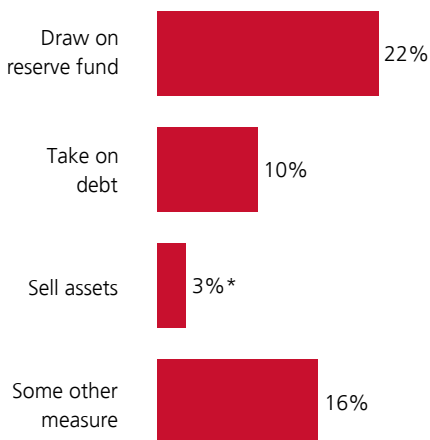
Looking at how revenue and expenditure trends vary according to organizational characteristics, the clearest patterns are with sub-sector and principal source of revenue. As in April, Arts, culture & recreation charities are most likely to have seen pressure on both their revenues and expenditures (see Table 5). Social services and Philanthropic intermediaries are less likely to report declining revenues, though Social services charities (together with Health) are more likely to have increased their expenditures in the face of increasing demand for human services. In terms of revenue dependency, charities that depend mainly on government revenue sources are least likely to have seen their revenues decline and most likely to have increased their expenditures. Charities drawing on earned income, either by itself or as part of mixed revenues, are most likely to be seeing decreased revenues and, in the case of “pure” earned income charities, least likely to be seeing increased expenditures (though not particularly likely to have decreased expenditures).

TABLE 5: Changes in revenue and expenditures by organizational characteristics.

	Revenues			Expenditures		
	Increase	About the same	Decrease	Increase	About the same	Decrease
ANNUAL REVENUES						
\$30,000 to \$149,999	11%*	29%	61%	23%*	47%	31%
\$150,000 to \$499,999	20%*	27%	53%	26%	46%	28%
\$500,000 to \$1,499,999	22%	29%	49%	37%	37%	26%
\$1,500,000 to \$4,999,999	18%*	27%*	54%	34%	32%	34%
\$5,000,000 or more	27%	25%	47%	35%	23%	43%
ACTIVITY AREA						
Arts, Culture & Recreation	...	11%*	83%	13%*	44%	43%
Education & Research	11%*	26%*	63%	27%*	39%	34%*
Health	22%*	18%*	60%	35%*	34%*	31%*
Social Services	26%	26%	48%	41%	34%	25%
Philanthropic Intermediaries	20%*	43%	36%	21%*	53%	26%
Other	10%*	40%	50%	23%*	43%	34%
PRINCIPAL REVENUE SOURCE						
Government	24%	30%	46%	40%	36%	24%
Gifts & donations	19%	30%	51%	24%	40%	36%
Earned income	...	28%*	64%	19%*	54%	26%
Other	...	...	75%	27%*	27%*	46%*
Mixed revenue sources	15%*	17%*	68%	27%	40%	33%

* use with caution ... estimate cannot be released

Figure 9: Financial measures taken by charities.



* use with caution

Financial responses. Organizations are taking a number of financial measures in response to fiscal pressures associated with the pandemic. The most common is drawing on reserve funds, followed by acquiring debt, and selling assets (see Figure 9). A significant majority of the “other” measures reported by charities have to do with reducing expenses related to their paid and volunteer labour supply, via layoffs, natural attrition (e.g., not replacing staff that have left), or reductions in hours worked. These measures are discussed in greater detail in the Human resources impact section of this report.

As would be expected, charities experiencing declines in revenue are most likely to take these measures. Among charities with lower revenues, about

a third (34%) have drawn on their reserve fund, 17% have taken on debt, and 5%* have sold assets. Significantly, just over one in eight (13%) charities with higher revenues since the pandemic have also drawn on their reserve funds, almost entirely in response to increased demand. Also worth noting is how frequently these measures are being taken in conjunction with Federal government supports. As an example, nearly half of charities drawing on their reserve fund also applied for the Canada Emergency Wage Subsidy (CEWS), as did two thirds of charities taking on debt (about another fifth of charities taking each of these measures did not apply because they believed they were not eligible for the program). Similar associations are seen with other Federal supports, which will be discussed in greater detail later in the report.

Specific revenue sources. As would be expected given the scale of the revenue shifts charities are experiencing, there are significant changes to nearly every specific revenue source since the beginning of the pandemic. While the picture varies somewhat from source to source, donations and earned income have tended to decline for most charities, while revenue from government has tended to increase.

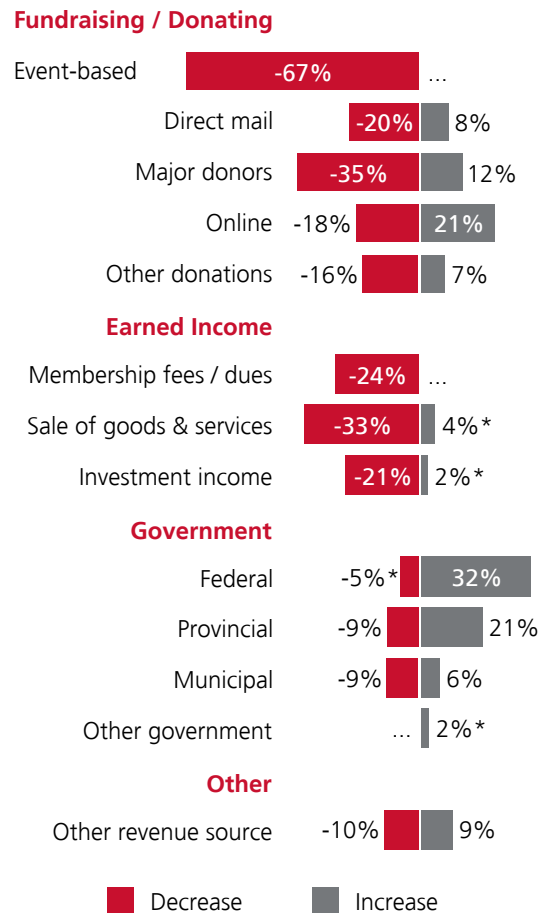
Overall, three quarters (75%) of charities report lower contributions from at least one source of donations since the beginning of the pandemic. As one would expect, the pandemic has had the biggest impact on event-based fundraising, but other sources have also been significantly affected (see Figure 10). Roughly a third of charities have seen major donor contributions decrease and a fifth are seeing reduced revenue from direct mail campaigns. While experiences are not uniform and some charities are reporting increases in these areas, charities are between two and three times more likely to report a decrease than an increase in these areas. Only with online donations are experiences more balanced, with roughly a fifth of charities reporting both increased and decreased contributions.

Turning to earned income, fully half (52%) of charities have seen lower revenue from at least one earned income source. Sales of goods and services have been most affected, with a third of charities reporting decreased revenue in this area, but the other two major sources (membership fees/dues and investments) have also been significantly affected, with between a quarter and a fifth of charities seeing decreases. Organizational experiences with earned income are much less mixed than with donations. Only very small percentages of charities report increases in any specific earned income source.

Since the onset of the pandemic, the only area where revenues have tended to increase is government funding. Overall, 41% of charities report

* use with caution

Figure 10: Changes in specific revenue sources since the pandemic.



* use with caution ... estimate cannot be released

revenues from at least one government source have increased, while 16% have seen at least one source decrease. The Federal government is clearly playing the largest role, with about a third of charities seeing increased revenues vs. one in twenty decreased. Provincial governments are also playing a significant role, though the picture here is much more mixed, with a fifth of charities reporting increases and a tenth decreases. Municipal governments are the only level of government where charities are more likely to report decreased rather than increased revenue since the onset of the pandemic.

Looking at major revenue source changes by organizational characteristics, a few key trends can be seen. First, size clearly matters. Larger charities seem to be more able to adapt to changing circumstances and book increased revenues from at least one form of donations or earned income, though there are no clear trends with declines (see Table 6). Second, Health and Arts, culture & recreation charities are comparatively likely to have seen declines in at least one donation source since the onset of the pandemic, likely because of the comparatively high incidence of event-

TABLE 6: Changes by major revenue source since the pandemic.

	Decreased			Increased		
	Donations	Earned income	Government	Donations	Earned income	Government
ANNUAL REVENUES						
\$30,000 to \$149,999	71%	51%	18%*	22%*	...	27%
\$150,000 to \$499,999	80%	50%	16%	27%	6%*	43%
\$500,000 to \$1,499,999	76%	58%	17%	37%	8%*	56%
\$1,500,000 to \$4,999,999	70%	54%	14%*	35%	...	52%
\$5,000,000 or more	75%	52%	13%*	52%	12%*	46%
ACTIVITY AREA						
Arts, Culture & Recreation	84%	82%	22%*	26%*	...	43%
Education & Research	72%	53%	32%*	27%*	...	31%*
Health	89%	52%	...	27%*	...	48%
Social Services	78%	48%	15%	37%	5%*	51%
Philanthropic Intermediaries	62%	41%	...	31%	9%*	38%
Other	66%	42%	13%*	27%	...	25%*
PRINCIPAL REVENUE SOURCE						
Government	75%	57%	19%	25%	5%*	45%
Gifts & donations	73%	34%	13%*	38%	5%*	38%
Earned income	72%	68%	16%*	25%*	10%*	39%
Other	76%	61%	...	29%*	...	31%*
Mixed revenue sources	86%	70%	23%*	32%	6%*	55%

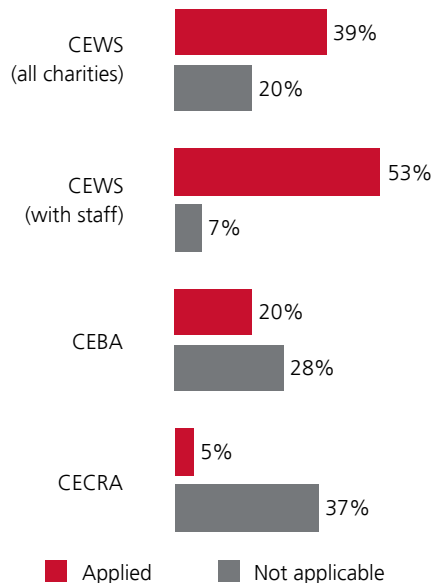
* use with caution ... estimate cannot be released

based fundraising among these charities. Arts charities are particularly hard hit by the added impact of declining revenues from earned income activities. Third, charities that depend primarily on donations look to have been fairly able to switch between specific donation methods to at least partially compensate for any declines they have experienced. In contrast, earned income dependent charities, look to have been less able to switch to other earned income activities to make up revenue shortfalls. Finally, looking at government funding, charities with annual revenues of \$500,000 or more are more likely to report increased revenues, as are human services charities working in the areas of Social Services and Health. While charities primarily dependent on government funding are most likely to be seeing increased government funding, this additional funding does

seem to be fairly broadly distributed, likely due to the widespread adoption of various government support initiatives.

Federal government supports. In order to help businesses and other organizations cope with pandemic-related disruptions, the Federal government has developed a number of support programs to provide targeted financial assistance in the form of grants and partially forgivable loans. Key programs include the Canada Emergency Wage Subsidy (CEWS), the Canada Emergency Rent Subsidy (CERS),¹⁰ and the Canada Emergency Business Account (CEBA). Charities and nonprofits are considered to be in-scope for these programs, though each has particular eligibility criteria that screen out some organizations (e.g., CEBA targets organizations engaged in earned income activities and CEWS excludes Hospitals, Universities and other charities heavily dependent on government revenue). Consistent with the relatively high percentage of charities reporting increases in Federal government revenues, uptake for these programs seems generally to be high.

Figure 11: Uptake of Federal government supports.



Uptake is highest with CEWS, which provides organizations experiencing a revenue drop with a subsidy to cover a portion of paid staff compensation and is designed to help employers avoid layoffs and re-hire workers who have previously been laid off. In total, just under two fifths of charities have applied for this program and uptake increases to just over half once the analytical scope is restricted to charities with paid staff (see Figure 11).¹¹ About a fifth of all charities (and 7% of those with paid staff) say they are out of scope for the program, either by virtue of not having paid staff or being heavily dependent on government revenues. The next highest level of uptake is with CEBA, which provides charities engaging in earned income activities and having payroll expenses of \$1.5 million or less with partially forgivable loans of up to \$60,000. In total, about a fifth of charities have applied for this support (and nearly another tenth say they will or might apply in the future). Just over a quarter say they are out of scope for the program. The lowest level of uptake has been with the Canada Emergency Commercial Rent Assistance program (CECRA), which was recently replaced by CERS. This program required the participation of landlords and was intended to provide financial assistance to commercial property owners forgiving rent to small business tenants. Overall, just one in 20 charities applied for this program and over third were out of scope. By way of comparison, about 12% of charities intend to apply for the successor program CERS, which will provide support directly to renters and property owners, and 38% say they are out of scope.

Overall, 86% of charities responding to this *Sector Monitor* believe themselves in-scope for at least one program.¹² At the individual program

¹⁰ Replacing the previous Canada Emergency Commercial Rent Assistance program (CECRA).

¹¹ Virtually all charities that applied say their applications were approved or are currently in the process of being approved.

level, scope coverage is highest for CEWS at 80%, followed by 72% for CEBA and 63% for CECRA (62% for the succeeding program CERS). Overall, 42% of charities have received some form of support from these programs and 44% have not (46% and 54% of in-scope charities, respectively).

The likelihood of having received support from at least one of these programs increases with organization size, peaking among charities with annual revenues between \$1.5 and \$5 million, before declining slightly among the largest (see Table 7). Smaller charities, on the other hand, are most likely to be out of scope for these programs, mainly by virtue of not having paid staff. Compared to charities working in most other areas, Health charities stand out as being particularly likely to have applied for

TABLE 7: Program uptake by organizational characteristics.

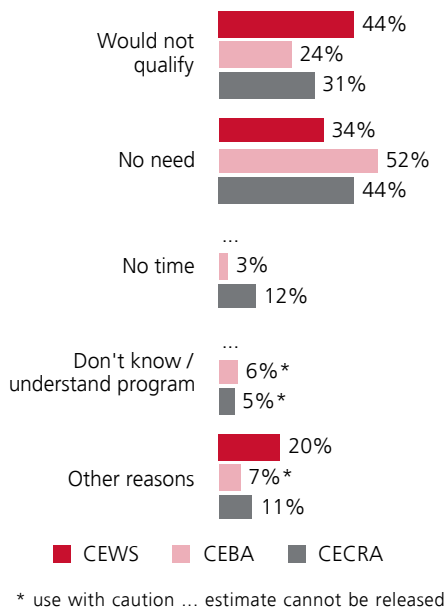
	Applied	Did not apply	Out of scope
ANNUAL REVENUES			
\$30,000 to \$149,999	21%*	54%	25%
\$150,000 to \$499,999	39%	48%	13%*
\$500,000 to \$1,499,999	62%	32%	6%*
\$1,500,000 to \$4,999,999	68%	27%*	...
\$5,000,000 or more	53%	39%	8%*
ACTIVITY AREA			
Arts, Culture & Recreation	38%	49%	13%*
Education & Research	42%	40%	18%*
Health	56%	40%*	...
Social Services	44%	45%	11%*
Philanthropic Intermediaries	32%	43%	25%*
Other	42%	45%	13%*
PRINCIPAL REVENUE SOURCE			
Government	40%	53%	7%*
Gifts & donations	41%	42%	18%*
Earned income	42%	34%*	24%*
Other	31%*	56%*	...
Mixed revenue sources	60%	34%	...

¹² 14% of charities are out of scope for all programs or unsure of their application status.

* use with caution ... estimate cannot be released

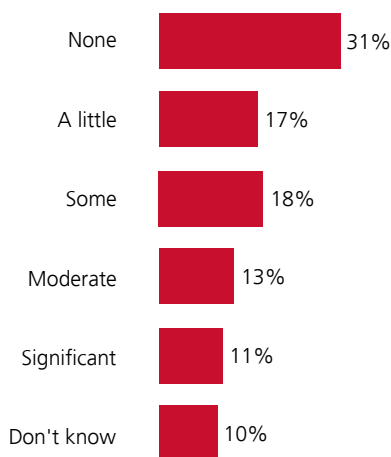
support, while Philanthropic intermediaries are comparatively likely to be out of scope for these programs. Looking at how charities tend to be funded, charities depending on mixed revenue sources are particularly likely to be receiving support, while charities deriving most of their revenue from gifts & donations and earned income are particularly likely to be out of scope for support.

Figure 12: Barriers to uptake of Federal government supports reported by charities not applying for programs.



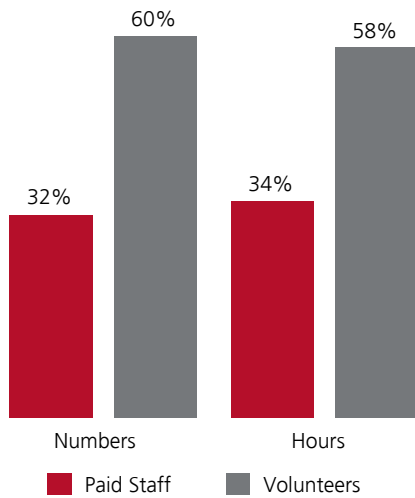
The most prevalent barriers among charities that did not apply for the various support programs are belief that they would not meet the individual eligibility requirements for the program (i.e., though they were in-scope, they would not qualify for support) and not requiring support at this time (see Figure 12). Charities are more likely not to apply to CEWS because they believe they would not meet the eligibility conditions (mainly being able to demonstrate the required revenue declines) than with the other programs. They are more likely to not see a need for the partially forgivable loans offered under the auspices of CEBA or the rent supports formerly provided by CECRA than the wage supports offered by CEWS. For CEBA, a key additional barrier is lack of willingness (or ability) to take on debt, as reported by 26% of charities not applying for the program. Lack of awareness or understanding of the supports offered does not seem to be a significant problem. The time required to complete the applications does not seem to have been a significant barrier, except with CECRA - likely due to the additional challenges of co-ordinating with landlords.

Figure 13: Level of difficulty making use of restricted funding.



Restricted vs. unrestricted revenues. As the pandemic has progressed, one challenge we have heard expressed by charity leaders is the difficulty of navigating the financial challenges associated with restricted revenue (i.e., revenue that can only be used for particular purposes, typically due to funder conditions). Very commonly, charities draw on a range of restricted and unrestricted sources, with unrestricted revenue paying for various activities, programs, and even key organizational functions not covered by restricted revenue. Overall, just over three quarters of charities (78%) say they typically have at least some restricted revenue (virtually all draw on unrestricted revenue to some extent). Among these charities, restricted revenue typically plays a significant financial role, accounting for 58% of total revenues, on average. Since the onset of the pandemic, somewhat over half (58%) of organizations with mixed revenues say they are experiencing difficulty carrying out the activities supported by restricted revenue because they lack unrestricted revenues needed to support necessary related activities or functions. While most difficulties are comparatively minor, about a quarter say these difficulties are moderate to severe (see Figure 13).

Figure 14: Charities experiencing layoffs and reduced hours at some point during the pandemic..



HUMAN RESOURCES IMPACT

Since the onset of the pandemic, many charities have seen significant changes to their paid and volunteer labour supplies. Overall, about a third of charities normally employing paid staff have seen disruptions in the form of staff layoffs and/or reductions in paid hours worked at some point (see Figure 14). On the volunteer side, about three in five charities have seen reductions in volunteer numbers and/or hours at some point. Only a minority of charities (28%) have not seen these types of disruption to their labour supply since the onset of the pandemic.

Looking at which types of charities are most likely to have experienced disruptions, larger charities are generally more likely to report layoffs, though this does not seem to be the case for reductions to paid staff

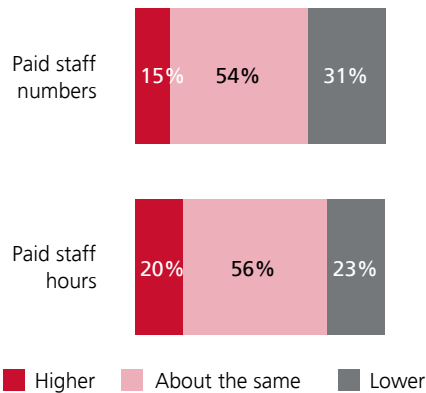
TABLE 8: Charities experiencing reductions in paid staff and volunteer numbers and hours at some point during the pandemic by organizational characteristics.

	Paid staff numbers	Paid staff hours	Volunteer numbers	Volunteer hours
ANNUAL REVENUES				
\$30,000 to \$149,999	21%*	35%*	59%	63%
\$150,000 to \$499,999	23%	36%	56%	53%
\$500,000 to \$1,499,999	34%	33%	56%	62%
\$1,500,000 to \$4,999,999	46%	35%	74%	76%
\$5,000,000 or more	43%	31%	60%	62%
ACTIVITY AREA				
Arts, Culture & Recreation	48%	50%	72%	62%
Education & Research	28%*	31%*	50%	45%
Health	21%*	19%*	64%	60%
Social Services	36%	40%	64%	73%
Philanthropic Intermediaries	29%	23%*	41%*	47%
Other	26%*	35%	63%	64%
PRINCIPAL REVENUE SOURCE				
Government	27%	29%	62%	59%
Gifts & donations	34%	28%	52%	57%
Earned income	44%	55%	62%	65%
Other	...	...	73%	72%
Mixed revenue sources	40%	50%	69%	69%

* use with caution ... estimate cannot be released

hours, volunteer numbers or volunteer hours contributed (see Table 8). Charities with annual revenues between \$1.5 and \$5 million are most likely to report disruptions to volunteering, suggesting they may face particular challenges in this area. Arts, culture & recreation charities and, to a lesser extent, Social services charities are comparatively likely to have experienced layoffs and reduced staff hours, while Health charities are comparatively unlikely. Looking to volunteers, Arts, culture & recreation and Social services charities are again comparatively likely to report having experienced disruptions, while Philanthropic intermediaries are comparatively unlikely to have experienced disruptions in this area. Looking to revenue sources, charities drawing on earned income, either as principal revenue source or as part of mixed revenues, more likely to report disruptions to both paid and volunteer resources.

Figure 15: Current paid labour force status.



Indications of recovery? While some charities have seen paid staff numbers recover via re-hiring of laid off workers and hiring for new roles (about a third of charities reporting layoffs say their present staff complement has since returned to pre-pandemic levels or increased), this seems to have been largely offset through natural attrition (e.g., retirements, not hiring for vacant positions, etc.) at other charities. Fully one in eight charities (13%) reporting no layoffs have fewer staff than they did prior to the beginning of the pandemic. The net effect of these two trends is that, overall, about a third of charities currently have fewer paid staff than they did prior to the pandemic (see Figure 15).

Hours worked by paid staff, on the other hand, do appear to have partially rebounded. While just over a third of charities have seen their paid staff working fewer hours at some point, less than a quarter are currently experiencing this. Nearly half (45%) of charities with disruptions to paid staff hours say current paid hours worked have recovered to pre-pandemic levels, or even increased.

Labour substitution. There is very little indication that charities experiencing declines in either paid or volunteer labour are able to adapt substitution (e.g., increasing volunteer labour to make up for declines in paid staff). To the contrary, charities experiencing shortages in on labour source are substantially more likely to report decreases in the other. For example, among charities typically drawing on both paid and volunteer labour, 88% of charities seeing a decline in paid staff numbers are also seeing a decline in volunteer numbers and 87% are seeing a decline in volunteer hours. Overall, about a fifth of charities (22%) that normally draw on both paid and volunteer labour have seen a decline in both, while two-fifths (39%) have seen paid staff numbers hold steady but volunteers decline, and 2% have seen volunteer numbers hold steady but paid staff

numbers decline. Collectively only about 9% of charities that typically draw on both labour sources have seen an increase since the onset of the pandemic and almost all of this has been in the form of increased paid staff numbers.

Key drivers. Labour supply shifts, particularly with paid staff, appear to be associated with shifts in demand. This seems to be especially true of charities that have experienced the most extreme changes. For example, charities that have seen demand increase significantly are most likely to report increases in paid staff numbers and hours worked, while those that have seen significant decreases in demand are most likely to have seen these decrease (see Table 9). Similarly, with volunteer resources, charities that have seen significant increases in demand are least likely to have seen their volunteer numbers and hours decrease, while those that have seen significant decreases in demand are most likely to have seen these decline. All this having been said, it is clear that a significant number of charities experiencing higher demand are having to try to meet it with smaller labour supplies, particularly volunteer labour. Further, it is far from clear

TABLE 9: Current paid and volunteer labour force status by change in demand.

PAID STAFF						
Demand	Numbers			Hours		
	Increased	About the same	Decreased	Increased	About the same	Decreased
Increased significantly	21%	57%	22%	32%	54%	14%*
Increased modestly	16%*	57%	27%	24%	59%	18%
Remained about the same	16%*	55%	29%	19%*	63%	18%*
Decreased modestly	14%*	56%	30%*	12%*	65%	23%*
Decreased significantly	...	44%	51%	...	46%	50%

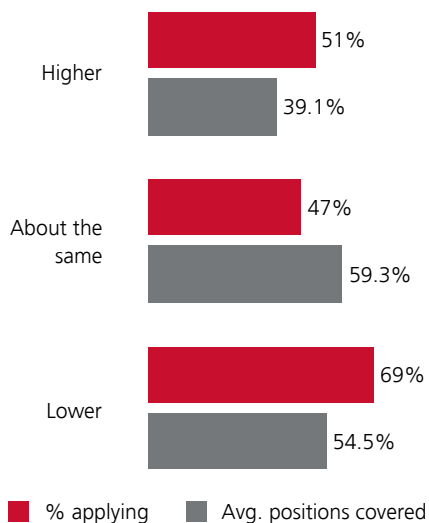
VOLUNTEERS						
Demand	Numbers			Hours		
	Increased	About the same	Decreased	Increased	About the same	Decreased
Increased significantly	6%*	33%	61%	13%*	28%	59%
Increased modestly	...	26%	69%	8%*	19%*	73%
Remained about the same	...	39%	57%	...	25%*	67%
Decreased modestly	...	25%*	71%	...	24%*	71%
Decreased significantly	...	10%*	88%	...	...	92%

* use with caution ... estimate cannot be released

whether the increases in labour supply are reported by some charities are pacing the increases in demand.

Unsurprisingly, labour supply shifts are also associated with changes in revenue. For example, charities with increased revenues since the onset of the pandemic are significantly more likely to have higher paid staff numbers than those that have seen revenues decrease (38% vs. 7%*). Similarly, 42% of charities with lower revenues since the pandemic have also seen their paid staff numbers decline, compared to just 20%* of charities where revenues have increased. Similar patterns are seen with the hours worked by paid staff and with the volunteer labour supply. With volunteers, it appears that reductions in paid staff add to the impact of reduced revenue, resulting in reduced volunteers and volunteer hours.

Figure 16: Uptake and role of CEWS by changes in paid staff size.



Impact of Federal supports. As a dimension of role in supporting organizational finances, CEWS is having a significant impact preserving employment within charities. Overall, 53% of charities with paid staff have received CEWS and the support provided is preserving approximately 54.8% of paid staff positions, on average. Looking at how the support interacts with paid staff levels, charities that have seen their paid staff numbers drop are substantially more likely to have received CEWS and it is allowing them to preserve just over half of paid positions, on average (see Figure 16). Charities with stable staff levels since the onset of the pandemic are least likely to have applied for the support, but have been able to preserve the largest fraction of paid positions. Notably, the subsidy is playing an important role among charities that have seen their paid staff numbers increase with the higher demand (and in spite of the revenue decline they must be experiencing in order to qualify for the program). Fully half of these charities have received the support and it is covering two fifths of paid positions, on average.

Predictions for the future

At the time of this writing, a second wave of the pandemic appears to have crested. Since our survey was fielded, many parts of Canada have seen lockdowns, closures and significant restrictions of non-essential businesses, shifts to online learning and even more restrictive measures such as curfews and stay at home orders in some provinces. While charities responding to our survey describe a more positive situation than during the early stages of the pandemic, the intensification since then, combined with the potential for a third wave driven by the more contagious COVID variants circulating in communities, means this is unlikely to endure.

* use with caution

Figure 17: Predicted financial condition of organization over the next three to six months.

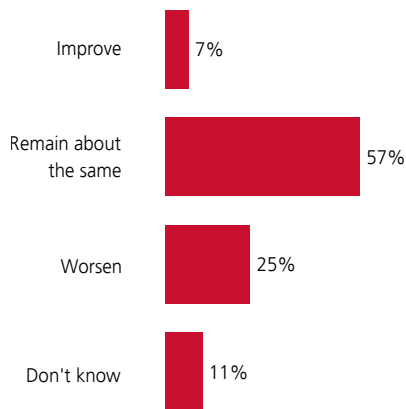


Figure 18: Predicted layoffs and work reductions.

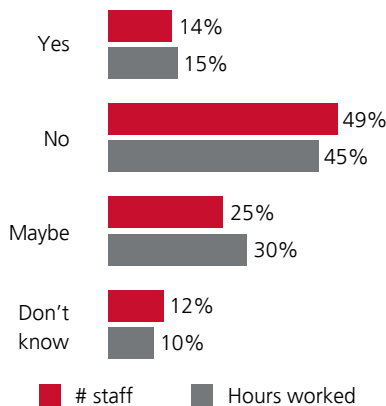
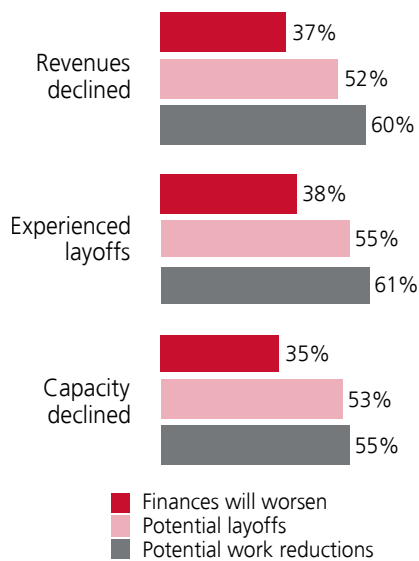


Figure 19: Predicted resource declines by prior experiences.



While most charities have modified their operations and are generally better able to operate during a pandemic, it seems likely that the intensification of the pandemic will have had a significant impact on demand. Given the patterns seen so far, it seems likely that some charities will have seen demand increase further, driven by increased case counts and the knock-on effects of pandemic response measures, while others will have seen their ability to provide services further decline due to operating restrictions and more stringent physical distancing protocols.

Overall, as of early December, charities were more likely to be pessimistic than optimistic when forecasting their financial situation over the near-term. They were roughly three times as likely to believe that their financial situation would worsen rather than improve over the next three to six months if current trends continued (see Figure 17). While over half of charities believe their revenues will remain more or less the same, it is clear that there is considerable uncertainty ahead, with just over one in ten unable to predict near-term revenues.

Turning to predictions of future paid human resources availability, it is far from clear that charities believe the worst is over. One in seven charities with paid staff say current trends mean they will see future layoffs and fully a quarter believe they are a possibility (see Figure 18). Another one in eight charities is unable to predict whether they will see layoffs, meaning that only about half believe they will not see layoffs if current trends continue. Predictions for future hours worked by paid staff are virtually identical.

Worryingly, charities that have seen previous declines in any given area are more likely to predict future declines – and to predict declines in other areas. For example, over a third of charities that have experienced declining revenues since the onset of the pandemic expect their finances to worsen over the next three months, as do charities that have had to lay off staff and have seen their organizational capacity decline (see Figure 19). The same association can be seen with predictions of layoffs and work reductions.

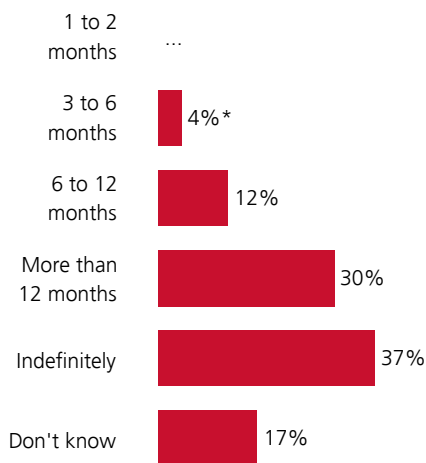
Turning to look at variation by organizational characteristics, it is clear that larger charities are somewhat more pessimistic than smaller ones. Charities with annual revenues of \$500,000 or more are more likely to anticipate worsening finances and potential layoffs, though not more likely to forecast work reductions (see Table 10). Looking at sub-sector, Arts, culture & recreation charities are most likely to forecast reduced resources and Philanthropic intermediaries are least likely to do so. Paralleling many other findings, charities drawing on earned income – either as principal

TABLE 10: Resource reductions by organizational characteristics

	Finances worsen	Potential layoffs	Potential work reductions
ANNUAL REVENUES			
\$30,000 to \$149,999	21%*	29%*	48%
\$150,000 to \$499,999	18%	33%	42%
\$500,000 to \$1,499,999	33%	43%	44%
\$1,500,000 to \$4,999,999	31%	47%	48%
\$5,000,000 or more	36%	46%	38%
ACTIVITY AREA			
Arts, Culture & Recreation	34%	48%	54%
Education & Research	21%*	39%	46%
Health	22%*	37%	41%
Social Services	29%	39%	46%
Philanthropic Intermediaries	16%*	33%	36%
Other	23%*	36%	41%
PRINCIPAL REVENUE SOURCE			
Government	22%	33%	39%
Gifts & donations	23%	40%	45%
Earned income	28%	48%	51%
Other	23%*	37%*	47%*
Mixed revenue sources	40%	48%	51%

* use with caution

Figure 20: Predicted length of time charities will be able to operate given current trends.



* use with caution ... estimate cannot be released

revenue source or as an element of a mixed revenue strategy – are most likely to anticipate further resource declines.

Given existing trends and their sense of what the future holds, a significant fraction of charities are concerned about their long-term viability.

Collectively, 16% of charities believe they will not be able to operate for a year if trends continue and roughly as many are unable to say how long they will be able to operate (see Figure 20). Slightly less than a third believe they can operate for longer than a year but will have cease operations at some point. The net effect is that only a bit over a third of charities believe they are sustainable, in the sense of reasonably believing they can operate indefinitely, given current trends.

Imagine Canada's Sector Monitor: Ongoing Effects of the COVID-19 Pandemic

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