



Boys and Girls Clubs of Ontario - Provincial Youth Council Conference at Camp Smitty near Ottawa

CHALLENGES AND OPPORTUNITIES FOR ONTARIO'S NOT-FOR-PROFIT SECTOR DURING TOUGH ECONOMIC TIMES

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CHALLENGES AND OPPORTUNITIES IN THE ECONOMIC CRISIS

Ontario's not-for-profit (NFP) sector faces the current recession, and the challenging times ahead, with a mixture of fear and trepidation, tempered with a sense of opportunity.

The signs are clear. The economic crisis facing this country is more serious than anything we have experienced in decades. The business pages of our daily newspapers tell of a sinking stock market, declining corporate profits, and massive employment lay-offs. Governments at all levels are busy developing stimulus packages without knowing for sure whether they will do the trick.

While most of the headlines talk about the recession's serious impact in the corporate and government sectors, little has been said about the not-for-profit sector. This is probably because the sector is usually quiet, relatively modest, and highly diversified. That said, the role of the sector – which incorporates everything from children's mental health agencies to hospital foundations, after-school youth programs to seniors' clubs, and environmental protection agencies to arts programs for under privileged kids – is more important than ever in these uncertain times.

Early this year, the Ontario Trillium Foundation (OTF) set out to have in-depth conversations with more than 100 NFP organizations across the province. We spoke with a wide range of organizations, large and small, in every region of Ontario. The organizations in our survey do important work in the arts and culture, environment, social services or sports and recreation areas. We asked what they were experiencing, what impact the economic downturn was having on their communities, and how OTF can effectively help. What we heard was clearly cause for concern.

- There is a heightened sense of anxiety about funding and organizational stability, even survival, over the next two or three years.
- At least one-third of the organizations we spoke with are already experiencing serious economic impacts, and all fear that things will get worse before they improve.
- NFP organizations are hearing that many long-term funders, including many United Ways, Community Foundations and family foundations will be reducing their granting programs in 2009 and 2010.
- Stock market declines have had a severe impact on the value of endowment funds that many NFPs have been carefully building for years.
- Corporate donors and sponsors are frequently not renewing their support.
- A number of social service agencies – such as food banks and credit counselling agencies – report significantly increased demand for their services.

It is not all doom and gloom, however. Ontario's not-for-profit sector has weathered storms in the past, and leaders in the sector are busy discussing survival strategies.


- Umbrella groups and networking groups are bringing their members together, to share best practices.
- Agencies are looking for new ways to collaborate with one another.
- Charities are looking at diversifying their fundraising base, and also at opportunities to generate new revenues.
- Concerned funders – such as foundations and United Ways – are actively engaged in explorations of how to have greater impact with fewer dollars.
- Everyone is looking at ways to reduce costs – to do more with less.

There's no question that the NFP sector will need help. Survey respondents had a number of specific suggestions for us at the Ontario Trillium Foundation.

- OTF is asked to take on a greater role in sharing best practices and in convening NFP groups across the province, to help organizations learn from one another.
- Groups would welcome support and assistance for finding new ways to collaborate with other NFPs focusing on the same social objectives or population groups.
- OTF is asked to look at ways of streamlining our grantmaking and reporting processes.
- We are asked to be flexible around the goals and expectations attached to Foundation grants.
- OTF is encouraged to partner with sector networks and other funders to help leverage the impact of its grants.

We are grateful for the input we received, and acknowledge the suggestions as to how we can be helpful. OTF will be carefully considering these suggestions in the coming weeks. We will also be sharing our findings with other funders, and will look for opportunities to collaborate with our colleagues.

Ontario's communities will weather the storm. But we will not succeed without a concerted effort from the NFP sector, its funders and supporters, to respond to the new economic challenges we face. Business-as-usual will not suffice. The OTF mission to build healthy and vibrant communities across Ontario is more relevant today than it ever has been. We look forward to working with colleagues in every part of the not-for-profit sector to strengthen Ontario's communities during these challenging times.



L. Robin Cardozo
CEO, Ontario Trillium Foundation

SLUMPING ECONOMY PROMPTS TOUGH DECISIONS FOR CULTURAL VENUE



Capitol Centre Theatre North Bay has been hard hit by the province's economic challenges. Down \$100,000 in revenue compared to last year the theatre has had to re-budget and rethink its strategy.

"Eighty-five per cent of our shows have been affected as a result of our slumping economy," says Dee Adrian, General Manager, Capitol Centre Theatre North Bay. "We were blindsided – we were booking far in advance and it just hit so suddenly."

The theatre has had to make some strategic changes, including having to let go staff and reduce hours of operation for the gallery and box office. Come June, the theatre will also operate on reduced hours and will remain closed on Saturdays.

"I've had no choice. We're faced with the dilemma of having to do more with less," says Adrian who in addition to managing the organization must also take on roles such as wedding and party planner in order to generate revenue.

Visits to major sponsors may help to secure much needed dollars, however sponsorships have been on the decrease partly due to the growing competition between the arts and the hospitals Adrian reports. "Donor fatigue is at an all-time high."

In spite of the downturn, the centre is the mecca for arts, culture and entertainment in the northeast. As Adrian recently stated in a solicitation to the membership of the Capitol Centre, "We aren't going anywhere, we just have to plan and conserve for the bumpy road ahead."

**Dee Adrian, General Manager
Capitol Centre Theatre North Bay**

EXECUTIVE SUMMARY

What is happening in the not-for-profit (NFP) sector as the Canadian economy slides into recession? What are the challenges and opportunities presented in difficult economic time?

In January 2009, the Ontario Trillium Foundation (OTF) reached out to 110 of its grantee organizations to take a snapshot of their experiences during the early phases of the economic downturn. Interviewees were surveyed by phone and asked about the impact of the economy to date on their organizations, what impact the downturn was having on their communities, and how they were responding. They were asked for advice on strategies to cope during tough times and asked for ideas for what support OTF and other funders could provide at this time and in the months ahead.

The stories vary but they all carry one underlying message: no one knows what the worst will look like or when it will come. Whether a social services agency in a small town, an arts organization in a city, a rural sports league or a community centre – north, south, east and west – every organization contacted by the Ontario Trillium Foundation in January and February 2009 was looking ahead to a darkening sky.

Almost everyone interviewed could identify issues in their communities related to the economic downturn. There is a sense that we are experiencing a fundamental shift in how the economy is structured. The plants are closed, the jobs are gone.

In addition to NFP organizations, OTF turned to a number of community and province-wide funding organizations as well as community leaders. What pressures were they feeling? What plans were they putting in place to support the organizations they fund? How are they coping with reduced income streams?

Coming out of this series of interviews is a picture of current and emerging issues and opportunities for the not-for-profit sector and the organizations that support it.

POCKET-FRIENDLY SPORTS ALTERNATIVES GOOD BET IN THE COMING MONTHS

Basketball is often a more affordable sports option for some families. That's why Port Colborne Youth Basketball has an optimistic outlook during this time of economic uncertainty.

"We may actually face the issue of more people joining our programs," says Association Board member Carrie Yallin. "I can't see our numbers dropping to the point where we are worried although if there are families with two or three children in our programs that lose a job, we may see a dip."

Port Colborne Youth Basketball is a small club in a small community. It handles about 300 registrations, which help cover the majority of the club's operating costs. Business sponsorships also help with the organization's house league program.

"Our costs are relatively low to begin with so we're not looking at changing our fees at this time," says Yallin. "Our programs don't tend to change. We just need to promote them and make sure they continue to be accessible to youth."

While the organization's outlook is positive, Yallin says they intend to keep monitoring what's happening in the economy. They recognize the need to be more observant so that families don't fall through the cracks.

"By getting the word out about opportunities for subsidies, we hope to avoid the issue of parents just telling their children 'no'."

**Carrie Yallin, Board member
Port Colborne Youth Basketball Association**



Impact of the Economic Downturn

Put simply, the impact of the economic downturn varies by sector and by the services being delivered. One issue is clear, the effects of the downturn are far from fully realized.

Roughly two-thirds of the organizations surveyed said that while they are very concerned about the economy it is too early to say what the impact of the downturn will be. About one-third reported they are already experiencing an impact. Organizations with a significant portion of self-generated revenues such as ticket sales or events are feeling the impact of the downturn on a greater scale. Many respondents say that some parts of the sector are already being hit hard with service demand issues (such as food banks, credit counselling, mental health counselling, employment counselling). The environment sector while concerned about the downturn is looking for possible opportunities as awareness of environmental issues continues to increase.

Impact on Communities

Location has a great deal to do with the impact of the downturn on a community. In northern and northwestern Ontario NFPs were less able to identify when the downturn actually started as they have been experiencing significant economic pressure for several years. In other areas of the province many organizations in smaller centres reported seeing a decline in the economy of their communities in recent months. In general, there is a heightened sense of anxiety and fear about the year ahead.

How Organizations Are Responding

Response is varied across the sector. Large or small, those agencies that have approached the challenges of the downturn with a plan and strategy in place are more likely to have started to make changes and reach out to others in an effort to find creative solutions to manage as budgets shrink.

Most organizations surveyed are being more conservative in their budgeting for 2009 and some are developing cautious and worst-case budget scenarios. Organizations are becoming more involved in networks and advocacy issues on behalf of the sector. Some smaller agencies are worried about their survival and looking for ways to collaborate to reduce costs. Others are responding with innovative ideas and new partnerships.

Strategies for Managing During Tough Times

A range of ideas and strategies for managing NFPs were suggested by those organizations responding to the survey. A number of organizations suggested that networks and umbrella organizations play an important role during challenging times, helping share information, integrate services and plan better.

Response from Funding Organizations

There is increasing pressure on funding organizations (funders) supporting the NFP sector at a time when their investments have been hard hit.

In general funders have expressed a commitment to meet existing agreements, but most cannot take on new grant commitments. Funders are looking for opportunities to work with communities in other ways, to act as community conveners and to leverage their grantmaking with opportunities for collaboration and co-operation.

A large number of community and family foundations have lost a significant amount of endowment fund capital. This will have an impact on the dollars available for grantmaking in 2009 and 2010. At least one large Community Foundation has announced that it will not be making discretionary grants in 2009.

A number of United Ways have raised fewer funds than last year, and have seen their endowment / reserve funds shrink. They will, however, be making every effort to continue core funding at a time when many of their agencies are reporting an increase in need for agency services.

Community and family foundations and United Ways are concerned that the real impact of the economic crisis may be felt in 2010, more than in 2009.

PROACTIVE APPROACH KEY TO PREPARING FOR TOUGH ROAD AHEAD

Jack McGinnis, Chair of Durham Sustain Ability's Board of Directors says that not-for-profit organizations should be looking for the silver lining during this time of economic instability.

"It's an opportunity to retool -- do things differently to advance our goals for the environment," he says.

McGinnis works for an environmental organization that facilitates community-based sustainable action. By developing programs and supporting the practical actions of municipalities, businesses, community groups and individuals, Durham Sustain Ability is helping with the move towards a sustainable future.

Although his organization has not experienced any negative impact from the downturn thus far, the Board of Directors is taking a proactive approach by adjusting their programs to meet the needs of customers who may have less money to spend. They're also assessing their business, making smart decisions like choosing to do more work in schools and municipalities, which may see fewer disruptions.



McGinnis also sees a growing interest in energy saving alternatives. "We had a huge turnout at our solar workshop recently and we expect that interest will continue to grow as people look for ways to save money."

Durham Sustain Ability has come out with a practical action program for sustainability designed to fit with the times we are in. They have already done a lot of work in the City of Pickering (sustainablepickering.com) and are now engaging with other municipalities across Durham region. The organization is moving ahead with its EcoBusiness initiative. The eco-business.ca website was recently launched and provides tools and techniques to help businesses maximize their company value.

"These tough economic times provide an opportunity to change the way things are done," says McGinnis. "Some great things are in store for the environment sector and through teamwork, partnerships and community involvement we can help move towards a sustainable future, environmentally and economically."

**Jack McGinnis,
Chair of Durham Sustain Ability's Board of Directors**

CHAPTER ONE: LISTENING TO OTF GRANTEES

Impact of the Economic Downturn to Date

As interviews progressed throughout January, it became clear that organizations are thinking about and planning for the economic downturn. Early this year they had been assessing results of year-end statistics, such as December fundraising campaigns or client numbers. Organizations have also been increasingly aware of and affected by news reports of economic stimulus packages from the provincial and federal governments and job losses throughout Ontario. While there were no significant differences in responses between Francophone and English-speaking organizations the location of their operations appears to have much to do with their attitudes about the effects of the downturn.

Of the organizations surveyed, there were as many that said they were seriously thinking about how the downturn would affect their work, as there were saying they had not thought about it much at all. The rest were somewhere in between. Some respondents indicated that this OTF survey was the trigger to begin thinking about the potential impact of the downturn. Many respondents said “ask me again in two or three months” as the answers would be clearer by April.

Revenue Pressures Increase

A majority of organizations surveyed in January 2009 (about two-thirds) indicated their revenues had not been affected by the economic downturn thus far. The organizations that reported feeling some impact tended to be smaller and were dependent on revenue generated from special events, ticket sales, etc. About a third of the organizations surveyed said that they were definitely feeling the impact of the economic downturn at this time.

A number of organizations reported that year-end fundraising campaigns in 2008 raised significantly less funds than in previous years. There were also examples cited of corporate sponsorship declining, especially from smaller businesses and service clubs.

Community Centre Revenues Hard Hit

“The rental income for the Centre has really gone down and the restaurant has lost close to 60% in revenue attributed directly to the downturn in the auto industry given the proximity to the Club.”

*-- Cultural centre in
southwestern Ontario*

For the large organizations (mostly social services or arts) that rely on government grants and contracts, most indicated they were taking a “wait and see” attitude. Many have federal and provincial government-funded contracts that end by April 2009 and most government ministries are not able to confirm funding changes with agencies.

Organizations indicated they are under pressure as they already know they will receive fewer grants from all sources in 2009. Several indicated they had heard from or know of private and community foundations that have announced plans to flatline or reduce grants. In particular, environmental and arts organizations appear to be more vulnerable due to their reliance on both private and community foundations. Larger organizations with endowments such as symphonies, orchestras and theatres have also been affected by declining equity values. United Way campaigns across Ontario have experienced their most challenging campaign in decades. The impact of this will be better understood in the next few months as United Ways announce their allocation levels for 2009.

Demand for Services and Programs an Unknown

In terms of service demand, human/social services are clearly feeling the effects of the downturn. Certainly, in some communities like St. Catharines and Niagara Falls, it is very clear that the numbers of working poor coming to agencies for help are increasing. Food banks, employment agencies and credit counselling services are all seeing unexpected increases in the number of clients.

Job Losses Drive Community Impact

In smaller cities and towns, people were more likely to have specific examples of how the downturn was affecting their community and could link them to their agency's services. These included the shutdown of Volvo in Goderich (a loss of 400 jobs) John Deere in Welland (a loss of up to 800 jobs), and the closing of the racetrack in Fort Erie (a loss of 200 jobs). In many of these communities, people working in agencies have friends, neighbours or family directly affected by job losses.

Regional Impact Different Depending on Location

For respondents, particularly in northern communities like Thunder Bay, there is a feeling that the economic downturn is nothing new. Many could not say how recent economic news was affecting their community. However, it was clear that many communities in southwestern Ontario, both small and large centres, have felt the impact of the downturn very rapidly in the past several weeks.

Agencies in the Greater Toronto Area, in general, did not indicate they were experiencing an impact when interviewed in January. Given job losses some social service agencies such as food banks, credit and job counselling services noted that they were experiencing increases in service demand.

Impact Varies by Sector

OTF focuses on four specific sectors – human and social services, arts and culture, sports and recreation and the environment. The feedback from survey respondents indicates the economic downturn is having a different impact on each of the four sectors. While further research will need to be done on how the economic downturn may impact different funding models and agency budgets, general trends can already be identified.

Organizations working on sustainable energy, conservation, and other environmental issues, all saw possible growth opportunities in the coming year, either through new partnerships with government or potential funding increases. Some of these organizations were concerned about cuts in foundation funding, but most seemed optimistic about other opportunities in the economy. Some groups working on local tourism or libraries also saw potential opportunity in the downturn.

Social service organizations are clearly most affected by increased service demand from job loss and anxiety over the economy. There were real examples of increases, even dramatic increases, in clients coming to food banks, employment counselling agencies and credit counselling agencies. Organizations such as youth services, women's shelters and family counselling, were less able to identify an impact on service delivery at this time. All were anxious about the future given the possibility that many families could be forced to downgrade their housing and cut back on some of the basic family activities due to a reduction in household income.

The impact on arts and cultural organizations seemed mixed at this point in the year. Smaller arts organizations have been seriously hurt by declines in audience attendance or cuts in sponsorship or foundation funding. Other arts services organizations indicated that the impact of the downturn on their members was hard to tell and that it might be very specific to particular organizations.

Community Funder Overwhelmed by Grant Requests

"We have so many requests from community groups for support that we can't keep up. There has been an increase in requests due to the economic downturn. Our own funding is not increasing – there hasn't been an increase in our level of funding for the last four years yet every time an industry or business closes our demand rate increases."

-- Provincial economic development agency

Families Cut Back on Recreational Expenses

"We anticipate a decrease in membership participation of between five and seven per cent for the 2009 season and therefore our revenue will be down by the same amount as we compete for members, families and their friends' recreational dollars."

-- Provincial sports association

Organizations working in the area of sports and recreation are concerned how job losses could affect the ability of Ontario families to participate in community and local sports. Organizations offering less expensive sports, such as basketball, indicated that demand could increase this year. Some sports support organizations are concerned that sports clubs could see a decline in the ability of local companies to sponsor clubs. This could affect their ability to pay for access to municipal recreation facilities like arenas, pools and rinks. Many are also facing an increase in charges for community use facilities as municipalities scramble to increase revenues.

How Organizations are Responding to the Downturn

In general the organizations responding to the survey said they are being far more conservative. Almost all surveyed talked about being more risk-averse in their planning and more fiscally prudent. A few are ahead of the curve and have developed cautious and worst-case budget scenarios for 2009 with varying revenue projections and expenditures so that they are ready to respond to funding realities. Other organizations indicated they will not follow through on previously announced expansion plans or new initiatives. Many surveyed participants talked about the value of the NFP sector as a vehicle to create economic stimulus.

There was some concern from network- or membership-based organizations that their members were not adequately prepared for possible funding reductions.

Collaboration and partnership was often raised as a possible response to the downturn. Increased collaboration around advocacy issues was mentioned as a tactic; others identified sharing resources such as space or staff. Innovative examples of staff sharing were highlighted as promising practices. For instance, the YMCAs of Ontario are sharing “principles for managing in tough times” through their network.

A number of agencies, especially the membership-based or network organizations, spoke about getting involved in broader advocacy initiatives in the NFP sector. A number of groups OTF spoke with are part of Imagine Canada’s work to brief the federal government on short-term stimulus measures.

The survey found a number of creative responses to the downturn. Organizations that rely on local small business sponsorships are turning to bartering (exchanging goods or services for ad space or public relations support). Some agencies are looking at new ways to generate revenue including social enterprise solutions. One membership organization has launched new online support services for its members and an arts service organization is reducing costs by using email outreach instead of regular mail. While a viable option, organizations expressed concern that social enterprise efforts, while generating revenue, might divert organizations from their long-term goals.

Strategies for Managing During Tough Times

Many interviewees talked about how they or their organizations coped during previous economic challenges, whether it was the recession of the early '90s or the cutbacks of the mid '90s. A number of new and innovative strategies were also suggested, including:

- Increased knowledge-sharing among NFPs – especially around topics such as finance and budget-planning, strategy development, and human resource issues.
- Creativity around human resources, including job-sharing and retraining staff for new jobs.
- The need for umbrella groups and networks to support NFPs with capacity-building resources, tools and templates and even moral support during this time.
- Boards of directors using this time to review their mandates and ensure that they are focused on their mission.
- Developing principles for managing during tough times such as the YMCA client-focused decision-making framework, which is helping its members to manage during difficult times.

Organizations Cut Back as they Anticipate Fundraising Shortfalls

“We are sensitive to the fact that these are hard times. We are a rural area and we know that some people are being affected. This has caused us to rethink our fundraising efforts and scale back.”

-- Conservation organization in western Ontario

- Learning how to use technology better to reduce costs, improve services or connect with community members. This could include wikis, webinars or shared project management software.
- Developing better practices around shared services and shared space. Some parts of the sector have done this for years - such as the arts - and have learned many lessons. One network organization identified bulk purchasing models as a possible cost reduction strategy.
- Developing social enterprises and partnerships to create revenue-generation strategies.
- Organizational “bartering” where goods and services can be traded between organizations. One organization surveyed exchanges product gift certificates for advertising space in a magazine.
- Creating virtual offices to reduce infrastructure and rent costs.
- Focusing on core audiences and stakeholders. It is important to know your close supporters and communicate with them through this period of economic uncertainty.

Increasing Communication Across the Sector one Solution to Helping Organizations Cope in Challenging Times

“It wouldn’t hurt for us to have a think tank of various funders and provincial networks to talk about how we can collectively support one another during this downturn. We have to meet and strategize across the sector.”

-- A United Way

Respondents Suggest a “to do list” for OTF

Respondents were overwhelmingly positive about the role of OTF as both a funder and a voice for the NFP sector in Ontario. There were many positive comments about the professional support provided by OTF program staff and the role they play in supporting the sector within their communities. Generally the message was “keep doing what you are doing.” The following are some suggestions of ways that OTF might support grantees and the sector:

- Noting the “bigger picture” viewpoint of OTF, many respondents indicated they would appreciate knowing more about what is happening across the sector today. Suggestions included convening forums, providing online information, hosting workshops, and sharing best practices, tools and resources, perhaps around challenges and opportunities related to the downturn.
- Many suggested streamlining OTF funding processes and how changes could be made to reduce administrative work, especially for small organizations. Smaller grantees talked about making the process faster for smaller grants.
- Recognizing the possible challenges with fundraising and financial sustainability today, some respondents suggested flexibility around expectations and goals set in funding proposals.
- Many respondents wanted to see OTF be an even bigger voice for the NFP sector. An example provided was to have more communication around how NFPs are stimulating economic growth and providing jobs.
- It was suggested that OTF partner with networks or associations such as The Ontario Nonprofit Network, local United Ways or the various arts service organizations to provide information around collaborating or innovations in the sector.
- Other suggestions to OTF included: emergency support funds for organizations that face cash flow issues related to the downturn, social enterprise loans, grants for restructuring and collaboration, more funds for evaluation and multi-year core funding. One respondent referenced an “economic stabilization” fund that was jointly created in the recession of the early ’80s by United Ways and OTF that provided a number of streams of different emergency funds.

OTF is uniquely positioned to bring together cross-sectoral groups of organizations to maximize opportunities in local communities whether that is through providing grants to collaboratives, umbrella organizations or as the local convener.

Suggestions for Other Funders and the NFP Sector in General

Many respondents talked about how useful it would be for NFPs and funding organizations (funders) to share strategies and practices for managing during a recession. There is a lot of interest in dialogue and collaboration on topics related to the economic downturn. Topics range from technical, human resource and financial issues, to broader questions around the role of the NFP sector in the economic well-being and sustainability of community life. Funding agencies may also want to collaborate on how they could jointly support NFP agencies or programs that are in precarious financial positions.

Most environmental groups surveyed often referred to the growing partnerships between themselves and municipalities. Certain organizations working on environmental issues seem less worried about the impact of the downturn on finances, but did have concerns about how to manage growth and take advantage of emerging opportunities.

In thinking about broader funding strategies many survey respondents identified the need to focus on maintaining existing services and programs. They identified a range of options from maintaining the status quo, taking the position that a recession is not the time to try new things. On the other hand another group of respondents did not see this as the time to “circle the wagons,” but instead want to use the opportunities presented by the downturn to innovate and support new, emerging trends in service and program development and delivery.

ENVIRONMENTAL SOLUTIONS A SMART WAY TO CUT COSTS

Friends of Fort Erie's Creeks (FOFEC) is feeling the effects of today's turbulent economy and are revisiting their strategic plan as a result. "We're basically tightening our belt," says Yvonne Hopkins, Project Co-ordinator for the group.

FOFEC has already installed a solar panel to save on utilities and are using rainwater as its main water source. The organization believes others can learn from their example, especially when looking for smart ways to cut costs.

Friends of Fort Erie's Creeks is committed to the protection, restoration and improvement of the local waterscape so that healthy ecosystems exist for people and wildlife. The organization is actively involved in the community. Over the past few years they have held educational talks at local schools and "hands on days" at the creeks for students; completed water quality testing and analysis of the creeks; undertaken physical clean-ups of the creeks; coordinated summer employment for environmentally directed students; and a number of other environmental initiatives.

No stranger to tough times, over the past three years, FOFEC has been seeing a significant decline in funding from charitable bingos - a large funder of Fort Erie's not-for-profit community. While FOFEC is knowledgeable about other funding options, Hopkins says many groups simply don't know what funding is available for environmental groups.

"The knowledge isn't out there," she says. "Some small groups in the community have already closed down, while others are trying to streamline their services. We're all having to do more planning to survive," she says.

As competition increases, FOFEC will continue to work at being an attractive and stable environmental group in the community. The organization is in the process of developing a policy manual, which will help them improve efficiency.



**Yvonne Hopkins, Project Co-ordinator
Friends of Fort Erie's Creeks**

CHAPTER TWO: NEWS FROM FUNDING ORGANIZATIONS

Through our networks and partnerships, OTF had numerous conversations with 29 local and provincial funding agencies and foundations and several family foundations in January and February 2009. Unlike OTF, these organizations are dependent upon endowed funds as well as private income sources for their funds. OTF is a publicly funded foundation, not dependent upon investments as a source for funding dollars.

The economic downturn is top of mind for these agencies and foundations. Many have experienced dramatic losses in their equity capital. Perhaps because of this we found that, in general, funders tend to be more pessimistic about the economy than grant recipients responding to this survey although the two groups share many of the same issues. We see this converging of mind-sets as encouraging. It appears certain that the NFP sector and its funders will need to work together to meet the challenges and discover the opportunities presented by the current economic crisis. Building healthy and vibrant communities is a true community effort that requires all partners to pool their knowledge, expertise and experience.

Great Challenges Produce New Opportunities

“The great unknown, how deep, how long and how significant the recessionary environment may affect commerce is unknown. We are taking a practical view that it will affect every industry and sector; possibly charity and sport the greatest. However, we also believe that great challenge produces new opportunities and [we] will continue to position the organization to take advantage of same.”

-- Provincial organization serving Ontarians with disabilities

Endowments Hard Hit by Shrinking Equity Values

Both community and family foundations experienced significant losses to their endowment fund capital when stock markets tumbled in 2008. As the income from endowment capital is the source of granting dollars, this decline translates into a reduction in the amount of money available to granting programs. Some foundations have chosen to suspend all discretionary granting, others are reducing their grant programs and others are waiting for legal advice as to whether they are able to access capital funds to augment granting funds for 2009 – and beyond.

Current provincial financial regulations do not allow organization to have access to the capital portion of endowed funds. As the fallout from the stock market downfall becomes apparent, foundations are calling for clearer guidelines from both the Canada Revenue Agency and the Ontario Government around charitable disbursements and the use of capital in extraordinary times.

Equity Losses Lead to Grant Hiatus

“There has been a major suspension of our granting program for the entire fiscal year and when we made the community aware that we would not be granting this year there was a general response of concern. The organizations are worried about where to find funding and are scrambling to find other sources, such as OTF.”

-- Community Foundation in Eastern Ontario

Concerns About Donor Ability to Meet Pledges

“We regularly build in a 2.5% cushion to allow for pledges that aren’t honoured, this year we’ll be increasing that to 3.5% as we anticipate that more people may not be able to honour their pledge. We’re concerned about next year’s campaign.”

-- United Way in Southwestern Ontario

Wait and See Approach a Common Strategy

The majority of funders are watching and waiting to see exactly how broad and how deep the economic fallout will be in their communities. The downturn in the economy coincided with the annual campaigns of many United Way agencies across the province and many reported significant challenges. As a major funder of community organizations across the province, any fundraising shortfall could be an ominous sign in many communities. Even those United Ways that have met – or exceeded – their campaign targets are facing pressure from the frontline agencies they support as they are already experiencing an increase in demand for services.

A major concern of the United Ways responding to the survey is the ability or inability of donors to meet pledges particularly those that come through payroll deduction. Job losses and company closings have prompted many United Ways to increase the anticipated “pledge drop-off” rate. Another potentially larger and more immediate financial loss seems to be sponsorship dollars. Many community fundraising events depend on sponsorship arrangements. Corporate sponsorship dollars have also been reduced and without sponsorship, many events will not be held. While still early days, there have already been random reports of delays or cancellation of fundraising events.

Sense that Fundamental Shift is Underway

As the economic news seems to worsen daily for those in southern Ontario, one-industry and northern towns and cities have been experiencing economic turmoil for years as waves of cuts and plant closures have taken place.

Local funders, even in the hard-hit north, say that this economic downturn is different and is having a more dramatic effect on local communities. The impacts of job losses and business closures go beyond individual families to affect local businesses, sports organizations and arts groups. As local municipalities face a decreased tax base, both provincial and federal financial resources and funding are also stretched to meet increasing needs in the community.

Ability to Sustain the NFP Infrastructure at Risk

“There is a real and pervasive sense of uncertainty. We will need to sustain families while substantial retraining occurs but municipal grants will not be enough to sustain some organizations such as arts groups who will also experience other revenue declines.”

-- Granting organization in Southwestern Ontario

Pragmatic Approach, Sticking with Core Programming Now the Focus

Funders and the groups that they support may be unsure what to expect but many, particularly social service organizations, are gearing up for an upsurge in clients and an increased need for frontline services. Some funding organizations report that the NFPs they support appear to be unsure if they can cope with the increased demand. Others report NFPs are sticking with their core programming and will not launch new programs. For their part, funders say they are committed to work with NFPs to find innovative solutions with the limited resources they have.

Threats to the Volunteer Base Due to Job Loss, Erosion of Retirement Funds

One issue that garnered a mixed response during the survey is volunteerism. Some funders and their local NFPs are concerned that they will lose experienced skilled volunteers while others are anticipating increases in their volunteer base as people give with time when they can't give with money. As the traditional volunteer base is filled with many active retirees, there is a concern many may be forced back to work to make up the shortfall in their ravaged pension incomes. Issues were also raised about how NFPs will be able to support existing volunteers who may be facing financial hardship through job loss. Ensuring organizations have the capacity to train, support and retain volunteers may be an issue funding organizations need to address more explicitly in their grantmaking during the next few years.

Retirees to be Forced Back into the Workforce in Order to Make Ends Meet?

“Many of our key volunteers, particularly on the event side, are semi or early retirees. Given the equity erosion of many retirement portfolios, we are anticipating less availability as many of these volunteers seek part or full-time work.”

-- Provincial sports organization

Resiliency of the NFP Sector Identified as Key to Community Survival

Funders and the NFPs they support were candid about the challenges they expect to deal with during this economic downturn. While many expressed fear for the survival of their communities, what became clear through all of the interviews was their confidence in the resiliency of the NFP sector in Ontario. Funders are talking to each other, to the NFPs they fund as well as their communities. They stated that these conversations will continue.

Many family and community foundations learned difficult lessons in previous economic downturns and have put contingency plans in place to offset the worst effects. Many are looking toward new ways of working with their community partners and are seizing this opportunity to effect change and explore new ways of doing what they've always done – but better and more effectively in the future.

Leveraging Community Expertise and Finding Ways to Work Together

Funders recognize that NFP agencies and community organizations need to learn from each other and that they have a pivotal role to play in facilitating community convening events. Frontline agencies and volunteer-run organizations have expertise and knowledge to share but need to be given the time and opportunity to come together to build collaborative partnerships. While this should be happening all the time, it will be critical to the sector during these tough economic times.

Funders also expressed a strong desire to work more closely with each other in order to leverage local knowledge to meet community priorities in their grantmaking. They are eager to find ways to facilitate dialogue, knowledge sharing and collaboration in the sector.

At a grantmaking level, many funders expressed the need for continued operational funding to agencies and organizations as they re-organize, re-prioritize and struggle to meet the needs of their communities. Several of these organizations made it clear that OTF must continue to fund and support the four sectors paying special attention to the arts and sports sectors. These two sectors provide vital support to communities as they go through challenging times.

Where do We Go from Here?

When OTF launched this survey in early January, we anticipated it would be a one-time snap shot to help us better gauge and respond to the NFP sector during the economic downturn. The information we gathered has prompted us to take a longer term view of the importance of “taking the pulse” throughout the next several months. OTF will be doing this through a number of initiatives including in-person and online consultations and partnerships with networks and collaborations to support information-sharing within and between communities and sectors.

OTF will provide resources and links to community partners' resources as a tool for organizations to gain knowledge, expertise and experience of others through an online community on the OTF website. A particular emphasis will be placed on supporting knowledge sharing around revenue generation.

OTF is committed to collaborating with local funders in building community investment strategies to better meet the funding needs of local organizations and agencies.

OTF will continue to explore strategies to streamline grantmaking over the coming months including the launch later this year of a new online grant application process which is currently being tested in two of our granting regions.

LONG TERM PLANNING HELPS FOOD AGENCY PROTECT CORE OPERATIONS



The not-for-profit sector is sure to experience hardships due to the economic times we are in, however Debbie Field, Executive Director of FoodShare says that this is an amazing opportunity for the social services sector to play a strong role.

“There is a real understanding and willingness to accept that there is a need for programs like ours,” says Field. “I’m finding that there is an openness to investing in the most vulnerable parts of our society. People also recognize the need for a social and economic investment strategy – a realignment of our economy and public investment.”

FoodShare works on food issues, from the growing, processing and distribution of food to its purchase, cooking and consumption. It operates several grassroots projects that promote healthy eating, teach food preparation and cultivation, develop community capacity and create non-market-based forms of food distribution.

Although the organization’s fundraising is down \$100,000 and some foundations have declined requests for funding, a few large donors have helped to offset this shortfall. The organization also began looking at potential challenges as early as last October. “We recognized that donations would go down and began budgeting more conservatively from then. We’re in risk management mode,” says Field.

Past experience has helped FoodShare be more resilient. While they were forced to lay off staff during the last recession, the organization is in a much better position this time around.

“Because there is an increased understanding of the role of food and the environment, we believe we’re in a better position to sustain our operations. We also understand that organizations just have to keep going – even if there is reduced funding.”

**Debbie Field, Executive Director
FoodShare (Toronto)**

APPENDIX A: METHODOLOGY

GRANTEE CONSULTATIONS

Who was surveyed?

Interviews were conducted in two phases. The first six interviews were conducted between December 22, 2008 and January 2, 2009. These interviews helped develop and frame the questions for phase two of the survey. The second phase involved interviews conducted between January 12 and 28, 2009. All interviewees were told that their input would be confidential.

In total, 123 organizations were approached to be interviewed, including 86 grantees from the OTF Community Program and 37 grantees from the Province-Wide Program.

These organizations represent both rural and urban communities located across Ontario. They ranged in size from larger multi-million dollar organizations to small, volunteer run associations and clubs. The sample included organizations serving First Nations communities, people with disabilities and ethno-cultural and racial minorities. Most interviewees were executive directors, with some Board presidents, treasurers, finance directors and development directors.

Of the 123 organizations approached, only 100 were surveyed. Twenty-two did not respond to repeated emails and calls, while one organization requested deferring their response until February. This 81 per cent response rate can be considered very positive.

The 100 responding organizations fell into the following categories:

- Human and Social Services - 44 organizations (out of 50 approached)
- Arts and Culture - 23 organizations (out of 26)
- Environment - 21 organizations (out of 24)
- Sports and Recreation - 12 organizations (out of 23)

Survey Questions and Methodology

With advice from Research and Evaluation staff at OTF, interviewees were asked the following six questions:

- Could you tell me about how your organization is being impacted by the current economic downturn?
- Is the downturn having a particular impact in your community?
- How is your organization responding to the economic downturn?
- Thinking back over the past few years, what are some strategies that you've put in place that you think will be the most helpful in tough times?
- What can OTF do differently to help in the short-term and the long-term?
- What should others (funders, organizations, communities) do differently during these times?

FUNDER CONSULTATIONS

Who was surveyed?

Twenty-nine local funding organizations were interviewed, or participated in roundtable discussions. Participants included United Ways, community foundations, family foundations and municipalities.

Survey Questions and Methodology

1. Is your organization feeling the impact of the economic downturn?

- Have there been any funding implications to date?
- Do you know of funding reductions coming in 2009?
- Are you facing any human resource or staffing issues due to the downturn?
- Do you have a sense of how your local community will be affected by the downturn?
- What are your immediate challenges in 2009?
- Any thoughts about longer term challenges you may be facing?

2. How are you responding or planning to respond to the economic downturn?

- On your own or in collaboration with others in your community?
- Are you using strategies you have tried in the past to weather the current economic challenges?
- Are you considering or taking any new, creative or innovative approaches?

3. What do you need to help you respond effectively during tough times?

- Short term? Longer term?
- Is there anything OTF should be focusing on to address the economic downturn and the challenges we face?
- What can we do together?

4. Do you have any final suggestions or comments?

CLUBS PLACE EMPHASIS ON PROTECTING INFRASTRUCTURE TO SUPPORT KEY SERVICES

Demand for Boys and Girls Clubs' affordable after-school physical recreation and nutrition, arts and crafts, computer literacy, homework help, breakfast and supper programs and other initiatives is increasing, and our troubled economy is to blame says Sandra Morris, Regional Director, Boys and Girls Clubs of Ontario. To keep up with the growing need for these services, the clubs have had to extend staff hours and add to their snack and meal programs. "The disadvantages that families are now facing appear to be multiplying," says Morris.



Boys and Girls Clubs of Ontario works with a network of 25 community Boys and Girls Clubs organizations at about 100 service locations in Ontario. The clubs are experienced in providing programs that support the healthy physical, educational and social development of 75,000 young people and their families each year. Each club offers an affordable, safe and supportive place for children and youth, after-school, and at other times when children are not in school, to experience new opportunities, gain healthy attitudes and behaviours and develop essential skills to help them realize their best potential in life. Many clubs also provide nutritious snacks and meals, emergency shelter, family support programs and other supports to children, youth and families at risk.

Clubs normally receive strong support from United Way, government, foundation and other funders. "This year, some clubs are receiving indication that some planned funding will not materialize, or will be cut significantly, as sponsors scale back," says Morris.

Although the organization is feeling some pressure, it has been extremely proactive in responding. "Clubs are monitoring their budgets closely, working hard to make up any potential gaps, and taking steps to reduce costs and protect core programs," says Morris. The 25 Boys and Girls Clubs across Ontario also have an active strategy and policy around expansion, where the focus is on expanding programs and services rather than new agencies. "A satellite model is in place, which helps to mitigate costs through collaboration and shared staffing," says Morris. "It's a longstanding tradition of the Boys and Girls Clubs' network to be more efficient, flexible and responsive to changing economic and social conditions and this model is helping us achieve that."

While others may choose to pursue emerging initiatives, Morris believes that in this economic climate, the clubs will seek to protect and preserve their existing key programs that support at-risk children, youth and families.

Morris says that clubs also recognize the need to reach out to municipalities, schools, other levels of government and other organizations in the community, with the knowledge that they can't achieve what they want to on their own; towards that goal, clubs are already working collaboratively with these and other partners in each community."

**Sandra Morris, Regional Director
Boys and Girls Clubs of Ontario**

APPENDIX B: TOOLS AND RESOURCES

1. *Ontario NonProfit Network: Resources for Managing in Tough Times*
<http://ontariononprofitnetwork.ca/resource/resources-managing-tough>
2. *Charity Village: Tough Times Essentials*
<http://www.charityvillage.com/cv/guides/guide9.asp>
3. *Imagine Canada*
<http://www.imaginecanada.ca/>
4. *HR Council for the Voluntary & Non-Profit Sector*
<http://www.hrvs-rhsbc.ca/home.cfm>
5. *Association of Fundraising Professionals*
<http://www.afpnet.org/>
6. *NCVO: National Council for Voluntary Organisations (UK)*
<http://www.ncvo-vol.org.uk/>
7. *National Council of Nonprofits: Nonprofit Economic Vitality Center (USA)*
<http://www.councilofnonprofits.org/economy>
8. *GEO: Grantmakers for Effective Organizations*
<http://www.geofunders.org/home.aspx>



The Ontario Trillium Foundation is an agency of the Government of Ontario.