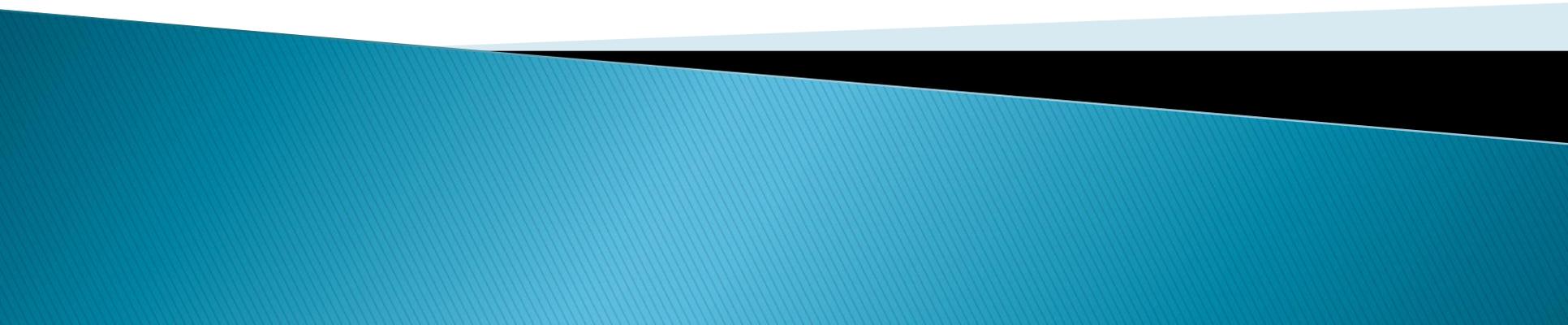


Introduction to Community- based Nonprofit Organizations in Canada

Chapters 1 & 2



How do Nonprofit Differ from Business and Government Sectors?

- ▶ Organizational Mission and Values;
 - ▶ Organizational Goals and Strategic Priorities;
 - ▶ Use of Volunteers; and
 - ▶ Governance Practices and the Board of Directors
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Organizational Mission and Values

- ▶ Government-run organizations ultimately serve the political process. Runs the risk with a lack of profit motive – can run into operating inefficiency if there is a ready supply of money.
 - ▶ Business organizations have the ultimate goal of making profits for their owners or shareholder. Operates in competitive environment.
 - ▶ Nonprofits are driven by a sense of mission – a strong commitment to “the cause” for which the organization was created. Operates in a competitive environment, however can also run into operating inefficiency.
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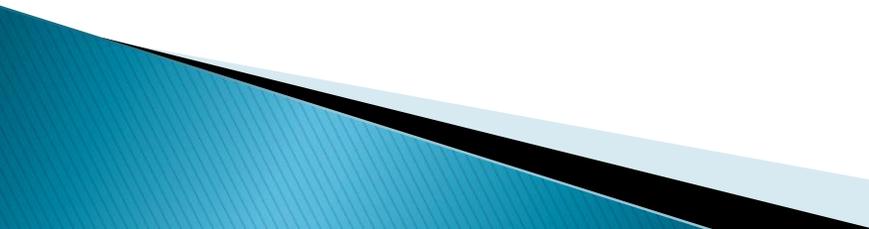
Organizational Goals and Strategic Plans

- ▶ How an organization achieves its mission depends on it having a set of more specific goals or objectives.
 - ▶ In the government and nonprofit sector goals are often multiple, vague, difficult to measure and even at times mutually contradictory.
 - ▶ Business, on the other hand, has the iron rule of “the bottom line” to adhere to.
 - ▶ However, nonprofits although similar to government-run organizations are smaller and do not have to bow to changing winds of politics; and one cannot assume that a nonprofit organization is any less efficient than a business.
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Use of Volunteers

- ▶ 80% of Canadian nonprofit organizations depend on volunteers to help them operate, with the remaining 20% utilizing volunteers as members of their boards of directors.
 - ▶ Although nonprofits do not pay this part of their workforce, it is a mistake to think there is no expense.
 - ▶ The biggest single difference between volunteer and paid staff is that the former do not have to be there. This means that nonprofits must work hard to keep volunteers engaged, trained and motivated.
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Governance by a Nonprofit Board of Directors

- ▶ All registered charitable organizations are required by law to have a board of directors as are nonprofit organizations registered as corporations under provincial legislation.
 - ▶ Unlike business board, nonprofit board members are not paid, yet both business and nonprofit board of directors are legally responsible for the governance of the organization.
 - ▶ Challenges exist with voluntary boards as members may not have the extensive experience necessary and confusion of roles between paid members of the organization and voluntary board members.
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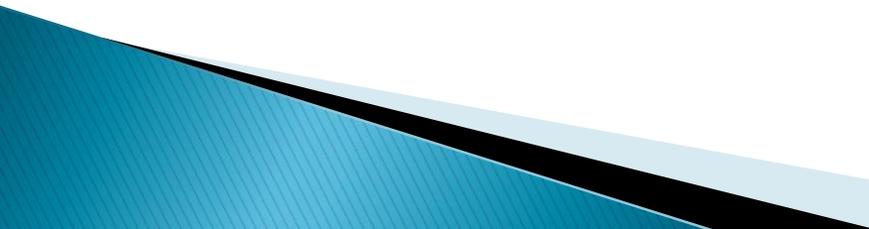
How Do Nonprofits Differ From Each Other?

- ▶ Two main types of nonprofit organizations:
 - Membership Benefits Nonprofits – primarily exist to serve the needs of their members. Two types of membership benefits nonprofits include “self help” and work or professional activities. Membership driven.
 - Public Benefits Organizations – typical “charities” created to provide services for persons other than those who run them or volunteer for them. There are organizations who mainly provide service or provide advocacy. Service recipient driven.
- ▶ What are some examples of each in our community?

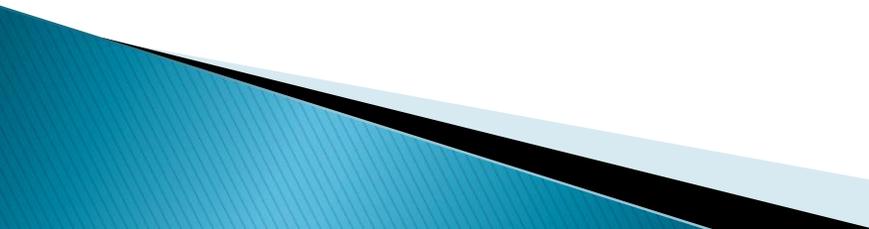
Degree of Voluntarism

- ▶ A key distinctive feature of many nonprofits is their use of volunteers. What is unique among nonprofits themselves is their use of volunteers. Some organizations have a high ratio of volunteers to paid staff and some have a low ratio of volunteers to paid staff.
 - ▶ A high ratio requires significant management of the volunteers and a low ratio has a greater dependence on paid staff.
 - ▶ What are examples in our community of organizations with high and low volunteer ratios?
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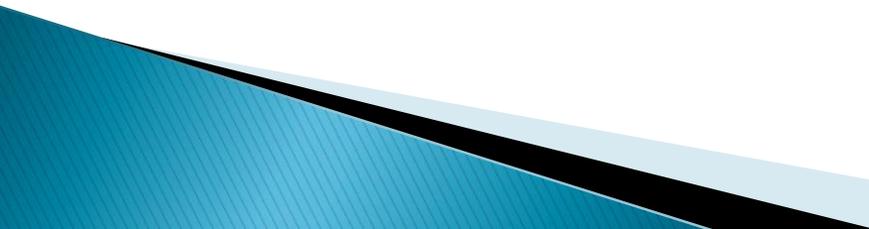
Sources of Funds

- ▶ Another difference among nonprofits is their source of funds. Some organizations have a single funder and other organizations will have multiple funders.
 - ▶ The single funder organization may have increased stability – however has influence over the mission and goals of the organization and can create over-dependence.
 - ▶ The multiple funders organization who raises their funds through public appeals, private foundations, corporations, etc. can experience some instability and have to have highly skilled fund development staff or volunteers.
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Degree of Resource Scarcity and Competition for Resources

- ▶ One of the most common problems for nonprofit organizations is reductions to government grants – most recently the recession affected donor giving.
 - ▶ This creates increased scarcity of resources and increases competition for the remaining resources.
 - ▶ There needs to be a equilibrium of resources in order to keep organizations more efficient and effective.
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Age and Stage of Development

- ▶ Organizations, like people, go through stages of growth, from birth, to maturity and even death; all in their own time; and change can be difficult.
 - ▶ At birth an organization is usually concerned with survival, is focused on “the cause” and the founders provide much of the energy and leadership.
 - ▶ At maturity more foundational work is done, must go beyond survival, transition of founders and changes in funding.
 - ▶ Death can of an organization can occur because of internal leadership problems or external concerns.
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External Concerns

- ▶ Figure 1: The Elements of Nonprofit Organization Management – External and Internal Elements. Page 17
 - ▶ Discussion: give examples of community organizations and what external factors may affect them and how?
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Nonprofit Organizations in Canada

- ▶ Nonprofit organizations are key contributors to the social well-being of Canadians and are a significant component of the Canadian Economy.
 - ▶ Canada has one of the largest nonprofit sectors in the world with a unique composition and focus which, reflects the values its citizens. However nonprofits are often taken for granted in Canada.
 - ▶ In what ways are nonprofits taken for granted?
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Defining and Classifying Nonprofit Organizations

- ▶ Before looking at a statistical portrait of the Canadian nonprofit sector, let's examine how these organizations are being defined.
 - ▶ Nonprofits must be:
 - Organized – having some structure and regularity to their operations;
 - Non-governmental – institutionally separate from governments;
 - Nonprofit distributing – do not return any profits generated to their owners or directors;
 - Self-governing – are independent and able to regulate their own activities; and
 - Voluntary – benefit to some degree from voluntary contributions of time or money.
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Legal Distinctions

- ▶ About half of all nonprofit organizations are formally registered as charitable organization with Canada Revenue Agency.
- ▶ To be eligible for charitable status, an organization must fall in to one of four areas:
 - Relief of poverty
 - Advancement of education
 - Advancement of religion
 - Or other purposes of a charitable nature and beneficial to the community as a whole.
- ▶ Charitable status allows organizations to issue tax receipts to donors and to apply to charitable foundations for funds.

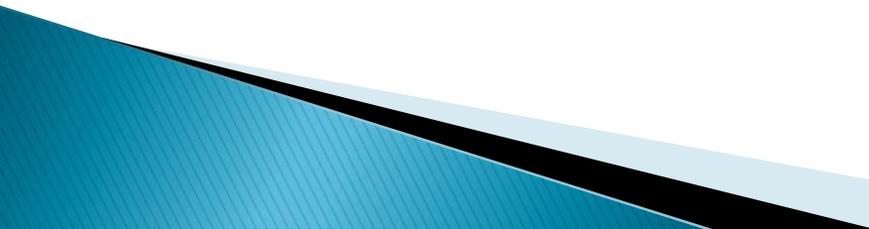
Area of Activity

- ▶ Nonprofit organizations are identified according to their activity.
 - ▶ Table one on page 30 lists the International Classifications of Nonprofit Organizations (ICNPO)
 - ▶ Discussion: What organizations in our communities are identified in this table?
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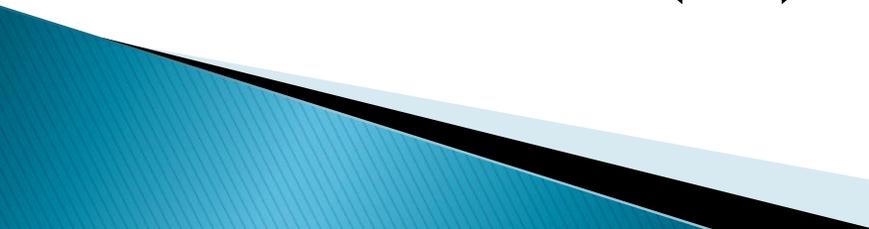
Type of Functions

- ▶ Although Canadian nonprofit organizations provide a variety of functions, there are two broad categories of functions:
 - Service functions – involve the delivery of direct services such as educations, health, housing, community and economic development promotions, animal welfare and social services.
 - Expressive functions – involve activities that enable the expression of cultural, spiritual, professional and other interests and beliefs. Organizations service expressive functions include sports and recreation groups, religious organizations, arts and cultural organizations, labour and professional associations, advocacy groups and those working on environmental issues.

The Size and Scope of Canada's Nonprofit Sector

- ▶ An estimated 160,000 nonprofit organizations operated in Canada in 2003. With about half being registered charities. 70% of registered charities operated in areas of religion, social services, health, hospitals, universities & colleges, education & research, international development, grant making, fundraising & voluntarism promotion.
 - ▶ Figure one on page 31 depicts types of nonprofit organization in terms of areas of activity and function.
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Geographic Area of Focus

- ▶ Most nonprofit organizations (64%) operate at the local level serving a neighbourhood, town, or regional municipality.
 - ▶ About 19% serve a region, while one in ten serve a province or territory.
 - ▶ A small minority operate in more than one province (2%) or at a national (3%) or international (3%) level.
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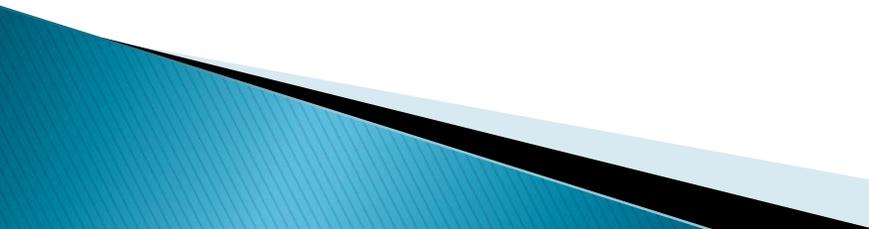
Public vs. Mutual

- ▶ What is the extent to which nonprofit organizations exist to meet the needs of their members rather than to provide a larger public benefit?
 - ▶ 76% of organizations in Canada have individuals as members, collectively reporting a total membership of 139 million people. Of these organizations 57% place no restrictions on membership, 27% provide special benefits or privileges as part of their membership and 39% indicate their members benefit the most from services provided.
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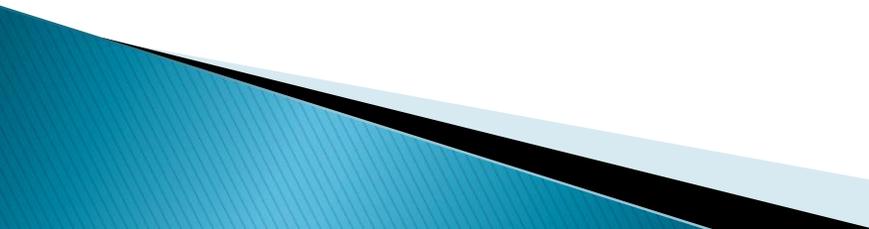
Economic Contributions

- ▶ Nonprofit organizations accounted for 6.8% of the nations gross domestic product (GDP).
 - ▶ If this estimate took into account the value of volunteer activity there could be an additional 1.4% contribution to GDP.
 - ▶ Table 2 on page 33 expresses the Economic Contribution of Nonprofit Organizations to the Canadian Economy.
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Economic Contributions

- ▶ If one sets aside the 1% of Canadian organizations that are hospitals, universities and colleges, the remaining organizations contribute 2.4% of the nations GDP. The contribution of the core nonprofit sector is larger than many other well-recognized industrial sectors.
 - ▶ Figure 2 on page 34 expresses the Comparative Contribution to GDP.
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Economic Growth

- ▶ From 1997 to 2005, the economic contributions of the nonprofit sector grew by an average of 6% a year – slightly outpacing the 5.8% average yearly growth in the economy as a whole.
 - ▶ Even the core nonprofit (7%) sector growth outpaced hospitals, universities and colleges (5.5%)
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A Substantial Workforce

- ▶ The nonprofit sector is also a major employer. With a workforce of 1.5 million full-time equivalent (FTE) paid staff and 549,000 FTE equivalent volunteers, it engages 12% of the economically active population Canada.
 - ▶ Figure 3 on page 35 looks at the Relative size of the Nonprofit Workforce to other sectors.
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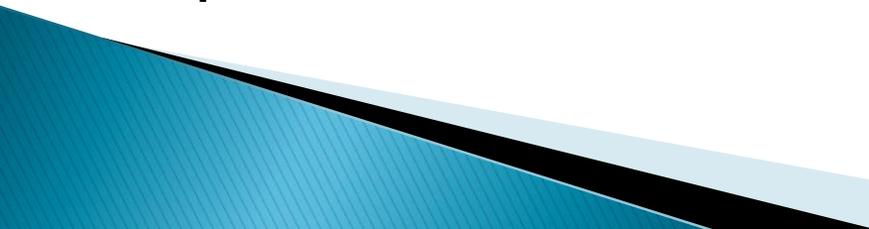
International Comparisons

- ▶ Of the 37 countries that participated in the Comparative Nonprofit Sector Project (CNP), Canada has the second largest nonprofit sector when expressed as a share of the economically active population.
- ▶ Figure 4 on page 36 shows the Nonprofit Sector Workforce as a Share of the Economically Active Population by Country.

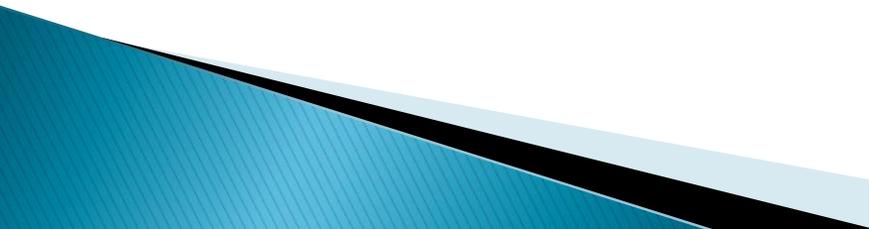
International Comparison

- ▶ The Canadian nonprofit sector is not only relatively large compared to many other countries, it also is more professionalized. $\frac{3}{4}$ of the FTE equivalent workforce of Canadian nonprofit organizations is comprised of paid employees – compared to 62% in the 37 countries that participated in the CNP.
 - ▶ 3% of the economically active population in Canada contributes volunteer time to nonprofit organization, an amount that is almost double the average for developed countries in the CNP.
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Financial and Human Resources

- ▶ Most nonprofit organizations rely on two main sources of revenue: earned income and government funding.
 - ▶ In the overall nonprofit sector, 49% of all revenue comes from government compared to 35% from earned income.
 - ▶ 13% is generated from private giving.
 - ▶ With respect to government funding 83% of all government funding comes directly from provincial or territorial governments.
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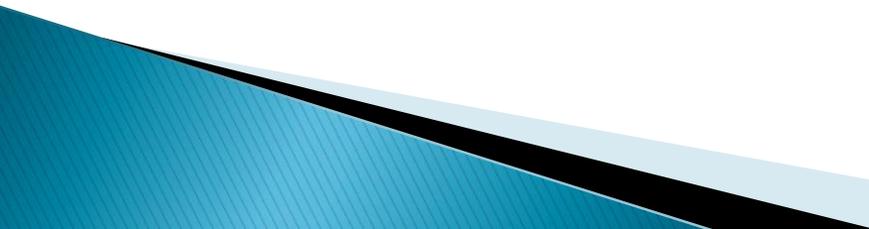
Financial and Human Resources

- ▶ For the core nonprofit sector, 43% of revenues come from earned income, followed by 36% from government and 17% from gifts and donations.
 - ▶ The largest sources of earned income consist of 21% are fees for goods and services and 16% are membership fees.
 - ▶ The leading source of revenue from gift and donations are contributions from individuals 11% and from corporations 3%.
 - ▶ Figure 5 on page 39 explains Sources of Revenue by Area of Activity.
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Concentration of Revenues

- ▶ Figure 6 on page 40 shows the Average Annual Revenues by Type of Organization.
 - ▶ Figure 7 on page 41 explains the Distribution of Revenues by Size of Organization.
 - ▶ Nonprofit and for profit are similar in the concentration of economic activity patterns, where small businesses predominate in terms of numbers, but a small number of large companies dominate economically.
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Financial and Human Resources

- ▶ The majority of nonprofit organizations rely solely on volunteers for their operations and only a small percentage have paid staff complements of 10 or more.
 - ▶ These high volunteer dependent organization are most common among grant making, fundraising, voluntarism, sports and recreation, environmental, and arts and culture organizations.
 - ▶ Organizations with relatively large staff complements include health, hospitals, universities and colleges, and social services.
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Strengths and Challenges

- ▶ Two main strengths identified by most organizations are their volunteers and their networks
 - ▶ Two main challenges are attempts to full fill their mission as well as recruiting and retaining volunteers.
 - ▶ Discussion: why do you think organizations identify volunteers as their strength but also are a challenge for recruiting and retaining them?
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External Funding and Economic Challenges

- ▶ One of the most serious problems are that organization rely on external funding from governments, corporations and foundations which lead to:
 - Reductions in funding;
 - The introduction of competitive bid processes for government funding;
 - Move to fund project rather than general support;
 - Restriction of funding to direct program costs;
 - Shorter duration of funding;
 - Frequently changing priorities;
 - Mandated collaborations with other organizations; and
 - increasing requirements for financial accountability.
- ▶ With today's economic environment, in what ways do you think the slowdown has affected nonprofit organizations?