



FUNDING MATTERS ... FOR OUR COMMUNITIES

**Challenges and Opportunities for Funding Innovation
in Canada's Nonprofit and Voluntary Sector**

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Project Overview

DESCRIPTION OF ORGANIZATION

The Canadian Council on Social Development (CCSD) is one of Canada's key authoritative voices promoting better social and economic security for all Canadians. A national, self-supporting, membership-based organization, the CCSD's main product is information and its main activity is research, focusing on issues such as child and family well-being, economic security, employment, poverty, and government social policies.

The Council serves concerned citizens, labour, business, governments and social service agencies. As a recognized authority on social and economic issues, the CCSD is widely cited by media, scholars and decision-makers across the country.

With its involvement in ***Funding Matters ... For Our Community***, the CCSD continues to play a leadership role on issues and challenges facing the nonprofit and voluntary sector in Canada, such as concerns around financing and capacity in the sector. Over the last several years, the Council has participated in a number of initiatives to help move these issues forward, including the following:

- The Voluntary Sector Initiative, Working Group on Financing (2000-2002);
- The Voluntary Sector Initiative, development of *The Code of Good Practice on Funding* (2002);
- *Funding Matters: The Impact of Canada's New Funding Regime on Nonprofit and Voluntary Organizations*, CCSD (2003);
- *The National Survey of Nonprofit and Voluntary Organizations* (NSNVO), which for the first time maps the size and scope of Canada's nonprofit and voluntary sector. The CCSD was a member of the Voluntary Sector Research Consortium which developed this survey (2004);
- Based on the findings of the NSNVO, an Ontario regional report is being developed by the CCSD, (forthcoming, Summer 2005);
- The *Voluntary Sector Awareness Project* will create a public awareness campaign to broaden understanding about the voluntary sector and the social and economic contributions the sector makes to Canadian society. The CCSD is one of the project partners (2005-2006).

For more information about CCSD activities and membership opportunities, please visit our website at www.ccsd.ca.

PROJECT BACKGROUND

The nonprofit and voluntary sector is in a different place today than it was a decade ago. Increasing costs and constraints associated with external funding and a lack of support for capacity development are but two of the key trends transforming the funding landscape for the sector. Organizations which survived the drastic funding cuts of the 1990s now struggle within an

increasingly competitive funding environment, despite facing growing demands for their services.¹ Critics fear that as nonprofit and voluntary organizations are forced to compete in the market or submit to greater controls by those who fund them, they are being transformed.

This project builds on research completed for the *Funding Matters* study, which was published by the Canadian Council on Social Development in 2003.² *Funding Matters* explores the efforts of nonprofit and voluntary organizations to achieve greater financial security in Canada's changing funding landscape. The report examines the experiences of 50 organizations in generating revenue and diversifying their resource base in response to broader social and economic pressures. The focus on funding – and revenue generation more broadly – is an important one. For while funding and financing are not the only things that matter when it comes to an organization's capacity and sustainability, they matter a great deal. The funding source matters, the funding mix matters, and the funding vehicle or mechanism matters. The generation of financial resources has a profound impact on the ways in which organizations structure themselves, make decisions, deliver programs, set up governance structures, and define their missions.

PROJECT GOALS

The goals of this current project were **to foster dialogue** among community-based organizations in the sector and across specific sub-sectors, and between those organizations/sub-sectors and their funders about Canada's new funding regime, its consequences for nonprofit and voluntary organizations, and possible directions for change. Through dialogue, the intent was **to raise the profile of funding issues in the voluntary sector** and **engage communities and sub-sectors** in discussions about how best to create a more stable and predictable funding environment for nonprofit and voluntary organizations.

PROJECT OBJECTIVES

Through this project, the CCSD has been broadly communicating and disseminating the results of the 2003 *Funding Matters* report. In the short term, we felt it was important to

- share the findings as broadly as possible across the sector;
- build awareness about funding trends and their impacts; and
- create opportunities for organizations to discuss the implications of the report's findings in their own communities and specific sub-sectors.

This approach led communities and organizations to ask the question: "Where to from here?" By posing the question, communities often began initiating the process to determine their own priorities and develop strategies for change. CCSD supported these discussions by presenting the

¹ See Rekart, 1993; Browne and Landry, 1996; McFarlane and Roach, 1999; Howe and Reed, 1999; Toronto et.al., 1996 and 1997. More recent work documents today's financial struggles: Eakin, 2004; Centre for Community Leadership, 2004; Daya, El-Hourani and De Long, 2004; Toronto and Community Neighbourhood Services, 2004.

² See Scott, Katherine. *Funding Matters: The Impact of Canada's New Funding Regime on Nonprofit and Voluntary Organizations*. Ottawa: Canadian Council on Social Development, 2003.
www.ccsd.ca/pubs/2003/fm/index.htm

report's findings, providing workshop materials which included a list of recent tools and resources on financing issues, and highlighting other national and community initiatives underway across the country. Many of the CCSD presentations were included as part of already scheduled community events or workshops set up to discuss local or sector-specific financing and capacity issues. In most cases, participants at these meetings represented a cross-section of organizations within a geographic area, while other sessions were designed to address the needs of a specific sub-sector. The CCSD worked with these groups to increase awareness and engage the organizations in discussions about local financing issues and potential strategies to help strengthen the sector.

ACTIVITY SUMMARY

A. *Funding Matters* Network

As part of the overall project strategy, the CCSD first identified a group of “peak” organizations in the voluntary and nonprofit sector, and invited them to form a *Funding Matters* Network. In order to cover the sector as broadly as possible, efforts were made to ensure that there was representation from many sub-sectors, including organizations working in the areas of health, arts and culture, sports and recreation, social services and community development, community-benefit organizations, environmental groups, international development organizations, and associations serving racial and ethno-cultural communities. See Appendix 1 for full list of members.

The *Funding Matters* Network was established to provide the following:

- Advice on strategies for communication, dissemination and engagement around the *Funding Matters* report;
- Advice on the development of sector-specific materials;
- Assistance with the development of sector-specific engagement strategies;
- Identification of key contacts and networks at the local or regional levels and within specific sub-sectors; and
- Identification of speaking engagements and other opportunities to disseminate the report findings and foster dialogue on funding reform.

B. Project Outreach / Collaboration

As part of this project, CCSD developed and sustained linkages with other organizations and established networks that work across the voluntary sector and across sub-sectors, including the Voluntary Sector Forum, the Canadian Federation of Voluntary Sector Networks, Health Charities Coalition of Canada (HCCC), the National Children's Alliance, the VSI Working Group on Financing, as well as other regional networks and local networks of the Canadian Volunteerism Initiative.

C. Dissemination / Communications Activities

- Developed an information dissemination strategy, in conjunction with members of the *Funding Matters* Network. Dissemination activities included the following: E-mail “blasts;” preparation of articles for insertion in newsletters of other organizations, networks or sector-specific communications vehicles, in both hard copy and electronic formats; production and placement of articles in general circulation newspapers and

magazines; information sharing with related projects underway in different areas; presentations to groups; and organization of workshops.

- Also developed a communications strategy to identify opportunities for speaking engagements and workshop presentations to nonprofit organizations and funders. In all, more than 50 organizations and funders were contacted in order to determine their interest in participating in Phase II of this project.
- Produced 2,250 copies of the Summary Report of *Funding Matters* (2,000 English and 250 French) and 150 copies of full report. To date, over 1,500 copies of the Summary Report and copies of full study have been distributed in a wide variety of venues.
- Author Katherine Scott and the *Funding Matters* research were featured in a seven-part series of newspaper articles on the voluntary sector (“Funding Crisis Puts Charities on the Edge,” in the *Ottawa Citizen*, February 29, 2004).
- Created promotional materials for *Funding Matters* workshops and presentations, including newspaper and newsletter articles, posters, highlights sheets, and templates for workshop pamphlets to be used by community organizations.
- Developed and regularly updated a resource list for inclusion in workshop kits. The list included information about specific tools, resources, Canadian research, and other national and community initiatives related to the financing of voluntary and nonprofit organizations.
- Senior CCSD staff made numerous presentations and led workshops in communities across Canada. During this period, more than 1,300 people participated in 23 workshops or presentations made at the community, national and international levels. In most cases, participants represented a cross-section of nonprofit and funder organizations from that geographical area, while other sessions were designed to address the needs of a specific sub-sector. This included, for example, a presentation to the Annual General Meeting of the Coalition of Ontario Voluntary Organizations (COVO); workshops with the Health Charities Coalition of Canada (HCCC) and the National Children’s Alliance networks; presentations to national and international conferences such as the VOICE in Health Policy Project National Summit and the International Society for Third Sector Research 6th International Conference; work with funders at the Opening Doors Conference in Red Deer, AB; and participating in many community discussions in places like Calgary, Montreal and Moncton. See Appendix 2 for complete list of events.
- Created a *Funding Matters* subsite for the purposes of this project (www.ccsd.ca/pubs/2003/fm/fm.html). The subsite includes the major findings of the report, links to other useful sites, tools, and resources; and mechanisms for feedback and exchange among site visitors. From April 2004 to February 2005, more than 7,000 people visited the *Funding Matters* page, and the Executive Summary of *Funding Matters* has been downloaded almost 9,000 times.

D. Workshop Development

- Developed customized presentations and workshop packages for specific community groups or sub-sectors to assist them to: 1) explore the relevance of the report findings; 2) identify key issues of concern in their communities; and 3) develop potential strategies for change relevant to their specific community.

- Gathered information on tools, resources, Canadian research, and other national and community initiatives on the financing of voluntary and nonprofit organizations to compile a Resource list for inclusion in workshop kits.

PRESENTATIONS AND WORKSHOPS

Katherine Scott, Vice President of Research at the CCSD, and Marcel Lauzière, President, crossed the country several times over the 12-month period, participating in activities at the community, national and international levels, ranging from presentations on the *Funding Matters* study findings, to workshop sessions at day-long meetings on strategies for funding reform. Originally under this project, CCSD staff planned on participating in 10 to 12 presentations and workshops. However, because of the community-based focus of this phase of the project, this goal was far surpassed, and CCSD staff were able to support and/or participate in 23 such events, reaching more than 1,300 people. Yet even at that rate, the actual demand for presentations and requests for workshops exceeded the Council's capacity and resources under the project. And while the CCSD could not accommodate all the requests received, wherever feasible, CCSD materials were provided to support the community activities.

During their travels across the country, CCSD staff received feedback not only on the content of the report, but also on the approach to this phase of the project. The findings of the *Funding Matters* study resonated strongly with people at the local level. Many community-based organizations were experiencing the same issues and challenges in their individual communities and within their specific sub-sectors. As well, participants appreciated the community-based focus to discussions on funding reform. And while they acknowledged the need for policy discussions at the national level, they underscored the importance and impact of funding reform growing from the local level.

Since the release of *Funding Matters* in 2003, many new resources have been developed to provide information and tools on issues related to financing and capacity in the voluntary sector, both at the community and national levels. In addition, organizations have begun local discussions about key issues in their particular communities and how best to address them. A resource list – including samples of recent work in the areas of tools, resources, Canadian research, national initiatives, and community actions – was developed by the CCSD to support the local workshops and presentations. Materials provided by the CCSD for inclusion in workshop kits included the following:

- Template for a promotional pamphlet to organize a workshop, “Funding Matters...For our Community;”
- Executive Summary of the *Funding Matters* report;
- Five fact sheets on different issues in this area;
- Highlights Sheet;
- Resources list – recent resources, research and community activities related to financing issues in Canada;
- Biographical information on CCSD speakers, Katherine Scott and Marcel Lauzière;
- Other information about the CCSD and its work.

What We Heard

Changes in funding practices over the last decade – documented in the *Funding Matters* report – threaten the continued viability of many organizations and their capacity to serve their communities. This study and others released in the last year raise questions about the suitability of current funding models and practices to effectively support the activities of nonprofit and voluntary organizations.

Although communities and organizations were at different stages, several common themes emerged from the workshop discussions:

- **Funding is a pressing local issue.** The *Funding Matters* report captured broad themes based on diverse groups across the nonprofit and voluntary sector. Yet in each community – without exception – the trends and issues identified in the report resonated at the local level. Regardless of the local makeup of the nonprofit sector and the revenue mix of those organizations, the challenges of needing external funding from a range of funders was identified as a pressing issue for community-based organizations across the country. Many different groups expressed concerns about the future of nonprofits in their community: insufficient and inappropriate funding is a significant constraint for many organizations in pursuit of their mission.
- **Funding is a pressing issue across Canada.** The *Funding Matters* findings also resonated across the country, regardless of province. Common themes and concerns were raised at all the workshops, but there were some geographical differences. For example, earned income was the most important income stream for nonprofits in Alberta, whereas government was the dominant funder of most nonprofits in other provinces. However, the pressures related to project funding, the lack of support for core functions, the erosion of infrastructure, and stresses and fatigue among paid staff and volunteers were similar across the country, regardless of the province.
- **There are differences in how funding pressures are experienced across the sector.** The nonprofit and voluntary sector includes a diverse range of groups. Findings from the National Survey of Nonprofit and Voluntary Organizations (NSNVO) reveal the vast range of activities and organizational structures among nonprofits, and there are marked differences between groups which rely exclusively on volunteers to pursue their goals and those which employ paid staff. There are also distinct differences among organizations in their capacity to address the current funding challenges and take advantage of opportunities for growth and development. These differences were clearly evident among participants in the workshops and presentations on funding matters. Many of the participants from small, community-based organizations – which make up the lion's share of nonprofits in Canada – said they felt increasingly marginalized. They were frustrated in their efforts to navigate the funding landscape, often seeing larger organizations expand the range and scope of their activities, including fundraising. Groups from ethno-cultural communities in particular were very conscious of differences in organizational capacity and resources to pursue their activities.

- **Overall, there is a high level of interest in funding reform.** The publication of studies like *Funding Matters* and activities related to the Voluntary Sector Initiative (VSI) have raised expectations for change in many communities. Through this process, many challenges have been identified on a range of issues important to the nonprofit sector, from human resources to information management and technology needs. Groups are now seeking long-term solutions to the structural tensions underlying the operation of organizations in this sector. The emergence of local and provincial coalitions – notably those involved in the Canadian Federation of Voluntary Sector Networks – reveal the interest in and commitment to forging sector alliances dedicated to change (see www.cvsrd.org).
- **This interest is not universally shared by external funders.** There appears to be less appetite for change among funders. To date, there has been little receptivity among provincial government funders – with the exception of those in Quebec, Saskatchewan and Manitoba – to tackle funding issues in a coherent fashion. This is true of certain United Ways and foundations as well. Some funders in the different workshops acknowledged that there were significant problems, but they felt that organizations did not fully appreciate their operating constraints and the need to ensure accountability for all expenditures of funds. Participating funders agreed that dialogue was needed – among funders themselves within a given geographic area, and between funders and nonprofit organizations. On this score, several groups of funders have initiated discussions.
- **Creating awareness about the nonprofit and voluntary sector is critical.** A common message from many workshops and presentations was the need to speak about and promote the critical role that nonprofit organizations play in communities – as service delivery agents, advocates, community builders, and social innovators. Participants agreed that the sector must learn how to better articulate its value and role using a strong, cohesive voice. To date, the economic and societal impacts of the nonprofit and voluntary sector have not been well publicized. For example, the sector’s contribution to the GDP equals or exceeds that of other sectors such as mining, automotive, and financial services. Educating the public, elected officials, the corporate sector, and the community at large about the value and contributions of the sector is a key component in creating a more supportive environment for nonprofit and voluntary organizations.
- **Community organizations are still waiting to realize the promise of the VSI.** With regard to the federal government, many organizations felt that the VSI was an important first step, but that the promise of the VSI had not yet been realized. Outstanding issues remained, notably with regard to funding and the issue of advocacy. Many workshop participants argued that the federal government must sustain its focus on the voluntary and nonprofit sector, and thus set the example in building a stronger and healthier relationship with the sector. Many noted that while the language is positive in the Accord and Codes, few steps have been taken to realize positive change. In particular, the federal government needs to implement the *Code of Good Practice on Funding* – across departments and across regions (see www.vsi-isbc.ca/).

Social Innovation

As noted earlier, the release of the *Funding Matters* report in 2003 provided organizations and communities with a resource and data around which they could focus discussions about key financing issues in their communities. With nonprofit organizations, sub-sectors and communities being at different stages of development, “taking action” meant different things in different communities. In some cases, it meant coming together to share information and experiences as an important first step for future discussions (Halifax). Other communities were ready to prioritize issues and examine what they could do to begin changing the funding policies and practices that are causing such instability (Halton, Calgary, Building Stronger Communities initiative in Ontario).

Through this phase of the project, *Funding Matters ... for our Community*, examples of organizational and community innovation were identified, revealing that change is underway. Below is a selected list of some of the community initiatives that are moving forward the issue of funding reform.³ This list is by no means comprehensive. Indeed, communities across the country are tackling funding issues within the context of diverse initiatives in health, the arts, environment, ethno-cultural communities, and so on. The initiatives described below provide a snapshot of the range of social innovation in the nonprofit and voluntary sector, initiatives which are fuelling the drive for funding reform at the community and regional levels.

- **Nonprofit and voluntary organizations working together:** Organizations within sectors are starting to forge partnerships around key issues such as funding. Certainly groups within specific service areas (like health) have always maintained sector-specific alliances. What is new over the past few years is the degree to which a variety of other organizations are coming together across traditional disciplinary lines. For example, the Canadian Federation of Voluntary Sector Networks, noted above, draws together the energy and talents of local, regional, provincial and territorial networks of voluntary organizations. The Federation is dedicated to: exchanging information and resources within the voluntary sector; facilitating and promoting collaboration; raising the profile of the sector; building the capacity of the sector; influencing public policy development; and entering into dialogue with other sectors. Many of the member networks are organizing around funding challenges and opportunities, including the Ottawa Chamber of Voluntary Organizations (www.cvsrd.org/eng/ocvo.html); the Coalition of Ontario Voluntary Organizations (www.covo.on.ca/index.htm); the Calgary Chamber of Voluntary Organizations (www.calgarycvo.org/); and Policy Link New Brunswick (www.policylink.nb.ca/).
- **Funders working together:** In Red Deer, Alberta, local funders have been meeting for several years and have pioneered innovative solutions to address local social needs. The Funders Forum is a collaborative effort among various levels of government and charitable organizations that play a funding role in central Alberta’s human services

³ A full list of community activities identified through this phase of the project can be found in the *Funding Matters* Resources List at <http://www.ccsd.ca/pubs/2003/fm/fm.html>

(www.fundersforum.ca). The group meets informally on topics of shared concern and to work towards meaningful support of Red Deer's nonprofit community. In November 2004, the group hosted the second Opening Doors Community Conference for organizations across the region working in the areas of arts, heritage, social services, education, sports and recreation. The Funders Forum has been an important force for positive change in this community.

Another group of private, government and corporate funders that have come together is the Funders Alliance for Children, Youth and Families (www.fundersalliance.org), which has hosted meetings to review the efficacy of current funding practices. The federal government has also recently announced a Task Force on Community Investments, within Social Development Canada, which takes the federal lead in working with the nonprofit and voluntary sector. The Task Force will recommend approaches to ensure that the existing Treasury Board Transfer Payment Policy is used to its full extent by federal departments to achieve consistency in accordance with the *Code of Good Funding Practice*, and new policy directions to enable and support investments in multi-stakeholder, multi-sectoral and place-based initiatives, with appropriate accountability by departments. It is anticipated that this work will result in more consistent funding practices across the federal government and a seamless, horizontal approach to supporting investments in communities. The Task Force will carry out its work over the next two years, concluding in December 2006.

- **Innovative outreach:** The Centre for Community Organizations (COCO) in Montreal recently introduced an innovative and cost-effective approach to connecting organizations by providing people with an opportunity to learn about key issues facing the community, and with the option of participating in discussions online. The first of their Community Cash series of workshops, held in October 2004, focused on financing issues for community groups in the province. Participants from across Quebec were able to connect via email or by phone with questions for the speakers, and they were able to view background documents online. That workshop featured the CCSD research on *Funding Matters* and a discussion of the current status and funding trends for the community sector in Quebec. Other workshop topics covered financial management and taxation, developing a funding plan for your organization, and social enterprise (www.coco-net.org/).
- **New partnerships:** Making innovative change can also involve establishing new partnerships from across sectors to work together. In Ontario, a network of concerned community service organizations and unions are working together to redress the factors which undermine the effectiveness of Ontario's nonprofit social service sector. This unique community action initiative – called “Building Strong Communities: A Call to Reinvest in Ontario's Nonprofit Social Services” – includes a call for the provincial government to take specific steps to strengthen government social and economic supports for all Ontarians. Specifically, they have asked the government to convene discussions with representatives of non-profit organizations, unions and key ministries to identify and implement funding practices that will: enable agencies to attract and maintain a highly qualified and stable workforce by paying decent wages and benefit to their workers;

revive the sector's capacity to plan effectively, and ensure that programs and staffing levels are responsive to growing community needs; and, set the stage for planned long-term development and financial sustainability of the sector.

(www.buildingstrongcommunities.ca/)

- **Community research:** While the *Funding Matters* report provided data at the national level, many communities have undertaken their own research to provide a more detailed picture of the local issues affecting them. Together, these two sets of data can often help organizations “make the case” to their supporters. Communities such as the Niagara Region of Ontario and London, Ontario have recently completed labour market studies to show the significant contributions the voluntary sector makes to their local economies and quality of life (www.communityleadership.net; www.pillarv.com). The studies have also facilitated the development of a strategic plan to assist the voluntary sector to identify and meet its workforce needs, and made recommendations to address key issues identified in the research.

The labour force in the nonprofit sector was also the subject of studies in Manitoba and Quebec, and a study is being planned in New Brunswick. Other community-based research has documented the impact of funding cutbacks and downloading of services on local service providers. *Cracks in the Foundation*, a report produced by Toronto Community and Neighbourhood Services, presents the findings of a community agency survey undertaken in 2003 (www.toronto.ca). As well, the Social Planning Council of British Columbia is currently studying the impact of changes to the financing and delivery of social services made by the Liberal administration from 2001-2003 (www.sparc.bc.ca). Lynn Eakin, working with the Community Social Planning Council of Toronto, has completed a detailed analysis of the revenues and expenditures of 10 community organizations. Entitled *Community Capacity Draining*, this ground-breaking work revealed that service programs were underfunded by 15.5%, on average, which forced the agencies to draw on other income “from charitable and other sources” in order to cover these deficits (www.lynneakin.com/).

Evaluation and Sharing Knowledge

The findings of the *Funding Matters* report resonated strongly with people working at the local level. Many participants in the workshops and presentations were facing the same issues and challenges in their individual communities and within their sub-sectors. And while participants acknowledged the need for policy discussions at the national level, they appreciated the community-based focus to discussions of funding reform and underscored the impact and importance of these reforms growing from the local level.

Because this phase of the project focussed particularly on community-based and sub-sector discussions, it was these kinds of agencies, drawing on their own networks, which organized, advertised and reported on the workshop sessions on financing issues. Feedback from those sessions has been incorporated in this report, and highlights of the community activities have

been included in the CCSD resource list which was provided to participants at all presentations and posted on the CCSD website.

Reports available on community and sub-sector activity include the following:

- Ottawa: Social Planning Council, “Funding Our Future” community consultation (June) www.spcottawa.on.ca/new_home_e.htm
- Toronto: Coalition of Voluntary Organizations’ Annual General Meeting (June) www.covo.on.ca/index.htm
- Brandon, MB: Voluntary & Non-Profit Sector Organizations of Manitoba Inc., *Funding Matters* workshop (September)
- Calgary: Calgary Chamber of Voluntary Organizations, “Funding Our Future” workshop (September) www.calgarycvo.org/presentations.html
- Moncton: Policy Link NB, “Forging Links” Conference (October) www.policylink.nb.ca/
- Red Deer, AB: Funders Forum, “Opening Doors” Conference (November) www.fundersforum.ca/
- Ottawa: VOICE in Health Policy, National Summit (November) www.projectvoice.ca/

Moving Forward with Funding Reform

Not surprisingly, there was a range of opinions evident in the different workshops and community dialogues. Organizations were in agreement, however, on many issues. Participants were clear about the need to continue innovating and improving the ways in which they reached out to their communities, conducted their affairs, generated revenues, and the like. As well, many groups talked about need to change the “funding regime” – the practices and structures that shape the relationship between funders and the funded, and thus set the context for nonprofit activity. There was general recognition that the path forward must proceed on these two tracks. The other common observation from the workshops was that any strategy must reflect the unique character and complexities of the local communities or sub-sectors. There are no “one size fits all” strategies for change.

How then to proceed? Three dominant themes emerged from these discussions:

- Continue to innovate;
- Work with funders to develop effective funding practices that meet the needs of both nonprofits and funders;
- Develop new financing vehicles and other support measures that will facilitate the healthy development and operations of nonprofit and voluntary organizations.

1) Social innovation and capacity building: This theme came up time and again throughout the dialogue sessions. Community organizations were very eager to hear about new resources and strategies for strengthening their organizational capacity. Many of the *Funding Matters* workshops took place alongside other sessions on human resources, management, strategic development, and outreach. There was keen interest among nonprofits in learning about new ways to organize, initiate, and reach out, as is evident by the proliferation of journals, workshops, and new courses available on nonprofit management.

The new social enterprise movement among nonprofits in Canada can be seen as an explicit effort to expand their revenue-generation potential. Many nonprofits are starting to explore the feasibility of setting up revenue-generating enterprises such as strategies to earn income or create employment opportunities for the marginalized populations they serve.

Organizations are also exploring new ways to share the costs of doing business. Examples of innovative practices in this area include the co-location of organizations, sharing administrative or human resource functions, and the coordination of service delivery.⁴ Nonprofits are also forging new ways of working together through the establishment of networks and partnerships. The Canadian Federation of Voluntary Sector Networks, for example, is organized within a “distributed network” framework.

2) Work with funders to develop effective funding practices: The nonprofit and voluntary sector must work with funders to help them better understand organizational issues and identify options to address the negative impacts of current funding practices on organizations and their ability to respond to community needs. Support for basic operating functions – for administration, insurance, and governance, for example – is essential, whether the organization operates in the nonprofit or for-profit sectors. Some of the current practices that challenge organizations’ ability to remain stable and viable partners in responding to community needs include changing funder priorities and expectations, a lack of core funding, shorter-term and targeted project-based funding, a lack of support for administration, and onerous reporting requirements.⁵ This is particularly true among smaller organizations, those in rural or remote communities, and those serving marginalized communities because they tend not to have the infrastructure or access to resources to cope with these funding issues.

As the largest funder of the nonprofit and voluntary sector, governments at all levels remain key players. Governments need to better understand the value and importance of the sector as service providers, advocates, community builders, and social innovators. Even as nonprofit organizations have taken on greater responsibilities, the level and type of funding support have not kept pace. According to many workshop participants, the roles and responsibilities of the voluntary, private and public sectors have become increasingly blurred with the extensive downloading of services. As well, there is a lack of clear policy and efforts to strengthen the relationship between organizations and governments, particularly at the provincial level. The current regulatory regime can also be a hindrance to the work of nonprofit and voluntary organizations. Workshop participants reiterated the important role that governments must play in creating a more enabling financial environment, through both direct and indirect support. Getting the government funding piece “right” is critical to the success of other funding relationships as well, such as those with United Ways, foundations, individual donors, and the like.

An obvious place to start is with the federal government and its *Code of Good Practice on Funding*. Putting the *Code* into effect would entail wide-ranging changes such as the following:

⁴ Jon Pratt. “The Future of the Infrastructure,” in *The Nonprofit Quarterly*, Infrastructure 2004.

⁵ Community-City Working Group on Stable Core Funding. *Stability and Equity: A plan of action to support the community development and capacity building functions of Toronto’s not-for-profit community services sector*, Community Representatives’ Final Report, November 2004.

- Paying the full cost of services or program delivery, including a proportionate share of the organization’s operating costs and the actual costs of operating the service. The range of core functions necessary for an organization to be successful and sustainable – including support for staff training and retention, governance, information technology, etc. – must be recognized.
- Moving to global budgeting, that is, approving a total budget amount and letting the organization determine how best to allocate those funds to achieve agreed-upon program objectives and outcomes.
- Providing undesignated funds to support organizational capacity and service innovation as a preferred means of building local capacity and meeting local needs.
- Allowing organizations to accumulate contingency funds, where appropriate.
- Facilitating the use of multi-year funding arrangements.
- Streamlining access to and performance management requirements for funding streams, especially small streams, and bringing a measure of proportionality to risk assessment.

Canada has a wonderful new *Code* but much remains to be done to put those principles into action. In particular, a great deal must be done at the provincial level and with other external funders such as foundations.

3) Develop new financing vehicles and other forms of technical assistance: Obviously not all of the work involved in “regime change” can be accomplished simply by changing the funding guidelines of governments or foundations. Financing reform is also needed to facilitate the activities – and specifically, the income-generation activities – of nonprofit organizations.

One important goal in this regard is to encourage the development of a social capital market and create diverse financial instruments for social purpose ventures. Currently, there are few vehicles or other types of supports for social initiatives of this kind – unlike those available to small- and medium-sized businesses through Industry Canada, for example. Bill Young of Social Capital Partners⁶ says the current system of tax credits is generally ad hoc and highly variable among provinces and industries. Governments make few efforts to encourage non-traditional investments in social initiatives, and there is little support from public or private funders to create a diverse social capital market. And in the absence of such financing vehicles and other supports, organizations are handicapped in their efforts to enhance their financial and organizational capacity to launch social purpose ventures.

For all organizations, we need to build on the limited regulatory reform that came out of the VSI process, and continue to push forward with needed improvements – such as redefining charity within the tax code, as was recently accomplished in Scotland, reforming the prohibition against carrying reserves, re-examining the 10% limit on advocacy, and the like. These types of behind-the-scenes changes would have a significant impact on many nonprofit organizations.

⁶ See www.socialcapitalpartners.ca for information about this enterprise.

Next Steps in the Process

The first step towards change of this magnitude lies within the sector itself. There is a need to foster honest and open exchanges among organizations across the nonprofit and voluntary sector, to provide venues for organizations – big and small – to discuss the unique challenges and opportunities they face at this juncture. And there is a need to initiate dialogues among organizations and their members, clients, funders, donors, and the broader community. The sector must get the message out, communicate the realities of the sector, promote its values, and build alliances for change.

Next Steps for the CCSD

Making change in any environment is often a long process. At the CCSD, we are currently planning for Phase III – *Funding WHAT Matters...in our Communities* – of our project. The goals of this phase are to document and analyze successful funding and resourcing programs, and identify opportunities that exist for funding innovation. By documenting some of the challenges, opportunities, and successes within current resourcing/ funding frameworks, we will provide a base from which we can develop specific strategies for funding innovation that take into consideration the needs and perspectives of all parties in the funding relationship, and begin a campaign for change. For at the end of the day, however, political will is critical.

Appendix 1: *Funding Matters* Network Members

<i>FUNDING MATTERS NETWORK MEMBERS</i>	
Dianne Bascombe National Children's Alliance Dianne@nationalchildrensalliance.com	Laurie Rektor Voluntary Sector Forum lrektor@vsi-isbc.org
Anna Chiappa Canadian Ethnocultural Council (CEC) cec@web.net	Katherine Scott CCSD scott@ccsd.ca
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Marjolaine Lalonde Health Charities Coalition of Canada	Megan Williams Canadian Conference of the Arts megan.williams@ccarts.ca
Marcel Lauzière CCSD lauzière@ccsd.ca	Esperanza Moreno Canadian Council for International Cooperation emoreno@ccic.ca
Lise Martin Canadian Research Institute for the Advancement of Women lmartin@criaw-icref.ca	Deborah Pike CCSD pike@ccsd.ca

March 2004

Appendix 2: Workshops and Presentations

Please note: The demand for presentations and workshops far exceeded CCSD's capacity and resources under this project, so we were unable to accommodate all of the requests received. Wherever feasible, however, we provided CCSD materials to support community activities.

FUNDING MATTERS WORKSHOPS AND PRESENTATIONS APRIL 2004 – MARCH 2005

APRIL

United Way of Halifax (Halifax, NS)

Saint John Human Development Council AGM (Saint John, NB)

MAY

Community Foundations Canada AGM (Québec City, QC)

JUNE

Funding our Future: A Community Consultation for Ottawa's Voluntary Sector (Ottawa, ON)

OMSSA Annual Learning Symposium (Ottawa, ON)

Fédération des centres d'action bénévole du Québec (Québec, QC)

Coalition of Ontario Voluntary Organizations AGM (Toronto, ON)

JULY

Centre for Voluntary Sector Research and Development and the Nonprofit and Voluntary Sector Community of Inquiry Symposium (Toronto, ON)

International Society for Third Sector Research 6th International Conference (Toronto, ON)

AUGUST

International Council on Social Welfare (ICSW) AGM (Kuala Lumpur, Malaysia)

SEPTEMBER

Voluntary Sector and Nonprofit Organizations of Manitoba (Brandon, MB)

National Children's Alliance / Health Organizations (Toronto, ON)

Family Services Association (Toronto, ON)

Calgary Chamber of Voluntary Organizations (Calgary, AB)

OCTOBER

Policy Link Conference (Moncton, NB)

Community Organizations (Halifax, NS)

Coalition of Community Organizations (Montreal, QC)

NOVEMBER

Opening Doors Conference (Red Deer, AB)

Health Charities Coalition of Canada (HCCC) Roundtable (Ottawa, ON)

VOICE in Health Policy National Summit (Ottawa, ON)

JANUARY 2005

Centraide Québec (Québec City, QC)

FEBRUARY 2005

Yellowknife YMCA (Yellowknife, NWT)

Community Organizations (Fort Smith, NWT)

April 2005

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