

Imagine Canada's **Sector Monitor** Charities & the COVID-19 Pandemic

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IN THIS SECTOR MONITOR

Foreword	1
Highlights	2
Introduction	3
Organizational Responses	5
Financial Impacts	8
Human Resources Impacts	12
This Time Is Different	17
Stakeholder Responses	18
Predictions for the Future	21

Foreword

As I write this, Canadians are beginning the ninth week of widespread physical distancing in response to COVID-19. As you will see in this *Sector Monitor* report focusing on how charities are responding to the pandemic, I am proud to say our organizations are changing and innovating rapidly, working to adapt to systemic changes almost without parallel in living memory. Across the country, charities are modifying existing programs, developing new ones, and implementing measures to help prevent the spread of the virus – all in dramatically changed working environments.

Unfortunately, the report also clearly shows that the pandemic is significantly damaging the financial and human health of our organizations. Charities across the sector are reporting revenues down markedly, with significant layoffs in progress – and more on the horizon. The size and scope of these shifts is beyond anything that we have seen before, far exceeding what we saw in the 2008/2009 financial downturn and with such broad effects even the most diversified revenue bases are seriously affected.

Nobody knows what the medium- and long-term impacts of COVID-19 will be, but I think anyone hoping for a quick return to "normal" will be badly disappointed. Whatever the new "normal" is, one thing is clear – more than ever, communities in recovery are going to need vibrant charities and nonprofits of all types, providing services and building quality of life. I urge you to share the findings of this report with your networks, your stakeholders, the civil servants you work with, and policymakers at all levels in your community.

Bruce MacDonald
President & CEO Imagine Canada

Highlights

Demand and capacity have increased for some charities and dropped for others due to physical distancing.

- 35% have seen demand increase while 37% have seen it decrease.
- Organizational capacity has decreased for 40% of charities, usually in conjunction with significant decreases in demand.

Innovation is central to how organizations are responding to the pandemic.

- 54% of charities have transitioned in-person programs online and 42% have developed completely new programs in response to need.
- 54% are increasing their emphasis on existing online programs.

Charities are experiencing significant and broad-based declines in revenue.

- Revenues have declined an average of 30.6% since the onset of the pandemic, with 69% of charities reporting decreased revenues.
- Nearly three quarters (73%) report donations are down, 38% earned income, and 23% investment income.
- These declines are significantly greater than during the 2008/09 recession, when 32% saw revenue decline an average of 0.75%.

Organizations have already made significant reductions to paid staff and more cuts are likely.

- 30% of charities have already laid off staff and 55% say new or additional layoffs are a possibility.
- We estimate that charities have already laid off 37,000 full-time and 46,400 part-time paid staff.
- Again, these are much more significant than in 2008/09 when 23% of charities laid off staff.

Charities are also experiencing challenges with volunteers.

- 49% report difficulty engaging volunteers in current working conditions.
- 33% say volunteers are less available.

Arts & recreation organizations are facing particular challenges.

- They are more likely to report decreased demand, organizational capacity and revenues, leading to greater layoffs and work reductions.
- They are having more difficulty transitioning their programs online and developing new programs. Instead, many are ceasing or suspending operations.

Charities that depend on earned income are particularly hard hit.

- They are more likely to report revenue and expenditure decreases, staff layoffs and work reductions.
- This is also true for charities with diversified revenue bases.

Most charities with paid staff believe they will qualify for the Canada Emergency Wage Subsidy.

- 45% believe they do or will qualify - 24% think they might.
- 75% of those potentially qualifying intend to apply and another 15% say they might.

Overall, charities are fairly pessimistic for the future but they are continuing to operate.

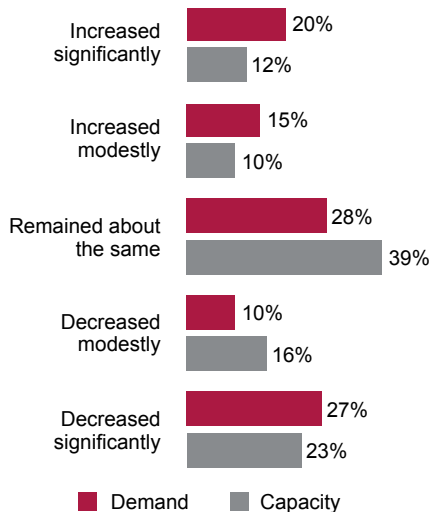
- 45% believe their financial condition will be worse in three to six months; just 8% believe it will be better.
- 20% believe they will be able to continue their current level of operations for 3 to 6 months; 25% for 6 to 12.

Introduction

The current *Sector Monitor* marks a return to the origins of the program over a decade ago when we created a survey platform to regularly take the pulse of charity leaders responding to the 2008/09 economic downturn. Today, unlike during that downturn, charities are coping with both epidemiological and economic challenges. As a result, they are under significantly greater pressure than in 2008/09. This edition of *Sector Monitor* focuses on the experiences of charities since the onset of the COVID-19 pandemic, detailing the impact of physical distancing, mandatory closure of non-essential businesses, and myriad other changes to the operating environment. We also draw on historical *Sector Monitor* findings from the aftermath of the 2008/09 downturn to provide additional context.

This report summarizes the responses of 1,458 leaders of charities who answered our online survey between April 15th and April 28th.¹ All responses are weighted by organization size, activity area, region, principal source of revenue, and the presence of paid staff to produce estimates more representative of charities overall. Historical comparisons are based on our first *Sector Monitor*, conducted in late 2009 / early 2010, just as the 2008/09 recession was ending and the long economic recovery beginning.²

Figure 1: Changes in demand and organizational capacity in response to the pandemic.



CHANGES TO DEMAND AND ORGANIZATIONAL CAPACITY

Since the onset of the pandemic, charities have had quite varied experiences with regards to demand for their services.³ While some have been declared essential services and are frequently coping with increasing demand, others have been required to cease operations as part of mandatory non-essential business closures and have seen demand decline, sometimes catastrophically. Overall, just over a quarter say demand has held steady while the balance have seen changes, frequently significant ones (see Figure 1). Overall, about as many charities report increases in demand as report decreases, though the decreases have tended to be more severe. Looking at organizational capacity to meet demand for services, nearly two fifths of charities report their organizational capacity is holding steady, but those reporting capacity decreases significantly outnumber those reporting increases. In large part, decreased demand correlates with reduced capacity - over half of charities (58%) reporting decreased demand also report their organizational capacity has decreased, usually significantly.

¹ The survey was sent to 4,599 leaders of registered charities with annual revenues of \$30,000 or more that are not religious congregations (about 36,600 or 43% of registered charities meet these criteria). We received responses from 1,458 individuals, yielding a response rate of 32.0% once undeliverable emails are accounted for.

² Results from the first *Sector Monitor* are based on 1,508 responses also from charities with annual revenues greater than \$30,000 that were not religious congregations. The weighting strategy for that survey was similar, with responses weighted by annual revenues, sub-sector, and region.

³ At the time of initial fielding, survey respondents in most jurisdictions had been dealing with operating environments dramatically changed by physical distancing and mandatory closures of non-essential businesses for approximately a month.

Depending on their characteristics, organizations tend to have somewhat different experiences with demand and organizational capacity. For example, demand is somewhat more likely to have increased for larger organizations and decreased for smaller organizations (see Table 1). Organizational capacity, on the other hand, seems fairly consistent, except among the very largest organizations, which are somewhat more likely to report increased capacity.

TABLE 1: Changes in demand and capacity by organizational characteristics.

	Demand			Capacity		
	Increase	About the same	Decrease	Increase	About the same	Decrease
ANNUAL REVENUES						
\$30,000 to \$149,999	28%	33%	39%	23%*	39%	38%
\$150,000 to \$499,999	31%	31%	38%	16%	41%	43%
\$500,000 to \$1,499,999	43%	21%	36%	23%	38%	39%
\$1,500,000 to \$4,999,999	45%	19%	36%	22%	36%	42%
\$5,000,000 or more	44%	25%	31%	28%	39%	33%
ACTIVITY AREA						
Arts, Culture & Recreation	14%*	10%*	76%	10%*	41%	49%
Education & Research	36%	32%*	31%*	15%*	51%	35%*
Health	39%	24%*	38%	25%*	20%*	55%
Social Services	42%	26%	33%	28%	34%	39%
Philanthropic Intermediaries	41%	35%	24%*	26%*	47%	27%*
Other	30%*	44%	26%*	16%*	42%	42%
PRINCIPAL REVENUE SOURCE						
Government	37%	29%	34%	21%	40%	39%
Gifts & donations	41%	31%	28%	28%	35%	37%
Earned income	26%*	22%	53%	10%*	45%	45%
Other	30%*	41%*	29%*	23%*	40%*	37%*
Mixed revenue sources	28%	19%*	53%	16%*	37%	46%

* use with caution†

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

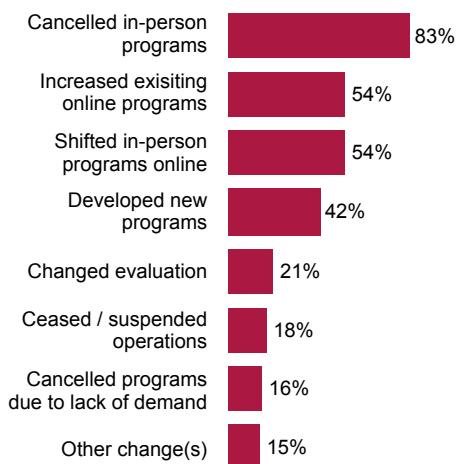
Looking at particular sub-sectors, Arts & recreation charities are experiencing particularly significant challenges due to physical distancing, reflected in significant declines in both demand and capacity. Philanthropic intermediaries and Social services

organizations are facing particularly high demand, while Health charities are facing pronounced declines in capacity because of changes to the operating environment. No sub-sectors are showing pronounced increases in capacity, but Education charities and Philanthropic intermediaries appear to be best maintaining their current capacity levels in the face of changed circumstance.

The sub-sectoral associations are likely the strongest factors behind the reported changes by principal revenue source. Charities that depend primarily on earned income (as with many Arts & recreation charities) are experiencing declines in both demand and organizational capacity, as are charities that draw on a more balanced range of revenue sources. Charities that depend mainly on gifts and donations (as with Philanthropic intermediaries) are seeing an increase in demand and modestly increased capacity compared to other charities.

Organizational Responses

Figure 2: Pandemic-related program changes.



Charities are significantly reshaping their programs and activities as they respond to the pandemic. Somewhat more than half have increased their online delivery of programs, either by increasing existing online programs or by modifying in-person programs to be delivered virtually (see Figure 2). Charities are innovating to adapt to the pandemic in many other ways beyond the shift to virtual program delivery, with just over two fifths developing completely new programs to meet changing needs. While the percentage of charities shifting their measurement and evaluation practices seems comparatively small given the scale of the changes seen with the onset of the pandemic, it is higher among charities that have shifted to online delivery and markedly higher among organizations that have developed new programs.

While cancelling or reducing programs that involve direct interpersonal contact in order to reduce the spread of the virus is extremely common, the relatively small number of charities cancelling programs due to lack of demand speaks to the continued need for the services charities offer. In this context, it is extremely concerning that nearly one in five has suspended or ceased their operations. While charities that have taken this step to date tend to be those that have seen significant declines in demand, it remains to be seen how many may be forced to take this step if current trends continue.

TABLE 2: Program changes by organizational characteristics.

	Cancelled in-person programs	Increased existing online programs	Shifted in-person programs online	Developed new programs	Changed evaluation	Ceased / suspended operations	Cancelled programs due to lack of demand	Other change(s)
ANNUAL REVENUES								
\$30,000 to \$149,999	79%	48%	40%	31%	15%*	24%*	16%*	13%*
\$150,000 to \$499,999	80%	52%	49%	40%	16%	14%*	14%*	15%
\$500,000 to \$1,499,999	86%	55%	62%	47%	26%	16%	19%	16%
\$1,500,000 to \$4,999,999	92%	65%	70%	54%	31%	15%*	14%	18%
\$5,000,000 or more	93%	68%	79%	60%	36%	15%*	21%	18%
ACTIVITY AREA								
Arts, Culture & Recreation	87%	50%	43%	35%	12%*	32%*	24%*	6%*
Education & Research	88%	66%	64%	46%	23%*	...	13%*	11%*
Health	87%	63%	69%	57%	19%*	9%*	14%*	10%*
Social Services	83%	49%	54%	42%	28%	20%	13%	19%
Philanthropic Intermediaries	75%	54%	46%	39%	21%*	15%*	18%*	21%*
Other	86%	54%	51%	39%	15%*	17%*	17%*	17%*
PRINCIPAL REVENUE SOURCE								
Government	86%	60%	65%	49%	28%	15%*	16%	14%
Gifts & donations	84%	55%	52%	43%	19%	14%*	11%*	18%
Earned income	78%	51%	41%	32%	15%*	28%*	25%*	14%*
Other	71%	38%*	43%*	24%*	...	...	...	...
Mixed revenue sources	90%	47%	53%	44%	23%*	24%*	18%*	14%*

* use with caution ... estimate cannot be released

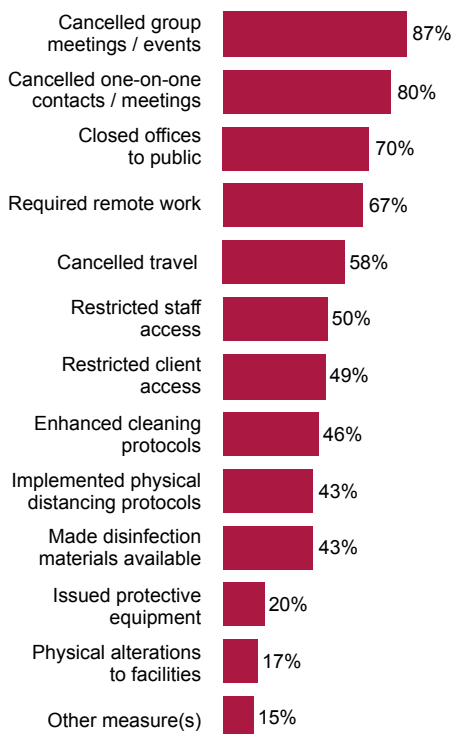
Program responses to the pandemic tend to vary depending on organizational characteristics. For example, larger charities seem to be better able to transition to online and virtual forms of service delivery and to develop new programs in response to emerging needs (see Table 2). Charities with less than \$150,000 in annual revenues, on the other hand, are somewhat more likely to have suspended or ceased operations.

Education and Health charities stand out as having particularly increased their focus on online modes of delivery to keep delivering their services during the pandemic. Continued need for services even in the face of the pandemic is likely behind the low

percentages of Health and Education charities cancelling programs because of lack of demand. Health charities, in particular, seem to have seen needs change - as shown by the high percentage reporting new program development. Finally, Arts & recreation charities are clearly facing particular challenges delivering their programs due to the pandemic. They are comparatively likely to have ceased or suspended operations, to have cancelled activities relying on in-person contact, and to have cancelled programs due to lack of demand (driven by physical distancing protocols and mandatory closures of facilities). At the same time, they are somewhat less likely to have been able to transition to online or virtual modes of service delivery or to have developed new programs.

Charities that depend primarily on government funding appear to have been fairly successful at transitioning their activities to online delivery and developing new programs. Gifts and donations dependent charities, on the other hand, stand out as being particularly unlikely to have cancelled programs because of lack of demand. Reflecting the declines in both demand and organizational capacity they are experiencing, charities primarily dependent on earned income are being particularly hard hit by the pandemic - a quarter have reduced or cancelled programs due to lack of demand and somewhat more have ceased operations entirely.

Figure 3: Mitigation measures in response to COVID-19.



MEASURES TO REDUCE THE SPREAD OF COVID-19

Charities are taking a wide range of measures to help reduce the spread of COVID-19. The most common centre on avoiding face-to-face contact, such as by cancelling or reducing both group and one-on-one meetings, restricting public access to charity offices, and requiring staff and volunteers to work remotely (see Figure 3).

While only somewhat more than half of charities have cancelled travel, this comparatively low number appears to be driven mainly by the fact that many charities do not travel in order to accomplish their missions. To a significant extent, this grouping of more common measures appears to be something of a standard package of interventions, practiced by the vast majority of charities they are relevant for.

When organizations are unable to eliminate face-to-face interactions because of the nature of their work, they are taking a range of mitigation measures. Around half have reduced client access to their facilities in some way. Usually this measure is in conjunction with others such as more frequent cleaning, making

personal disinfection materials (such as hand sanitizer and wipes) available, and implementing physical distancing protocols when serving clients. While comparatively small percentages of charities have issued personal protective equipment to their staff and volunteers or made some sort of physical alteration to their facilities, the vast majority that have done so have done it in conjunction with reducing client access and other mitigation measures.

Financial Impacts

The pandemic is having the most profound effects on organizational finances we have ever seen over the ten years we have been conducting *Sector Monitor*. Nearly seven in ten charities report decreases in revenues since the onset of the pandemic, over twice as many as reported declining revenues over the entire course of the 2008/2009 downturn (see Table 3). The overall size of the revenue shift is staggering, with charities reporting that, on average, revenues have declined by almost a third - even accounting for charities with stable or increasing revenues. Again, this is a huge difference from 2008/09 when the average revenue change was a much more modest decline of 0.75%.

TABLE 3: Financial impacts of the pandemic.

	Present day	2008/09
REVENUES		
Increase	6%	31%
Remain about the same	26%	37%
Decrease	69%	32%
Average change	-30.65%	-0.75%
EXPENDITURES		
Increase	15%	42%
Remain about the same	52%	36%
Decrease	33%	22%
Average change	-0.48%	4.53%

Looking at expenditures, the picture is slightly more mixed. Just over half of charities report their expenditures are more or less unchanged, while a third report declining expenditures. This is quite

different from 2008/2009, when charities were significantly more likely to report increased expenditures. Looking at the size of the shift, charities report that average expenditures have decreased very slightly. Underneath this slight decrease is a fairly substantial number of charities reporting modest increases to expenditures (median +20%), offset by fewer than half as many charities reporting larger decreases (median -25%, with many reporting expenditure declines of 50% or more). Overall, what seems to be happening is that while a number of charities are increasing expenditures in the face of greater need, some are facing significant constraints and acting to control spending.

TABLE 4: Percentages of charities reporting changes to revenues and expenditures by organizational characteristics.

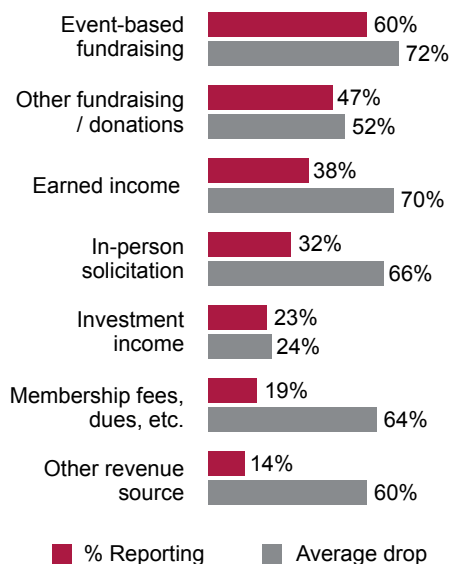
	Revenues			Expenditures		
	Increase	About the same	Decrease	Increase	About the same	Decrease
ANNUAL REVENUES						
\$30,000 to \$149,999	...	25%*	70%	8%*	67%	24%
\$150,000 to \$499,999	3%*	32%	65%	14%*	53%	32%
\$500,000 to \$1,499,999	7%*	24%	69%	20%	45%	35%
\$1,500,000 to \$4,999,999	8%*	18%	75%	22%	33%	45%
\$5,000,000 or more	9%*	24%	67%	26%	27%	47%
ACTIVITY AREA						
Arts, Culture & Recreation	...	...	87%	...	47%	46%
Education & Research	...	33%*	66%	...	52%	43%
Health	...	26%*	70%	21%*	44%	35%*
Social Services	12%*	25%	63%	23%	50%	27%
Philanthropic Intermediaries	...	29%*	66%	13%*	60%	27%
Other	...	31%*	65%	15%*	57%	28%
PRINCIPAL REVENUE SOURCE						
Government	4%*	35%	61%	23%	50%	28%
Gifts & donations	10%*	28%	62%	14%	54%	32%
Earned income	...	15%*	83%	10%*	52%	38%
Other	...	24%*	72%	...	55%*	36%*
Mixed revenue sources	...	8%*	91%	8%*	50%	43%

* use with caution ... estimate cannot be released

Broadly speaking, organizations are having somewhat similar experiences with regards to revenues, regardless of their organizational characteristics, particularly revenue size (see Table 4). The major exceptions are Arts & recreation organizations, as well as organizations that depend primarily on earned income or rely on a mixture of revenue sources, all of which are significantly more likely to have seen decreases in revenues. Beyond this, charities that depend primarily on government or gifts and donations are somewhat less likely to have seen revenue decreases.

Looking at expenditures, situations are much more varied. As revenue size increases, charities are less likely to report stability and more likely to report both increases *and* decreases, consistent with the notion that some organizations are increasing expenditures in the face of higher demand while others are acting to control spending. With physical distancing and the widespread cancellation of group activities, both Arts & recreation and Education charities are more likely to report expenditure declines. In contrast, Health and Social services organizations, many of which are facing increased demand, are somewhat more likely to report increased expenditures. Looking at expenditures by principal revenue source, government-dependent organizations are somewhat more likely to report increases in expenditures while those that rely on earned income or draw from a diverse range of sources are more likely to report decreases.

Figure 4: Declines in specific revenue sources.



SPECIFIC REVENUE SOURCES

Underpinning the decrease in organizational revenues are serious declines in a number of sources, driven in large part by physical distancing protocols. Just under three quarters of charities (73%) report a decline in at least one form of donations. Event-based fundraising is most significantly affected, but other forms of fundraising are also implicated, as is in-person solicitation (see Figure 4). The average size of these declines is nothing short of staggering, ranging from loss of almost three quarters of the value of event-based fundraising to just over half of other forms of donations. These declines are significantly worse than was seen during the 2008/09 downturn, when just over a third (36%) of charities reported donations had declined.

While charities are somewhat less likely to be experiencing declines in earned income or revenues from membership fees or dues, the scale of these declines is very significant, representing an average

loss of roughly two thirds of revenue generated via these methods. As with donations, charities are far more likely to report declines in these revenue areas than in 2008/09. Then, 11% of charities reported declines in membership fees and dues and 13% reported decreased fees for goods and services.

There is perhaps no clearer indicator of the magnitude of the challenges to organizational revenue than the fact that decreases in investment income - reported by just over a fifth of charities and averaging a quarter of total value - can be considered modest in comparison to the decreases in other areas. Investment income appears to be the only area of decline less significant now than it

TABLE 5: Percentages of charities reporting declines in specific revenue sources by organizational characteristics.

	Event-based fundraising	In-person solicitation	Other fundraising / donations	Membership fees, dues, etc.	Earned income	Investment income	Other revenue source
ANNUAL REVENUES							
\$30,000 to \$149,999	65%	27%	49%	18%*	31%	15%*	9%*
\$150,000 to \$499,999	51%	26%	44%	24%	41%	16%*	14%*
\$500,000 to \$1,499,999	58%	33%	47%	19%	42%	26%	16%
\$1,500,000 to \$4,999,999	64%	46%	51%	14%	43%	32%	20%
\$5,000,000 or more	68%	49%	40%	14%*	44%	55%	20%*
ACTIVITY AREA							
Arts, Culture & Recreation	74%	31%	60%	35%	67%	17%*	16%*
Education & Research	54%	31%*	44%	15%*	39%	14%*	19%*
Health	71%	42%	58%	21%*	37%*	25%*	16%*
Social Services	59%	30%	44%	23%	36%	12%	13%
Philanthropic Intermediaries	48%	30%	36%	9%*	18%*	58%	12%*
Other	62%	33%	46%	8%*	41%	12%*	9%*
PRINCIPAL REVENUE SOURCE							
Government	57%	29%	43%	23%	43%	17%	13%
Gifts & donations	69%	39%	51%	9%*	23%	25%	11%
Earned income	49%	25%	47%	22%	53%	30%	14%*
Other	45%*	17%*	25%*	28%*	30%*	...	...
Mixed revenue sources	70%	34%	55%	34%	58%	18%	18%*

* use with caution ... estimate cannot be released

was in 2008/09 when 40% of charities reported a drop in these revenues. In large part, this may be because comparatively little time has elapsed since the market decline and many losses or declines in yield have not yet been realized.

Looking at how different types of charities have seen particular revenue sources affected by the pandemic, it is striking how comparatively consistent experiences are by organization size. With the exception of in-person solicitation, quite similar percentages of charities are reporting declines in donations across size groups (see Table 5). Similarly, with the exception of investment income, earned income is quite similarly affected across all sizes of organizations. Given the nature of these two revenue sources, it seems most likely that these exceptions are more because smaller charities do not commonly receive these revenues than because they are particularly resilient among smaller charities.

If patterns of revenue decline are more or less consistent across different sizes of organizations, this is definitely not the case across sub-sectors. Arts & recreation organizations have been particularly hard hit and are more likely to report declines in many specific areas, including event-based fundraising, general fundraising, memberships, and earned income. Health charities show some parallels with various forms of fundraising, but the trends are not as extreme. Philanthropic intermediaries, on the other hand, may be somewhat less affected in that they are comparatively unlikely to report declines in a number of areas, though they are much more likely to report a decline in investment income.

Broadly, the patterns of decline by revenue dependency are what one would expect - gifts and donations dependent charities are more likely to report declines in various forms of fundraising while earned income charities are more likely to report declines in earned income and investment income. What is notable, however, is the extent to which charities with mixed revenue bases are reporting declines in both fundraising and earned income sources. Only with investment income are these charities not at least second-most likely to report a decline in the specific revenue source.

Human Resources Impacts

As with organizational finances, the pandemic is having very considerable effects on human resources. Among charities with paid staff, nearly a third of charities report having already laid off

TABLE 6: Staffing impacts of the pandemic.

	% charities with paid staff	Number of staff involved	
		Average	Median
LAYOFFS			
Present day	30%	-44.4%	-33.3%
2008/09	23%	-15.7%	-12.5%
WORK REDUCTIONS			
Present day	27%	-35.6%	-30.0%
2008/09	22%	n/a	n/a

staff and over a quarter have reduced staff hours (see Table 6). By way of comparison, these figures - since the onset of widespread physical distancing in mid-March - are greater than the percentages of charities that took these measures over the course of the entire 2008/09 recession. In addition to being much quicker to layoff staff and reduce hours in response to the current pandemic, charities are making much more dramatic cuts than they did during the previous recession. Organizations have already laid off triple the average percentages of staff they did in 2008/09. Based on the specific charities reporting layoffs, we estimate that approximately 37,000 full-time and 46,400 part-time or seasonal paid staff have already been laid off.

Even though cuts to staffing so far are very significant, there is no sign reductions have run their course. More than half of charities with paid staff (55%) say layoffs remain a possibility - either in addition to layoffs they have already made, or as new measure for organizations that have not yet had to make them. Even more

TABLE 7: Layoffs and work reductions by current status.

	Have already laid off paid staff		Have already reduced paid staff hours	
	No	Yes	No	Yes
FURTHER CUTS				
Yes	18%	35%	27%	43%
No	37%	29%	30%	26%
Maybe	32%	30%	34%	23%
Don't know	12%	7%	9%	8%

(63%) forecast potential reductions in work hours. Significantly, charities that have already taken each of these measures are more likely to anticipate that further such reductions will be required (see Table 7). Layoffs and staff reductions are currently off the table for only quite small fractions of charities. Just 26% of charities have neither already made layoffs nor anticipate them in the future; 22% are in the same position with work reductions.

Larger charities with paid staff, particularly those with annual revenues of \$1.5 million or more are somewhat more likely to have already laid off staff (see Table 8). These largest charities are also somewhat more likely to anticipate that further layoffs may be necessary. The declines in demand and organizational capacity, as

TABLE 8: Anticipated layoffs and work reductions by organizational characteristics.

	Layoffs		Work Reductions	
	Already occurred	May be more	Already occurred	May be more
ANNUAL REVENUES				
\$30,000 to \$149,999	20%*	50%	33%*	62%
\$150,000 to \$499,999	25%	54%	24%	66%
\$500,000 to \$1,499,999	31%	51%	23%	60%
\$1,500,000 to \$4,999,999	40%	61%	30%	65%
\$5,000,000 or more	37%	61%	27%	61%
ACTIVITY AREA				
Arts, Culture & Recreation	39%	64%	37%	77%
Education & Research	18%*	63%	17%*	70%
Health	21%*	51%	25%*	62%
Social Services	37%	52%	28%	60%
Philanthropic Intermediaries	22%*	46%	25%*	60%
Other	28%*	57%	28%	54%
PRINCIPAL REVENUE SOURCE				
Government	26%	49%	22%	61%
Gifts & donations	27%	57%	24%	62%
Earned income	43%	64%	39%	65%
Other	...	51%*	...	62%
Mixed revenue sources	39%	60%	38%	68%

* use with caution ... estimate cannot be released

well as the significant decline in revenues reported by Arts & recreation charities is clearly reflected in the large numbers of organizations that have already implemented both layoffs and work reductions and believe that further such measures may lie ahead. Education organizations are comparatively unlikely to have implemented layoffs or staff reductions, but more likely than average to anticipate that such measures may happen in the future. Worryingly, Social services organizations are comparatively likely to have had layoffs, even though they are also more likely to report increased demand. Looking at principal source of revenue, charities that depend on earned income stand out as being particularly likely to have experienced layoffs and work reductions and to believe that further such measures may happen in the future. As with financial impacts, charities that depend on a mixture of revenues follow a similar pattern and report the same experiences.

ORGANIZATIONAL EXPERIENCES & RESPONSES

Many charities are experiencing human resources-related challenges due to the pandemic and how they have had to change their work. While our discussions have so far focused on paid staff, it is clear that charities are also experiencing difficulty engaging volunteers in the ways they usually do. About half say they are having difficulty engaging volunteers in their current work, either because working conditions are incompatible with physical distancing protocols or because they have changed how they carry out the work (see Figure 5). Similarly, about a third report difficulty because volunteers are less available for volunteering, mainly due to the need to physically distance, competing responsibilities and concern about contracting the virus. In terms of other challenges, about half as many say they are having difficulty providing adequate supports for paid staff and volunteers performing remote work. Finally, about one in seven cite challenges providing needed protective equipment to protect staff and volunteers against possible exposure to the virus.

In terms of variation by organizational characteristics, charities with annual revenues between \$1.5 and \$5 million are more likely to be experiencing difficulty engaging volunteers, while those with annual revenues of \$5 million or more are less likely to face challenges recruiting volunteers (see Table 9). Charities with annual revenues less than \$150,000 report less difficulty supporting their staff and volunteers in remote work, likely in large part because they are less likely to have people performing it. Finally, difficulty providing staff and volunteers with appropriate protective equipment appears to increase with organization size. Looking at

Figure 5: Human resources-related challenges because of the pandemic.

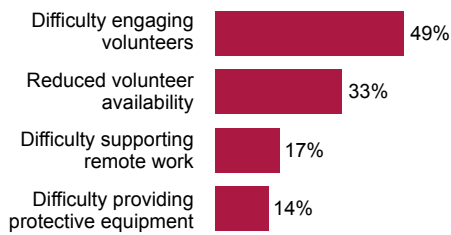


TABLE 9: Human resources-related challenges by organizational characteristics.

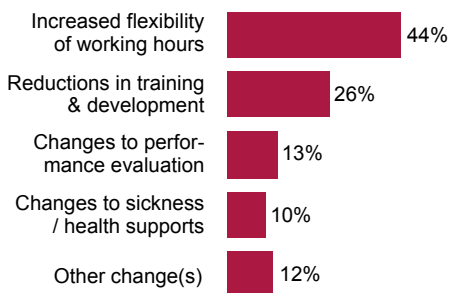
	Difficulty engaging volunteers	Reduced volunteer availability	Difficulty supporting remote work	Difficulty providing protective equipment
ANNUAL REVENUES				
\$30,000 to \$149,999	44%	32%	8%*	7%*
\$150,000 to \$499,999	49%	32%	20%	14%
\$500,000 to \$1,499,999	50%	37%	22%	19%
\$1,500,000 to \$4,999,999	63%	38%	27%	19%
\$5,000,000 or more	51%	24%	22%	24%
PRINCIPAL REVENUE SOURCE				
Government	48%	28%	23%	20%
Gifts & donations	52%	38%	13%	12%*
Earned income	45%	33%	15%*	12%*
Other	33%*	23%*	...	...
Mixed revenue sources	61%	41%	19%	12%*

* use with caution ... estimate cannot be released

revenue dependence, charities that depend on a mixture of revenue sources are most likely to report volunteer related challenges, while charities dependent on government funding are most likely to report challenges providing appropriate supports for remote work and necessary personal protective equipment.

Many charities have also made changes to how they manage and provide supports to staff and volunteers because of the pandemic. Recognizing that many staff and volunteers have increased or significantly changed family responsibilities because of the pandemic and associated closures (e.g., daycares), the most common change has been increased flexibility in working hours (see Figure 6). About a quarter of organizations have decreased training and development. To date, the number of charities that have taken this measure is somewhat lower than did in response to the 2008/09 pandemic. Given the scale of the revenue declines organizations are experiencing, cuts to training seem likely to become more common and will make it more difficult for

Figure 6: Human resources-related measures in response to the pandemic.



organizations to ensure their staff and volunteers have the skills required. About one charity in eight has made changes to their performance evaluation scheme and one in ten has changed sick leave policies and/or other health supports they offer to staff and volunteers. Based on conversations with a number of charity leaders, the health-related changes mainly focus on ensuring that staff and volunteers have the space and mental health supports they need to maintain work-life balance, manage stress, and avoid burnout while working remotely.

This Time is Different: Comparisons to 2008/09

In our very first *Sector Monitor* focusing on responses to the 2008/09 economic downturn, 45% of charities told us that they had experienced an increase in demand due to the recession - fully ten percentage points higher than the number reporting increased demand now. Unlike then, an appreciable percentage of charities today are reporting decreased demand because they are unable to carry out their missions due to physical distancing and mandatory closures. Many have reduced or cancelled programs and an unprecedented number of organizations have ceased or suspended their operations entirely. The net result of all this is twofold: 1) increased pressures on the remaining charities that are continuing to operate - often while simultaneously retooling their programs; and 2) the demands that have supposedly “disappeared” have not really gone away. Frequently they are simply less visible than new, more immediate, demands that have surged to the fore, or take different forms due to changing circumstances. At most, these demands are on hiatus - waiting for relaxation of physical distancing and the end of the pandemic, when they will reemerge. The key question concerning Canadians and policymakers is whether many of these organizations will still be here when the pandemic recedes and the associated economic upheaval subsides.

Also in our first *Sector Monitor*, the most common adaptive measures charities used to address revenue shortfalls caused by the recession were to increase the revenues they received from existing sources or to diversify their revenue base by obtaining revenue from new sources (86% reported each response). Given how many more charities are experiencing much deeper revenue decreases than did in 2008/09 and given how many specific revenue sources are involved, it is highly unlikely that charities will be able to use these strategies to the same extent. There may already be some

indications that this is the case, as seen in the revenue challenges reported by mixed revenue charities. Given the intensity and broad base of the systemic shock, organizations with diversified revenue bases are reporting among the most significant challenges. Instead of relying on increasing revenues, it seems likely charities will have to place greater emphasis on reducing expenditures than they did in 2008/09. Again, there may already be some indication of this in the higher percentage of charities reporting expenditure decreases. None of this comes without a cost, as shown by the fact that charities that have reduced their expenditures are substantially more likely to report decreased organizational capacity. Given that - as noted above - supposedly decreased demand has not really disappeared, this is not an enduring solution.

Finally, a common adaptive measure used by charities in response to the 2008/09 decline was to increase their reliance on volunteers. Just over half (54%) did this, making it the most common human-resources related adaptation. Given the number of charities currently reporting challenges integrating volunteers into their work and difficulty recruiting volunteers, this will be a significantly more challenging strategy to implement. In addition, everything we have seen to date indicates that reductions to paid staff will be significantly more severe than in 2008/09. In our conversations with charity leaders we have heard that some organizations have laid off all of the staff associated with a social enterprise or event-based fundraising. A key challenge for charities in coming months is going to be attempting to ensure that they have the staff with the requisite skills to maintain organizational capacities.⁴ This is likely to be even more challenging if the prediction we made above that charities will have to increasingly have to emphasize expenditure reductions proves accurate.

Stakeholder Responses to the Pandemic

As charities are responding to the pandemic, so too are external stakeholders that support charities in their mission. We asked charities that receive external funding about their experiences with funders and queried charities with paid staff for their views on the Canada Emergency Wage Subsidy, which was announced shortly before the survey went to the field.

⁴ For example, one of the barriers frequently cited by charities attempting to diversify their revenue bases is lack of staff with the requisite skills and experiences.

Figure 7: Observed funder responses to the pandemic.

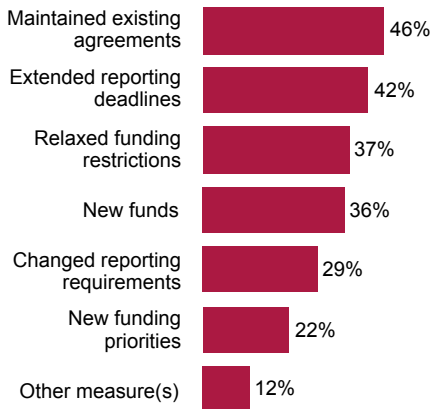


Figure 8: Qualification for CEWS.

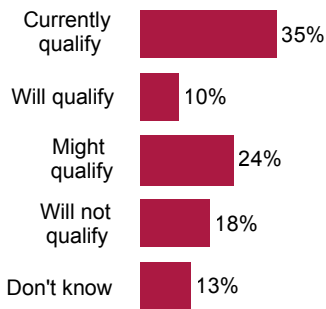
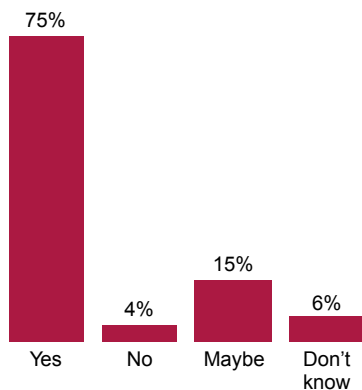


Figure 9: Intent to apply for CEWS by potentially qualifying charities.



⁵ Some categories of charities with close ties to government (Hospitals, Universities, Colleges, and schools) are not eligible.

⁶ Comparisons for revenue may be made month over month to 2019 or may be compared to revenues during January and February of 2020. Revenues from non-arm's length individuals are excluded and charities may include or exclude government revenue from their computations at their discretion.

FUNDER CHANGES

We asked charities that receive funding from government, foundations and corporate sources whether they had experienced any changes in their funding arrangements or had seen any changes from their funders. Over two-fifths report extended reporting deadlines and communications to confirm that existing funding arrangements will continue to be honoured (see Figure 7). Nearly as many report restrictions on existing funds have been relaxed and that funders have announced the availability of new funds. Somewhat fewer say reporting requirements for existing funding have been changed or have received communications indicating new funding priorities. Given the degree to which charities are funded by multiple external stakeholders, it is difficult to discern direct associations between many of these measures and particular funders. What can be said, however, is that changes to reporting requirements, extended reporting deadlines and confirmation that existing funding commitments will be honoured are particularly correlated with charities receiving government funding.

CANADA EMERGENCY WAGE SUBSIDY PROGRAM

On March 27th, the Federal government announced the Canada Emergency Wage Subsidy (CEWS), intended to help prevent job losses and encourage employers to re-hire workers laid off in response to the pandemic. Most registered charities and nonprofits are eligible for the subsidy,⁵ provided they have experienced a revenue decline of at least 15% in March and/or 30% in subsequent months.⁶ Originally slated to run until the end of the first week in June and currently being extended for an as yet unknown period, the program provides a 75% wage subsidy to a maximum of \$847 per week per employee. At present, just over a third of charities with paid staff responding to the survey say they qualify for the subsidy and about another tenth believe they will qualify at some point during the program (see Figure 8). Just under two fifths are uncertain whether they qualify, though the bulk of them think there is a chance that they could qualify. In terms of their intent to take advantage of the subsidy, three quarters of charities that could potentially qualify say they will apply if the option is open to them (see Figure 9). About a fifth are still on the fence and just one in twenty have definitively ruled it out at this point.

Looking at variations by organizational characteristics, eligibility and intention to apply both increase with annual revenue size, except

TABLE 10: Qualification for CEWS and intention to apply.

	Will qualify for CEWS		Will apply for CEWS	
	Maybe	Yes	Maybe	Yes
ANNUAL REVENUES				
\$30,000 to \$149,999	28%*	31%	28%*	51%
\$150,000 to \$499,999	24%	47%	14%*	77%
\$500,000 to \$1,499,999	21%	46%	16%	77%
\$1,500,000 to \$4,999,999	22%	58%	7%*	87%
\$5,000,000 or more	25%	43%	9%*	81%
ACTIVITY AREA				
Arts, Culture & Recreation	19%*	63%	14%*	76%
Education & Research	25%*	43%	...	77%
Health	23%*	39%	26%*	66%
Social Services	24%	44%	16%	74%
Philanthropic Intermediaries	31%	39%	14%*	79%
Other	20%*	46%	...	75%
PRINCIPAL REVENUE SOURCE				
Government	28%	29%	24%	64%
Gifts & donations	25%	53%	11%	79%
Earned income	14%*	71%	8%*	84%
Other	...	49%*	...	81%
Mixed revenue sources	22%	55%	11%*	82%

* use with caution ... estimate cannot be released

amongst charities with annual revenues of \$5 million or more (see Table 10). Arts & recreation charities, hard hit by declines in earned income and layoffs, are particularly likely to qualify for the subsidy, though organizations that qualify do not seem to have a markedly greater intention to apply for it. As one might expect, given their revenue models and the decreases in revenue they have seen, charities that depend primarily on earned income are markedly more likely to both to qualify for CEWS and to intend to apply for it if they do qualify. Charities primarily reliant on government, on the other hand, are comparatively unlikely to qualify or to apply for the subsidy if they do, though comparatively high percentages think they may qualify and might apply if that were the case.

Predictions for the Future

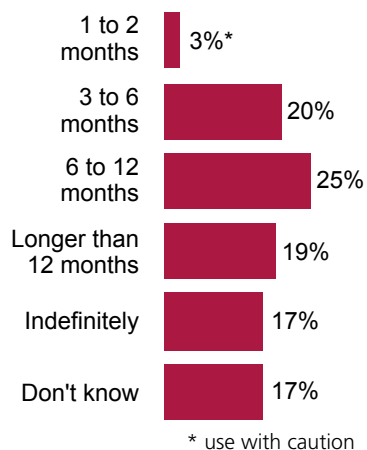
Given the magnitude of the changes due to the pandemic and the uncertainty about how long it will last, it is not surprising that charity leaders are quite pessimistic about the future of their organizational finances. Just under half expect their situation to be worse in three to six months, while only about one in thirteen believe it will be better (see Table 11). The uncertain nature of the pandemic is clearly reflected in the fact that nearly a fifth are unable to say what the future holds for their finances. Both those who expect their financial situation to improve and those who expect it to worsen have experienced somewhat larger declines in revenue than those who anticipate that their revenues will remain stable. In part, the optimism of those who expect their financial situation to improve may be because they are slightly more likely to have experienced decreased demand and because they have experienced a slight decline in their expenditures.

TABLE 11: Financial predictions for the next three to six months.

	% charities	Revenue Change		Expenditure Change	
		Mean	Median	Mean	Median
REVENUE FORECAST					
Improve	8%	-33.9%	-30.0%	-5.1%*	0.0%
About the same	30%	-18.4%	0.0%	-1.2%*	0.0%
Worsen	45%	-40.3%	-35.0%	1.2%*	0.0%
Don't know	17%	-27.7%*	-10.0%	-1.8%*	0.0%

* use with caution

Figure 10: Predicted length of continued operations.



* use with caution

While charity leaders are pessimistic about their financial futures, they are continuing to operate. Given the scale of the disruptions caused by the pandemic, it is quite remarkable that less than a quarter of charities say they cannot operate at current levels for at least six months, though a substantial percentage of organizations are uncertain how long they can continue to operate (see Figure 10). While there is little indication of trends by organizational characteristics, charities that anticipate only being able to operate at current levels for shorter periods appear to be under particular stress. They are substantially more likely to have experienced a decline in both revenues and expenditures and to have experienced a decline in both demand for their services and their organizational capacity.

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