



TD Economics

Topic Paper

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CANADA'S CHARITIES: STRUGGLING TO MAKE ENDS MEET

On September 20th, Statistics Canada released the results of the National Survey of Nonprofit and Voluntary Organizations and the findings were eye opening. The report highlighted that charities are an integral part of Canadian society, but that they are facing serious challenges in fulfilling their objectives. Specifically, there are, “problems recruiting volunteers and obtaining funding, both from individual donors and from other organizations.” These challenges were flagged previously in a TD Economics report, “Canada’s Charities: Under Pressure”, which is available at www.td.com/economics. This paper will review the new information on the state of the charitable sector, with the main conclusion being that charities must receive greater support in the future, or they will have more difficulty in providing the social services that Canadians have come to take for granted.

NON-PROFIT ORGANIZATIONS, 2003			
By Province or Territory			
	Non-profit Organizations (number)	Avg number per 100,000 population	Registered Charity (Per cent)
Canada	161,227	508	56
Quebec	46,326	617	47
Ontario	45,360	369	60
British Columbia	20,270	486	56
Alberta	19,356	610	57
Manitoba	8,220	705	62
Saskatchewan	7,963	800	61
Nova Scotia	5,829	622	65
New Brunswick	3,890	519	68
Newfoundland & Labrador	2,219	427	57
Prince Edward Island	943	683	59
Territories	851	825	37

Source: Statistics Canada

NON-PROFIT ORGANIZATIONS, 2003		
By Primary Activity		
	Non-profit Organizations (number)	Registered Charity (Per cent)
Sports & recreation	33,649	27
Religion	30,679	94
Social Services	19,099	72
Grant-making & fundraising	15,935	79
Arts & culture	13,770	54
Development & housing	12,255	23
Business, associations & unions	8,483	7
Education & research	8,284	55
Health	5,324	79
Environment	4,424	41
Law, advocacy & politics	3,628	35
Other	3,393	32
International	1,022	75
Hospitals	779	87
Universities & colleges	502	71

Source: Statistics Canada

Charities are diverse

The Statistics Canada survey focused on non-profit and voluntary organizations, of which charities are a key subgroup. For example, there were roughly 161,227 non-profit institutions in 2003, and 56 per cent of these were registered charities. The distinction is that registered charities must fulfill key conditions in order to be able to provide tax-deductible receipts.

The details of the survey provided some important insight into the scope and activities of charities. The accompanying table summarizes the wide array of activities in which charities are involved and the percentage of non-profit organizations in each area that are registered charities. Within the non-profit and voluntary sector, charities are dominant players in religion, hospitals, health, fundraising, and social services – and many of these areas rank at the top of the social priorities of Canadians. Charities are also well represented across the provinces, ranging from 47 per cent of non-profit organizations in Quebec to 68 per cent in New Brunswick.

Charities are a major part of the economy

The non-profit sector is a big part of the Canadian economy, accounting for 6.8 per cent of gross domestic product (GDP) in 1999 or \$61.8 billion. If the value of volunteer work is taken into account, the ratio rises to 8.6 per cent of GDP. Regrettably, the survey did not breakout the contribution of charities alone. However, since hospitals, universities and colleges represent almost two-thirds of the economic output of the non-profit sector, charities likely account for more than 6 per cent of GDP when volunteer work is included. As a result, the economic contribution of charities is greater than the agriculture sector, or the auto and parts industry, or the oil, gas and mining sector.

Individual donations are only a small part of revenues

Given the considerable scale of charitable activities, it is not surprising that charities obtain financing from a wide array of sources. However, the breakdown may not be what most people would expect. Despite the general perception that charities are supported by private donations, charities derive 54 per cent of revenues from governments – with 36 per cent being in the form of grants and contributions. Earned income, such as from fees for goods and services and membership fees, account for 24.7 per cent of revenues. Only 11.2 per cent of all revenues are from individual donations, with the residual 10.1 per cent from other sources.

Charities are facing an array of challenges

The importance of obtaining sufficient financing is absolutely critical, as it has a material impact on the ability of charities to meet their social objectives. And, on this front, there is reason for concern. A full 60 per cent of charities reported difficulty planning for the future. This is likely closely tied to the fact that 58 per cent indicated that they were having problems recruiting the type of volunteers needed and 54 per cent said that they were have difficulty obtaining funding from individual donors.

Moreover, 56 per cent of nonprofit organizations reported that reductions in government funding were a moderate or serious problem. The increasing reliance on project funding, and the related unwillingness of donors to fund non-project related activities (such as administrative expenses) were deemed to be a moderate or serious problem by 49 per cent of organizations. Charities had a greater percentage of respondents indicating that these issues were serious compared with the totals for the nonprofit sector as a whole.

REGISTERED CHARITIES, 2003	
By Revenue Source	
	Per cent
Revenues from government	
Payments for goods & services	18.5
Grants & contributions	35.6
Total revenues from government	54.0
Income from non-governmental sources	
Charitable gaming	1.1
Membership fees	2.9
Fees for goods or services	16.3
Investment income (including interest)	4.5
Total income from non-governmental sources	24.7
Gifts & donations	
Individual donations	11.2
Fundraising organizations	1.5
Other non-profit organizations	2.3
Corporate sponsorships & donations	3.1
Total gifts & donations	18.1
Total other income	3.2
Source: Statistics Canada	

A call for generosity

The bottom line is that charities are having trouble making ends meet and there is no reason to believe that demand for charitable services will abate. In fact, the opposite could be argued. An aging population may see the pressure on charities build. Clearly, changes in the nature of government grants and business donations are needed in order to shift the tide away from project-oriented and short-term financing. And, while a case can be made for governments and corporations to provide more financial aid, they can also play a crucial role in helping to get the message out that more financial support is needed from individuals. Canadians should be encouraged to think about the critical role that charities play in areas that are near and dear to them. And, for those with the capacity to give, individuals should consider developing philanthropic strategies as part of their overall financial plans. Lastly, it is worth noting that the baby boom generation is about to receive a massive income transfer through inheritances, amounting to as much as \$1 trillion over the next ten years. If more Canadians make provisions for charitable donations in their wills, and more beneficiaries pass along a portion of their estate proceeds to charities, it could usher in a golden age of philanthropy. However, this won't happen if Canadians are unaware of the plight of charities.

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