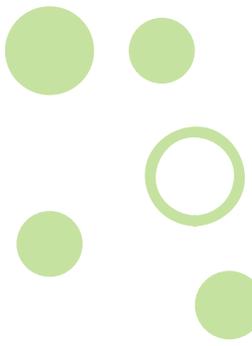




2022

STATE OF THE SECTOR DURING UNCERTAIN TIMES

SUMMARY



SURVEY REVEALS NONPROFITS ARE FACING DEEPENING CHALLENGES

In May 2022, the Ontario Nonprofit Network (ONN) and l'Assemblée de la Francophonie de l'Ontario (l'AFO) engaged nonprofit Community Researchers to conduct a bilingual survey of Ontario nonprofit organizations. The focus was on the experiences of nonprofits between April 2021 and March 2022, with regards to their financial health, staffing and volunteers, and general operations. This followed three previous surveys conducted by ONN and l'AFO in 2020 and 2021.

Nonprofits in Ontario are in the midst of confronting fallout from the pandemic - unprecedented demand for services, a domino effect of record breaking inflation, deepening financial precarity, and a relentless HR and volunteer crisis. It's clear that current solutions are not working; the sector's health is worsening. There is an urgent need for a coordinated sector response and long-term public policy solutions to not only mitigate challenges nonprofits are facing now, but also to prepare us for future emergencies. **Without action, the erosion of Ontario's critical social infrastructure will only speed up.**

The survey was conducted between May 11 and June 3, 2022 and received approximately 1,500 responses. It was open to all nonprofits, charities, and grassroots groups in Ontario with a mission to serve a public benefit. This includes volunteer-run organizations, nonprofit social enterprises, and nonprofit cooperatives. In an effort to shine a light on the specific impacts on organizations and groups that are often overlooked and underrepresented in policymaking due to systemic racism and colonialism, this year respondents were asked to indicate if they

identified as Black-led, -serving, and/or -focused, and/or Indigenous-led, -informed, -benefitting, or -partnership (B3 and I4 for short)¹. Subsequently, three per cent of respondents identified as B3 organizations and two per cent as I4 organizations. We will continue to build on this data, working with network partners.

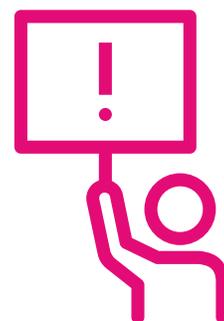
Survey resources:

- **Key findings report** with policy recommendations for government and calls to action for the nonprofit sector.
- **Survey technical report**, which highlights data cross-tabulated by region, subsector, type of operation, B3 and I4 status, rural status, volunteer-only organizations, and language of operation.
- **De-identified data sets** that are publicly available on the ONN website.
- **Communications assets** to help nonprofits share survey results through various channels and support their advocacy and government relations work.

KEY FINDINGS

DEMAND FOR NONPROFIT SERVICES IS HIGHER THAN EVER BEFORE

Overall, 74 per cent of organizations reported an increase in demand for services in 2022, a significant jump from 2021 (63 per cent) and 2020 (47 per cent). The increase is manifesting across all subsectors (e.g., social services, health, environment)².



89 per cent of health organizations and 81 per cent of social service organizations indicated an increase in demand for services as did 86 per cent of grantmaking, 73 per cent of law and advocacy, and 71 per cent of environmental organizations. Peel region has the highest number of organizations who experienced an increase in demand for services. All B3 and I4 respondents indicated an increase in demand for services.

Communities are turning to nonprofits for support as they face more complex and ongoing social issues. Nonprofits are getting people back to work, serving on the front lines, and providing critical care services for the old, young, sick, and frail. B3 and I4 organizations are responding to and recovering from the pandemic's disproportionate impact on Black and Indigenous communities, while also working alongside their communities to heal from historical harms and combat current systems of oppression. Nonprofits are also filling gaps for affordable housing, mental health and addictions programs, and settlement services. Our local theatres and festivals, minor soccer leagues and day camps, and places of worship are bringing communities back to life after COVID-19. This increase in demand for services is not expected to slow down anytime soon, especially as global uncertainties continue.



“ Demand for our services has increased 100% but the funding will not continue. It's a huge issue for us and really concerning as we don't see demand decreasing.
(Social services, Toronto) ”

“ We are a local climate action organization. We foresee an enormous increase in demand for our services, and a lack of admin support for our type of non-profit.
(Environment, Eastern Ontario) ”

“ Significant increase in new referrals and we do not have enough staff to meet the demand. The complexity of client needs has increased due to the pandemic, the isolation and no ability for socialization.
(Health, Durham Region) ”

“ The needs and demands of communities are outstripping the capacity of many agencies to respond.
(Education & research, Toronto) ”

INFLATION IS RAPIDLY INCREASING COSTS WHILE REVENUES DECREASE

Eighty three per cent of organizations saw an increase in their costs compared to only 64 per cent in 2021. While the majority of organizations across all subsectors reported an increase, more B3 (96 per cent), I4 (93 per cent), and rural (88 per cent) organizations, social enterprises (90 per cent), and those in Eastern Ontario (92 per cent) reported an increase in costs.



Less than half of organizations reported increases in revenues. Of those, most said the increase was between 1- 24 per cent and a significant portion came from time-limited pandemic supports or increases in government program funding. Larger organizations were more likely to experience an increase in revenue while smaller organizations experienced a decrease. International nonprofits, faith groups, and sports and recreation organizations, as well as B3 and I4 organizations, were also more likely to experience a decrease in revenue. Social enterprises and nonprofit cooperatives were more likely to experience a decrease in earned income.



In contrast, three quarters of organizations indicated an overall increase in expenses this year, compared to only 55 per cent in 2021. Some in Durham, Toronto, and Peel reported increases in expenses of more than 100 per cent.

Two-thirds of all organizations identified inflation and decrease in donations as the most significant factors challenging their organizations. More organizations in York region and Indigenous-led organizations indicated being impacted by inflation, while more in Niagara region, faith groups, and B3 organizations indicated being impacted by a decrease in donations.

Ontario's rapid inflation is having a domino effect on the sector. As families tighten their budgets and struggle to meet their day-to-day needs, they are turning to nonprofits for support. In the same vein, nonprofits themselves are facing higher cost of operations as prices climb for utilities, goods and services, and insurance and they are being asked to do more with less. While in the past nonprofits were able to bridge shortfalls with earned income initiatives, fundraising efforts, and donations, higher event costs and global uncertainties are driving revenue down as well. This is while government transfer payment agreements have not kept up with the true cost of delivering services over the years, and have actually declined when inflation is factored in.

Unlike the for-profit sector, many nonprofits do not charge for their services, and even when they do, it is less than the market amount. While for-profits can increase prices and fees, nonprofits who charge for their services do not have the same flexibility in pricing and cost-cutting as it would mean less accessibility and lower quality of vital community services.

“ We depend on fundraising and donations for 45% of our revenue, yet donations are steadily decreasing. Our provincial and municipal funding has not increased in over a decade, despite inflation. (Social services, Ottawa) ”

“ As we try to recover from the pandemic, our costs have increased, staff have left. Our revenues are far from what they were pre-pandemic. We are looking at another two years of deficits before we can become whole again. (Sports & recreation, Toronto) ”

NONPROFITS ARE EXPERIENCING A RELENTLESS HR CRISIS

As a result, essential programs and services have been scaled back, waitlists have increased, and programs and services are being discontinued.



A third of organizations reported having a job vacancy rate higher than 10 per cent. Peel region has the greatest number of job vacancies, where 12 per cent of respondents reported a job vacancy rate higher than 50 per cent.

Overall, 65 per cent of respondents are experiencing recruitment and retention challenges. More Indigenous-led (87 per cent) and Black-led (82 per cent) organizations and those in the Niagara region (79 per cent) indicated recruitment and retention challenges. While staffing challenges are more acute in the human services sector, at least 50 per cent of organizations from each subsector reported recruitment and retention challenges. As a result, 86 per cent of organizations reported scaling back programs and services, having longer waitlists, and/or discontinuing programs or services.

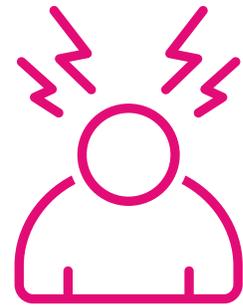
Organizations reported that the HR crisis is significantly delaying service delivery, impacting the quality of programs, and even stifling innovation.

Nonprofits have been ringing the alarm on the [HR crisis](#) for almost a year during a time when it is more important than ever to recruit and retain the best people to carry out our sector's community-oriented missions and address the most complex social problems of our time. We are competing with each other and across the public and for-profit sectors for people of all skills and expertise during a province-wide generational labour shortage- and we are struggling to keep up. The layered causes for the HR crisis are systemic. Without systemic solutions, the workforce will continue crumbling and Ontarians will continue losing access to crucial high-quality services.

“Multiple and repeated efforts to recruit for current openings are not working, retaining current staff is a concern as they are burnt out from having to 'pick up the slack' when other staff leave, service levels and quality are suffering.”
(Arts & culture, Toronto)

“We have recently announced that we have to dissolve due to volunteer burnout and lack of funds to hire staff.”
(Arts & culture, Southwestern Ontario)

STAFF BURNOUT AND STRESS, SKILLS SHORTAGE, WAGE DISPARITY, AND NON-COMPETITIVE COMPENSATION PACKAGES ARE TOP FACTORS AFFECTING ORGANIZATIONS' ABILITY TO RECRUIT AND RETAIN STAFF



Two-thirds of organizations indicated that both staff burnout and stress and a skills shortage (lack of candidates with skill sets sought) are the main factors affecting their organization's ability to recruit and retain staff. Wage disparity and non-competitive compensation packages are also key reasons identified by more than half of organizations, while a third also said lack of funding is a barrier.

Nonprofit workers can no longer afford to stay in precarious low-paying jobs. Skyrocketing inflation is accelerating the exodus of workers across positions as the rising cost of fuel, groceries, and housing means that some are accessing the very services they provide. It is also pushing them out of the cities they work in. Those left in the sector are burning out with the increase in demand for services and high acute case workloads amidst decreasing resources and ongoing staff turnover.

Coupled with the rapid digitization of the sector over the past two and a half years, nonprofits now need to recruit people with a variety of skill sets and expertise, such as IT professionals, HR managers, digital marketing specialists, and data analysts. The skills shortage is also exacerbated by a large number of staff retiring. **A labour shortage means that workers are demanding decent work**, especially better wages, comprehensive benefits, flexibility and hybrid work models, and long-term stability, rather than simply hoping for it.

“ Without addressing the pay rates, we simply will not be able to fill positions. We need about an 8% not a 2% increase in funding to just meet the staffing compensation costs. (Law, advocacy, politics, Southwestern Ontario) ”

“ The nonprofit sector is competing with the public sector for employees. If salaries don't increase to a level more aligned with the public sector, I don't see how nonprofits can maintain staffing levels given the growing rate of inflation. Bill 124 only adds to this issue. (Social services, Southwestern Ontario) ”

“ Senior people in our organization are retiring and there is a lack of people to fill succession planning. There is also downloading of duties and tasks from the Government without compensation or support. Mental Health and Wellness issues of current staffing without support. (Social Enterprise, Eastern Ontario) ”

VOLUNTEERS ARE NOT RETURNING

Sixty-two per cent of organizations have lost volunteers, with the largest impact seen by health, sports, and faith organizations. More than half of respondents reported having difficulty recruiting new volunteers, and 40 per cent reported having difficulty convincing previous ones to return.



Other factors contributing to the volunteer shortage include volunteers being concerned about pandemic safety and ultimately retiring. Volunteers play an important role in the sector, contributing their time and expertise, building community by raising awareness, supporting special

events, raising funds, participating in program and service delivery, building organizational capacity, and providing strategic leadership.

Without volunteers, many nonprofits would not exist as almost half of the sector is entirely volunteer-run. Volunteering is also the pulse of democracy, fostering a sense of trust and belonging in political processes and institutions. The vibrancy of communities and the sustainability of nonprofits depend on rebuilding these volunteer connections.

“ Re-opening as a volunteer organization is challenging and people are wary to return.”
(Arts & culture, Southwestern Ontario)

“ Our volunteer program was decimated because of the pandemic and we will need to build it back up. Resources/incentives/promotion for volunteer engagement from all levels of government would be helpful.”
(Social services, Southwestern Ontario)

NONPROFITS ARE LESS OPTIMISTIC ABOUT THEIR FINANCIAL SUSTAINABILITY

One-third of organizations forecasted that they are not able to sustain their operations for more than a year. Financial sustainability is more precarious for B3 organizations as two-thirds reported not being able to sustain themselves beyond a year.

Smaller organizations, environmental groups, grassroots organizations, and volunteer-only organizations were also more likely to report that they are not able to sustain their operations beyond a year.





Nonprofits are less optimistic this year in comparison to last year that their organizations' financial situation will improve over the next six to 12 months. This year, more organizations indicated their situation would remain the same or worsen. Black-focused organizations and Indigenous partnerships were more likely to report their organizations' situation will worsen over the next year.

It comes as no surprise that nonprofits, especially B3 organizations, are feeling less optimistic about their financial sustainability as compared to last year. Recovering from the pandemic while also confronting new challenges is stretching the sector thin and antiquated funding models are failing. Over and over again, the sector has critiqued short-term and program-specific funding as they do not cover general operating costs necessary for nonprofits to deliver their programs and services. B3 organizations have continuously been advocating for funding to support the urgent and specific needs of Black communities, build sustainable organizational capacity, and overall mitigate historical underfunding. Flexible and targeted funding is crucial to organizations' ability to respond quickly to a changing environment and deploy resources accordingly. The need for flexibility is especially important now during periods of rapid change.

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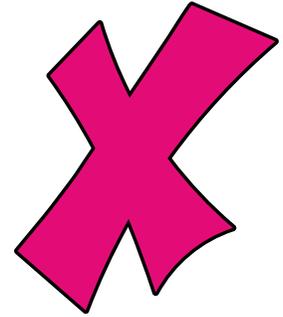
Lack of core funding continues to be a significant challenge for our small B3 organization. This prevents us from planning staff related hiring, programs delivery and strategic mapping for more than 3-6 months at a time. We require access to technology and a reserve fund to be able to adequately deliver on our mandate

(Education & research, Toronto)

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GOVERNMENT SUPPORTS FAILED TO REACH AND BENEFIT MANY NONPROFITS

Many flagship government support programs were accessed by only a small number of nonprofits. At the federal level, only two per cent of organizations benefitted from the Hardest-Hit Business Recovery Program (HHBRP), and only eight per cent of arts organizations benefitted from the Tourism and Hospitality Recovery Program (THRP). Both of these were introduced in the wake of the Canada Emergency Wage Subsidy winding down in the fall of 2021, which was a critical support for the sector in 2020 and 2021.



At the provincial level, half of survey respondents benefitted from the Ontario COVID-19 Small Business Relief Grant, yet only 26 per cent benefitted from the Ontario Business Costs Rebate Program. Only eight per cent of sports organizations indicated receiving the Ontario stabilization funding for the sports and recreation sector and only 11 per cent of social service organizations received the Social Service Relief Fund.

Although participation in Ontario Trillium Foundation's (OTF) Resilient Community Fund program increased considerably with one in five organizations receiving funding, less than one in 10 of the survey respondents benefitted from OTF's Community Building Fund.

The nonprofit sector faces unique challenges that require sector-specific solutions. However, too often, government programs and supports are designed without considering its impact on Ontario's 58,000 nonprofit organizations, leaving a glaring gap. The sector is diverse and works with many different provincial ministries, including Health, Labour, Children, Community and Social Services, Government

and Consumer Services, and Seniors and Accessibility, as well as line ministries that fund nonprofits in the arts, sports, and employment and training. There is an urgent need for better streamlining and coordination of the sector-government relationship across ministries.

“ We have applied for multiple grants and have NOT been successful. The Grant process is time consuming and does not create a level playing field. We have had no assistance from the Provincial Government and did not receive any funding from the regional government either. (Sports & recreation, Halton Region) ”

“ We're a small regional service provider for youth; we fall between the cracks of most provincial and federal arts/culture/heritage funding meaning that our source of assistance is extremely limited. (Arts & culture, Central Ontario) ”

“ We were not eligible for any of the subsidies offered by the Federal government, while the Provincial government seems at times oblivious to the nonprofit sector. What we desperately need is funding indexed to cost of living increases, instead of the long practice of giving nonprofits the same funding year after year..” (Social services, Toronto) ”

FRANCOPHONE NONPROFITS WERE ALSO IMPACTED BY INFLATION AND LABOUR SHORTAGES

Eighty-four per cent of Francophone nonprofit organizations spent more this year compared to last year.





At the same time, two out of three Francophone nonprofits say they have more requests for their services than in the past year.

Three out of four Francophone nonprofits are experiencing difficulties in recruiting and retaining their workforce. The lack of qualified candidates and the competition for staff make the growth - and in some cases stability - of Francophone nonprofits difficult.

On the other hand, the impact of the pandemic on the financial health of Francophone nonprofits has been mitigated in comparison to other parts of the sector. At the beginning of the pandemic, one in three nonprofits were not sure they would survive for more than six months. This figure has stabilized and has remained below 20 per cent for Francophone nonprofits for more than a year. **Franco-Ontarian nonprofits are more satisfied, on average, with the support from the federal and provincial governments during the pandemic.**

Franco-Ontarian nonprofits are important government partners in the provision of French-language services in several areas that are critical to Francophonie and to the economic, social, and cultural development of Canada and Ontario. The governments of Canada and Ontario will remain important partners in ensuring that Franco-Ontarian nonprofits have the tools to face these challenges.

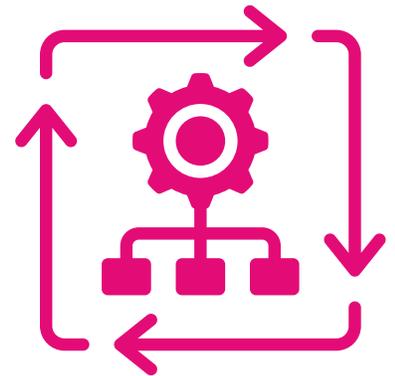
“Lack of very specialized people in specific niche sectors; labor shortages are challenging.

(Francophone Nonprofit,
Ottawa Region)

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ONTARIANS ARE LOSING CRITICAL SOCIAL INFRASTRUCTURE WITH MORE NONPROFIT CLOSURES

Overall, a third of organizations reported being aware of other organizations from the same subsector which have permanently closed due to the pandemic. This is a significant jump from only 18 per cent reporting the same last year. The impact varies across regions and subsectors.



In Ottawa, almost half of respondents know of other organizations that have permanently closed. The situation is even more dire for organizations in the Arts, Culture, Heritage, Tourism subsector (58 per cent), Sports and Recreation subsector (56 per cent), and Faith Groups (37 per cent).

Nonprofits weave together social infrastructure that is essential and promote local community well-being and economic development. They are the first to signal crises, respond to community needs where others cannot, and keep taxpayer money local. Communities with better social infrastructure also find it easier to respond to, withstand, and recover from emergencies. If we lose our nonprofits, we lose the “community glue” that helps Ontarians thrive and we risk our economic, social, cultural, and environmental sustainability. The rapid loss of nonprofits is alarming as it is happening quietly and those bearing the brunt will have nowhere else to turn to.

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Until the governments at each level recognize the grassroots charities that fulfill a huge need in any community, all of us will ultimately close.

(Health, Ottawa Region)

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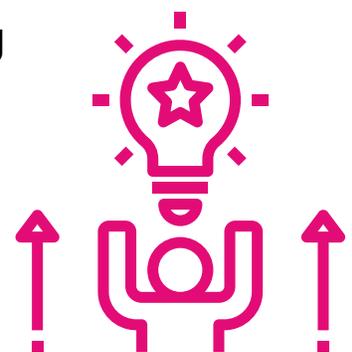
“ Anticipate it will merge/become a program of another organization or close by September 2023. We need government on all levels to understand that the value of the sector is immense. Without it, community supports will crumble which will impact the most vulnerable and deteriorate positive connections. (Grantmaking & fundraising, Southwestern Ontario)

“ Our counselling funding has been flatlined for years and we are paying the price. If the situation doesn't change, within a few years we may not be able to sustain these programs, which would leave a city of 150,000 people without this support. (Social services, Southwestern Ontario)

FUTURE OF THE SECTOR

UNLOCKING THE SECTOR'S FULL POTENTIAL WHEN COMMUNITIES NEED IT MOST

Nonprofits are demonstrating their resilience by providing responsive and uninterrupted support to communities amid a confluence of public health, economic, and humanitarian crises. They are leveraging their expertise, local infrastructure, and community-centred missions to build an Ontario that works for everyone.





Nonprofits are accountable to local communities, have higher levels of transparency, and reinvest profits back into their missions, ensuring taxpayer money is used effectively, rather than wasted. Our sector gets more done and faster, in ways that are cost-effective and ensure quality, with more flexibility and options.

The sector is also the early barometer for when public supports are failing. Organizations have seen the impact of COVID-19 adding further pressure to housing, as they continue to call out for systems change and the interconnectedness of food security, housing, mental health and well-being, and ways to meaningfully participate in communities.

These 2022 sector survey results are alarming. They reveal that as more and more Ontarians look to nonprofits for support, organizations are doing everything they can to keep doors open amidst the growing complexity of challenges and shifting economic and social conditions. More importantly, that they cannot continue to do so indefinitely. The issues are deepening and are systemic in nature, requiring systemic solutions.

Adequate support and investment in the sector can unlock its full potential in the best interest of Ontario's communities.

RECOMMENDATIONS

FOR THE GOVERNMENT OF ONTARIO:

- 1. Create a home in government for the sector to efficiently work with Ontario's 58,000 nonprofits and charities:** Appoint an Associate Minister within the Ministry of Economic Development, Job Creation and Trade, supported by a Deputy or Assistant Deputy Minister in an Office representing nonprofits, charities, and social innovation.
- 2. Build sustainable social infrastructure for Ontarians immediately:** Transition to stable, long-term, and flexible operational funding that reflects the true cost of delivering services and programs, keeps pace with inflation, responds to emerging needs, and reduces administrative burdens on nonprofits.
- 3. Ensure a resilient nonprofit workforce for the future:** Support the sector in developing a labour force strategy and workforce development plan through the Skills Development Fund or other appropriate mechanism. The strategy must include addressing the labour shortage, promoting careers in nonprofits, and creating opportunities for workers to attain in-demand skills.
- 4. Bolster volunteerism by reducing red tape:** Create a provincial volunteer recovery strategy to address the negative impacts of the pandemic on volunteerism and commit to removing fees for vulnerable sector police record checks.
- 5. Invest in nonprofits and grassroots groups serving equity-deserving communities:** This particularly includes Black and other racialized communities; First Nations, Inuit, and Métis communities; and organizations serving persons with disabilities, women, youth, newcomers including Francophone newcomers, and low-income households.

CALLS TO ACTION

FOR THE NONPROFIT SECTOR:

1. **Connect:** Convene across subsectors and regions to share information. Align on minimum standards for wages and administrative costs for when funding opportunities and contracts arise, for example.
2. **Share your story:** Ally with workers, unions, employers of all sizes in the sector, and communities to make clear to the public the alarming current situation of the sector and the cost of not supporting nonprofits.
3. **Engage in collective advocacy:** Amplify the recommendations in this report to the provincial government in your own public policy and advocacy work.

REFERENCES

1. Source: [The Circle on Philanthropy and Aboriginal Peoples in Canada](#) and [CEE Centre for Young Black Professionals](#)
2. ONN uses a typology of subsectors from the [Johns Hopkins Comparative Nonprofit Sector Project](#)

ACKNOWLEDGEMENTS

ONN and l'AFO would like to express our gratitude to Community Researchers for conducting this survey. We are also grateful to our survey partners for helping us reach nonprofits and charities across Ontario:

- Chatham-Kent Nonprofit Network
- Nonprofit Network of Southern Georgian Bay
- Northern Ontario Nonprofit Network
- Ontario Trillium Foundation
- Perth-Huron Nonprofit Network
- Pillar Nonprofit Network
- Social Planning Network of Ontario
- Timmins Community Group
- Toronto Nonprofit Network

We would also like to thank all of the respondents of the survey, as well as our partners for sharing the survey and encouraging organizations in their networks to participate, providing valuable data for this initiative. Initiatives such as this are possible thanks to the generous support of nonprofits and charitable organizations across the province.

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