

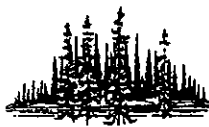
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# A Profile of Edmonton's Charitable Sector Service Agencies



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## 1.0 Introduction

The service sector represents one of the primary growth engines of the modern economy. As economies within industrialized nations change to address the challenges of global competition and freer world trade, it is the service sector which continues to grow and diversify at a dramatic rate. Indeed, today's service economies, with their focus on the delivery of services and information to a wide array of clients and stakeholders, are perhaps more complex, innovative and dynamic than any other sector of the economy. Further, the modern service sector's mix of agencies, organizations and groups of different sizes, with varying mandates and areas of expertise as well as differing operational philosophies—private sector, public sector and the charitable sector—make it unique in structural and operational terms.

One of the mainstays of this service sector remains the long established array of charitable sector agencies and organizations. These agencies and organizations provide a broad range of services from health care, education and social services to recreational programs and work in the field of the arts. To date, however, a serious consideration of the work of these agencies and organizations is absent. The Canadian Centre for Philanthropy (CCP) study A Portrait of Canada's Charities, released in 1994 provides a beginning overview of the charitable sector on a national scale, but there are few, if any, similar detailed studies at the provincial or municipal level.

This lack of information makes it difficult to determine the influence of key social and economic trends on the sector, and problematic to assess the relationship of charitable agencies to other key sectors of the economy. The absence of such studies is especially critical in light of the major changes already evident in the delivery of services, reductions in the funding provided through governments for service delivery and the ideological shift, in some quarters, which favours a greater role for business in the delivery of social, health, education and welfare services.

The following study, funded by The Muttart Foundation, begins to address this lack of information. It presents a description and preliminary analysis of charitable agencies working within the service sector in the City of Edmonton. The timing of the study is critical. Changes within the Edmonton and Alberta economies, the result of larger scale patterns of public and private sector de-investment, have left the sector at a crucial crossroads with key planning information needed to guide the journey ahead.

The report comprises seven sections. This first section introduces the study, while section two presents a brief overview of Revenue Canada's relationship with charitable sector agencies and a summary of the classifications used to distinguish charitable organizations. Section three outlines the major research objectives and summarizes the research methodology. Sections four, five and six present the major study findings relating to the operation of charitable service agencies within the City of Edmonton for the years 1990 and 1994. The final section, section seven, includes the study conclusions and recommendations for future research.

## **2.0 Revenue Canada and Charitable Sector Agencies**

Revenue Canada plays an important role in the life and work of charitable organizations. Across Canada, some 70,000 organizations have "charitable status," which, according to Revenue Canada guidelines, affords them two major advantages: first, they are exempt from paying taxes; and, second they have the right to issue official receipts to individuals or groups who donate money or resources to their organizations. Donors may then use these receipts to receive federal tax credits.

Organizations who wish to receive charitable status must make a formal application to Revenue Canada. Revenue Canada considers all applications for charitable status in accordance with the guidelines of the Income Tax Act. Revenue Canada reviews organizations for charitable status on the basis of their work in five areas of activity:

- health
- the relief of poverty
- the advancement of religion
- the advancement of education
- other activities of a charitable nature which benefit the community

Organizations which are successful in securing charitable status receive a charitable sector "designation," are assigned to a "sector" and also delimited with a specific "category code." The initial classification of a "designation" is used by Revenue Canada to distinguish between charitable organizations which primarily receive funds to complete charitable activities and those which disburse funds to support similar activities. Organizations which primarily receive funds are designated "charitable organizations," while those which disburse funds are termed "charitable foundations." Nationally, charitable organizations account for 90 per cent of all charitable sector organizations.

Revenue Canada's "Sector" designations are based on the type of work the organization undertakes or supports. This designation is determined based on the work of the organization at its time of application. Revenue Canada identifies six potential sector designations which match the areas of activity identified above: Health, Education, Religion, Welfare (relief of poverty), Benefits to the Community and Other. Within this broad area of sector codes, each organization is further allocated a "category code" which relates more specifically to the organization's primary area of work or focus.

Organizations with charitable status must submit annual financial reports of their revenues and expenditures to Revenue Canada. In addition, the work of the organization must remain within the guidelines of the major areas of activity considered appropriate for charitable purposes.

## **3.0 Research Objectives and Methods**

### **3.1 Research Objectives**

The absence of substantive previous research in the area of charitable agency activity dictated that the current study undertake to break new ground both in the collection and analysis of relevant information. Within this context, the three major study objectives were broad in their focus:

- to describe, the structure and operation of the charitable service sector in the areas of funding, operation and organization of service agencies and to highlight any significant funding and organizational trends shaping the sector;
- to compare the charitable service sector to other economic sectors within the City of Edmonton; and
- to design and document a concise and clear methodology for analyzing the charitable service sector which can be replicated in other geographic contexts.

### **3.2 Data Sources**

To support the detailed analysis of the charitable service sector, the study gathered information from both primary and secondary sources. While the study methodology is summarized within the current report, a more detailed description of the research methodology is included within a separate technical report that supports this major project document Edmonton's Charitable Service Sector Study—Technical Report.

### **3.2.1 Secondary Data Sources**

The major sources of data for the study were the 1990 and 1994 Public Information Returns (Form T3010) completed by registered charitable organizations who identified a postal address within the municipal boundaries of the City Of Edmonton (Appendix One). In addition to data from these returns, a second set of data was collected from Statistics Canada reports and publications which examined economic and employment data for the City of Edmonton and Alberta. Finally, individual agency data from annual reports and other sundry financial reports were reviewed to validate data drawn from Revenue Canada data files.

### **3.2.2 Primary Data Sources**

As a complement to these quantitative secondary data sources, qualitative data on agency revenues, expenditures and sector trends were collected through focus group meetings with agency executive directors and board members (Appendix Two).

## **3.3. Analysis of Revenue Canada Public Information Returns**

The disaggregation and analysis of Revenue Canada's Public Information Returns data required a series of reconfigurations of the supplied data sets, as well as some 'cleaning up' and validation of the data.

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As summarized in Section 2.0, Revenue Canada's classification of charitable organizations is based on a three-fold typology: functional, sectoral and purpose specific. The results presented through this method of classification, however, have two major limitations in terms of the current study.

1. There is no clear distinction between revenue receiving and revenue disbursing organizations in the presentation of charitable sector data. This complicates any analysis of revenue flows.
2. The large number of religious organizations, health sector organizations and educational institutions included within the typology dominate the data sets obscuring significant trends or developments within the direct service sector.

To address these challenges, agencies within the current data set were initially sorted on the basis of revenue disbursement or receipt. Organizations receiving funds were then removed from the analysis to allow for a focus on agencies delivering service.



A second level of classification was then introduced to disaggregate revenue receiving organizations according to their major area of activity on the basis of a four-fold typology:

- Places of Worship
- Hospitals
- Teaching Institutions
- Other Charitable Organizations

Agencies within the first three areas of organization were then also removed from the analysis to allow for a focus on agencies and organizations primarily involved in the delivery and support of front-line community services. Charities included in Revenue Canada's Religion sector were reviewed in respect to their "stated purpose" of activity. Those whose stated purpose is "religious worship" were removed from the data base, while those whose focus lies in other areas (e.g. Education) were recategorized accordingly. Organizations remaining within the "other charitable organizations" designation were then disaggregated using revenue Canada's "Stated Purpose" categorization resulting in a five-fold typology of organizations.

- Welfare (Social services)
- Health
- Education
- Benefits to the community
- Other

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The advantages of this reconfiguration of Revenue Canada data sets include the presentation of a reasonable framework for agency classification which includes both functional and purpose based divisions, as well as the separation of "larger" players (e.g. hospitals and educational institutions) from "smaller" players (e.g. individual community agencies).

The major disadvantages are two-fold: first, the classification of individual organizations on the basis of "stated purpose" presumes that all organizations have one specific area of expertise or focus—which is not necessarily the case. Second, the classification system does not include a mechanism for sorting organizations on the basis of the geographic areas served. Some organizations may have national mandates, others regional, provincial, municipal or even a specific community focus.

The accompanying methodology report (Edmonton's Charitable Service Sector Study—  
Technical Report) presents a more detailed description of the reconfiguration of Revenue Canada data sets.

The study focused on the profile of the charitable service sector for two years—1990 and 1994. The year 1990 was chosen as the base year to begin the examination of Edmonton’s charitable sector because it establishes a snapshot of the sector prior to major changes in government funding for, and support of, charitable organizations in the early and mid 1990s. Prior to the study, charitable sector agency representatives identified the 1990s as a period of great change and upheaval within the sector. Substantive empirical data, however, were not available to determine the nature of these changes at either the provincial or municipal level. The data presented in the current report begin to address this task.

To develop a sense of where the sector has moved since 1990, an examination of Revenue Canada data for a second year was also performed. At the time of the study, the most recent complete database available from Revenue Canada was 1994. Additional brief comments on trends since 1994 are included within the final section of the report.

## **4.0 The Profile of Charitable Service Agencies 1990 and 1994**

### **4.1 Charitable Service Agencies in 1990**

#### **4.1.1 Sector and Agency Size and Scope**

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Revenue Canada Public Information Returns identify close to 1,500 registered charitable organizations operating with a postal address within the City of Edmonton in 1990.

Disaggregation of agency data according to the typology outlined in Section 3.0, reveals the presence of 496 charitable sector agencies providing or supporting front-line service delivery.

Among the close to 500 charitable service sector organizations identified in 1990, the largest portion, 164 agencies (33.1 per cent) are registered as Welfare organizations, with 142 (28.6 per cent) providing Educational services, 126 (25.4 per cent) providing Benefits to the Community and 61 (12.3 per cent) Health related services (Table 1).

**Table 1: Charitable Service Organizations by Category, 1990**

Category	No. Registered	Per cent
Welfare	164	33.1%
Health	61	12.3%
Education	142	28.6%
Benefits to Community	126	25.4%
<u>Other</u>	<u>3</u>	<u>0.6%</u>
<b>Total</b>	<b>496</b>	<b>100.0%</b>

Based on a review of local community agency listings, this figure under-states the number charitable service agencies in Edmonton given that a number of agencies have their Revenue Canada registration located within a national office, or at an office outside of Edmonton. Further, this listing of charitable service agencies does not include the growing number of not-for-profit organizations which do not have charitable status. Currently, it is not possible to include these organizations within discussions of the broader not-for-profit service sector given the absence of reliable data bases which profile their operations.

In 1990, these 496 organizations earned revenues in the region of \$200 million, while they reported expenditures of \$185 million on services, salaries, administration and other related transactions.

On the basis of service delivery focus, Education agencies received a disproportionately smaller amount of total sector revenues than did Welfare, Health and Benefits to Community Organizations. While Education agencies comprised 28.6 per cent of the total number of organizations, they received only 23 per cent of revenues and account for only 22 per cent of expenditures. Conversely, agencies within each of the Welfare, Health and Benefits to Community categories accounted for a disproportionate share of sector revenues and expenditures.

Using revenues as an indicator of organizational size, Edmonton's charitable service agencies are primarily small organizations with limited revenues and expenditures. One-third of the 496 organizations had revenues of less than \$50,000 in 1990; while over 46 per cent had revenues of less than \$100,000. Conversely, only 7.9 per cent of organizations had revenues of over \$1million. Organizations differ in size between agency categories. Education groups are smaller, with 43 per cent reporting revenues under \$50,000, and 6.3 per cent with revenues of over

\$1 million. Health organizations form clusters of smaller and larger organizations (36.1 per cent under \$50,000 and 13.1 per cent over \$1 million). Welfare and Benefits to Community organizations designations concentrate in the \$100,000 to \$499,000 annual revenue categories.

**Table 2: Distribution of Charitable Service Organizations by Size and Category, 1990**

Annual Total Revenue	Welfare	Health	Education	Benefits to Community	All Organizations
Under \$50,000	25.6%	36.1%	43.0%	30.2%	33.3%
\$50,000 to \$99,999	12.2%	18.0%	10.6%	14.3%	12.9%
\$100,000 to \$249,999	25.6%	11.5%	21.1%	25.4%	22.6%
\$250,000 to \$499,999	18.9%	8.2%	11.3%	15.9%	14.5%
\$500,000 to \$999,999	9.8%	13.1%	7.7%	7.1%	8.9%
<u>Over \$1 million</u>	<u>7.9%</u>	<u>13.1%</u>	<u>6.3%</u>	<u>7.1%</u>	<u>7.9%</u>
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

#### 4.1.2 Sector and Agency Sources of Revenue

Charitable organizations receive revenues from a variety of sources. Organizations account for these revenues through their annual reporting to Revenue Canada on the basis of nine forms of income: received gifts, non-received gifts, donations from other charities, government grants, investment and property income, capital gains, business income, memberships and fees and other income. For the purposes of this study, investment income, capital gains and business income are aggregated and included in "other income." Gifts are donations from individuals and corporations. Whether they are received or not depends on the desire of the donor and the exact nature of the donation. Donations from other charities comprises funding from foundations and transfers from other charitable organizations for a service or project.

For the sector as a whole, government revenue was the most important single income source, accounting for 44 per cent of total sector revenues. The composite "other income" designation made up 30 per cent of revenues, received gifts 11.5 per cent, and revenues from memberships and subscriptions covered 8.5 per cent. Gifts from other charities and non-received gifts comprised the remainder of revenues (five per cent and two per cent respectively).

On the basis of agency category, Benefits to Community organizations utilized government funding the most with 62.1 per cent of their revenue from government sources. Welfare organizations received 41.1 per cent of their funding from government sources, while Education and Health organizations received 34.4 per cent and 29.9 per cent of their revenues from government respectively. Educational organizations were among the major benefactors from membership revenues (14.4 per cent); while Health groups benefited significantly from receipted gifts (21.3 per cent) and non-receipted gifts (5.1 per cent).

An examination of the mean proportion of agency revenues received on the basis of funding source provides a clearer picture of the importance of specific funding streams for agencies within the sector. While government funding remains the most important single source of funding for agencies, the benefits from this major source of revenue are not equally distributed. Agencies with the largest total budgets receive, on average, a disproportionate share of government funding, thus skewing analyses of funding patterns within and between categories of agencies.

Correcting for this distortion factor, and comparing each agency's reliance on individual funding sources (measured in per cent of total revenues rather than raw dollars), while controlling for agency size, allows for a clearer consideration of agencies' access to different revenue streams (Table 3).

Using this alternate approach to revenue description, charitable service agencies receive, on average, 26.5 per cent of their funding from government sources. Within this calculation, "Other Income" sources become the single most important revenue stream accounting for 35.3 per cent of mean agency budgets, while receipted gifts and membership account for 15.8 per cent and 14.2 per cent respectively.

On the basis of category, Welfare and Benefits to Community agencies receive, on average, around one-third of their revenues from government (32.9 per cent and 30 per cent), with Health and Education groups receiving around 20 per cent. Health organizations receive, on average, a greater proportion of their revenues in the form of receipted gifts (24.5 per cent) than they do in government funding (20 per cent). Education groups receive over one-half of their revenues from "other income" and non-receipted gifts.

**Table 3: Mean Organization Funding by Category of Organization, 1990**

	Received Gifts	Non-Received Gifts	Gifts From Charities	Gov't Funding	Member-ship Income	"Other Income"
Welfare	12.5%	2.5%	5.4%	32.9%	17.9%	28.6%
Health	24.5%	2.7%	8.6%	20.0%	7.5%	36.2%
Education	16.3%	6.8%	0.2%	19.1%	14.2%	40.8%
<u>Benefits</u>	<u>14.6%</u>	<u>2.6%</u>	<u>1.8%</u>	<u>30.0%</u>	<u>13.1%</u>	<u>37.7%</u>
<b>All Organizations</b>	<b>15.8%</b>	<b>3.8%</b>	<b>3.3%</b>	<b>26.5%</b>	<b>14.2%</b>	<b>35.3%</b>

The variation in the proportion of sector and mean agency revenues received from government (44 per cent to 26.5 per cent) and membership (8 per cent to 14.2 per cent) reflects the predominant reliance of larger organizations on government funding and their relative smaller reliance on membership revenue. These patterns reverse in smaller organizations.

The analysis of agency funding patterns by agency size confirms this funding variation (Table 4).

**Table 4: Mean Organization Funding by Size of Organization, 1990**

	Received Gifts	Non-received Gifts	Gifts from Charities	Gov't Funding	Member-ship Income	"Other Income"
Under \$50,000	22.7%	4.1%	0.3%	10.7%	15.5%	44.7%
\$50,000 to \$99,999	14.3%	5.6%	3.9%	29.7%	17.0%	26.9%
\$100,000 to \$249,999	13.7%	4.4%	3.2%	30.2%	13.9%	34.1%
\$250,000 to \$499,999	8.0%	2.9%	5.0%	35.0%	14.7%	34.4%
\$500,000 to \$999,999	16.2%	1.9%	5.6%	38.4%	13.8%	25.6%
<u>Over \$1 million</u>	<u>12.9%</u>	<u>1.7%</u>	<u>8.3%</u>	<u>40.7%</u>	<u>5.5%</u>	<u>30.9%</u>
<b>All Organizations</b>	<b>15.8%</b>	<b>3.8%</b>	<b>3.3%</b>	<b>26.5%</b>	<b>14.2%</b>	<b>35.3%</b>

The disaggregation of funding sources on the basis of agency size reveals a number of significant relationships (Table 4). First, it confirms that larger organizations receive a greater proportion of their revenues from government funding sources than do smaller organizations. Organizations with less than \$50,000 annual budgets receive an average of 10.7 per cent of their revenues from government. Conversely, agencies with budgets in excess of \$1 million receive 40.7 per cent.

Second, non-receipted gifts account for a smaller proportion of total revenues within larger organizations than within smaller ones. In turn, the proportion of revenues gifted from other charities increases with organization size. Membership income accounts for a much smaller proportion of revenues among larger organizations especially those with budgets in excess of \$1 million. In turn, receipted donations are more important to organizations under \$50,000 than any other size of agency.

The above figures clearly indicate the variance in Edmonton's charitable service sector agencies use of different revenue streams. Revenues streams differ between individual agencies varying both on the basis of the category of work undertaken and the size of the agency.

### **4.1.3 Sector and Agency Expenditures**

Edmonton's charitable service sector agencies spend their revenues to support their work in one or more areas of charitable activity (e.g. Health and Education). By law, charitable agencies are not allowed to accumulate large surpluses. Consequently, agencies remain effective at re-circulating money through the economy. Charitable sector organizations work effectively at "recycling" wealth for the purposes of redistribution and re-investment, rather than wealth creation; although, economic multiplier effects still operate. The nature of this recirculation or redistribution of resources clearly differentiates charitable organizations from private businesses which operate with the primary goal of making a profit.

In 1990, Edmonton's charitable service agencies reported expenditures of \$185 million. Of these total expenditures, \$115 million (62 per cent) went directly to the programs and services provided by these agencies, with 24 per cent allocated to administration and management costs. The remaining expenditures were allocated to "smaller" expenditure items, such as fundraising costs (7 per cent), gifts to qualified donees (transfers to individuals or other organizations) (2 per cent) and other disbursements (6 per cent).

Examined according to category, there is some diversity in patterns of expenditure between agencies (Table 5).

**Table 5: Sector Expenditures by Category of Organization, 1990**

	Administra- tion	Gifts to Donees	Programs	Fundraising	Other
Welfare	16.6%	2.1%	75.9%	3.4%	3.7%
Health	12.9%	3.7%	58.7%	20.6%	3.6%
Education	26.7%	0.8%	47.4%	8.8%	16.4%
<u>Benefits to Community</u>	<u>38.0%</u>	<u>1.3%</u>	<u>56.9%</u>	<u>2.1%</u>	<u>1.6%</u>
<b>All Organizations</b>	<b>24.2%</b>	<b>1.8%</b>	<b>62.1%</b>	<b>6.5%</b>	<b>5.9%</b>

Welfare organizations spent the largest proportion of their total expenditures on programs and services (75.9 per cent). They also spent less than average on administration. Benefits to Community agencies spent the highest proportion of expenditures on administration within the sector (38 per cent) and conversely spent a less-than-average proportion of expenditures on programs and services. Health organizations spent a greater proportion of their expenditures on fundraising than on administration (20.6 per cent to 12.9 per cent) reflecting their greater reliance on receipted gifts and donations. Their administration costs accounted for 12.9 per cent of agency expenditures. Education groups spent 47.4 per cent of their total expenditures on programs and almost three times the sector average in the area of other disbursements (16.4 per cent to 5.9 per cent).

As with revenues, there is a need to measure expenditure distribution in a manner that prevents organization size from distorting the results. Using the same method of analysis outlined above, the analysis of mean agency expenditure patterns, controlling for agency size, presents a different view of expenditures (Table 6).

First, agencies spend an average of 4.3 per cent of their total expenditures on gifts to donees, as compared to the sector as a whole which spends 1.8 per cent. In particular, individual Health organizations allocate an average of 10.1 per cent of their expenditures to this one item. This variation between overall sector and mean agency expenditures suggests that smaller organizations allocate a greater portion of their expenditures to individuals and groups in the form of gifts, while larger organizations much less.



**Table 6: Mean Organization Expenditures by Category of Organization, 1990**

	Administra- tion	Gifts to Donees	Programs	Fundraising	Other
Welfare	21.3%	2.0%	66.7%	6.0%	5.2%
Health	22.6%	10.1%	49.1%	12.2%	6.9%
Education	22.6%	4.2%	55.8%	12.7%	5.5%
<u>Benefits to Community</u>	<u>31.0%</u>	<u>4.2%</u>	<u>54.1%</u>	<u>4.6%</u>	<u>6.3%</u>
<b>All Organizations</b>	<b>24.2%</b>	<b>4.3%</b>	<b>58.2%</b>	<b>8.4%</b>	<b>5.7%</b>

This alternate method of analysis flattens the differences in administrative costs between categories of agencies. Benefits to Community agencies still spend a greater proportion of their expenditures on administration than other categories of agencies, but all other agency groupings are similar. Among Welfare and Health organizations, the larger organizations report proportionally lower administrative overheads, while in Education and Benefits to Community, larger agencies have higher administrative costs.

Patterns of spending remain similar with, and without, controlling for agency size. Again, however, category variations between agencies are flattened somewhat when the size of agency factor is removed. Welfare organizations still spent more on programs than other categories, although Education groups no longer spent the least. The importance of fundraising costs increases among all categories of agencies except for Health organizations. This suggests that among Health organizations, it is the large organizations that incur the highest fundraising costs; while in other categories, it is the small agencies that spend a disproportionate amount of resources to raise funds for the agency. An examination of agency expenditures by organization size confirms these patterns of resource allocation (Table 7).

**Table 7: Mean Organization Expenditures by Size of Organization, 1990**

	Administra- tion	Gifts to Donees	Programs	Fundraising	Other
Under \$50,000	20.5%	6.6%	59.7%	7.1%	6.7%
\$50,000 to \$99,999	21.1%	2.7%	61.9%	8.5%	8.0%
\$100,000 to \$249,999	24.9%	5.5%	54.1%	12.0%	3.8%
\$250,000 to \$499,999	31.8%	2.2%	55.6%	5.1%	6.4%
\$500,000 to \$999,999	27.9%	1.0%	61.6%	6.0%	3.3%
<u>Over \$1 million</u>	<u>22.2%</u>	<u>2.5%</u>	<u>59.9%</u>	<u>11.2%</u>	<u>5.6%</u>
<b>All Organizations</b>	<b>24.2%</b>	<b>4.3%</b>	<b>58.2%</b>	<b>8.4%</b>	<b>5.7%</b>

First, mid-size organizations spent a greater portion of total agency expenditures on administration costs. The three mid-size agency groupings, for example, (covering annual expenditures of \$100,000 to \$999,999) pay more, on average, for administration than do either the smallest or largest organizations. Program expenditures follow the reverse trend, with mid-sized organizations spending proportionately less on program delivery than smaller and larger organizations.

No clear pattern emerges relating to fundraising expenses.

#### **4.1.4 Sector and Agency Staffing Patterns**

As part of their annual Public Information Returns, charitable organizations also provide information to Revenue Canada regarding staffing expenditures. They provide total dollar figures for remuneration to employees carrying out charitable activities and non-charitable activities. This calculation does not permit a reliable estimate of the number of people employed by an agency, but does provide reliable data on the amount paid in wages and benefits. An attempt to determine the number of employees in the sector is presented later in the report.

Charitable service agencies spent \$92 million on staffing in 1990. This represents close to 50 per cent of total agency expenditures for that year. Seventy-eight per cent of dollars spent on staffing

went to employees involved in service activities of the organization, such as program delivery. The remaining 22 per cent were non-service staff (administration, etc.).

In addition to overall salary and wages information, organizations also provide summary information on directors' or executive officers' remuneration. In 1990, agencies spent \$4.2 million on directors or their equivalent. This represents five per cent of total staff expenditures (although Revenue Canada acknowledge some discrepancies between agencies who include directors' salaries within overall staff remuneration figures and those who do not).

An examination of agencies on the basis of category of work, reveals some small but significant differences in staffing levels. As a per cent of total expenditures for the category, Welfare organizations spent the most on staff (56 per cent) and Education organizations the least (41 per cent). Health and Benefits to Community agencies spent 47 per cent and 52 per cent respectively.

## **4.2 Charitable Service Agencies in 1994**

### **4.2.1 Sector and Agency Size and Scope**

In 1994, the number of organizations registered with Revenue Canada had risen to 623, an increase of 127 organizations. According to Revenue Canada records no organizations were removed from charitable status during this time.

From 1990 to 1994 the distribution of organizations among the five categories remained virtually unchanged. There was a slight reduction in the proportion of agencies working in the area of Welfare—33 per cent down to 31.5 per cent of registered organizations, and a similar small increase in the proportion of groups providing Educational related supports and services. Agencies assigned to the Other category increased to two per cent of overall agencies. The small number of agencies within this category, however, is not sufficient to support reliable statistical analysis of agency revenues and expenditures.

Total revenues for the sector rose from \$200 to \$258 million. The 623 organizations reported expenditures of \$252 million. Broken down by category, the pattern of agency revenues and expenditures remains similar to that reported in 1990. Education organizations, as in 1990, have revenues and expenditures that do not reflect their numerical share of the number of agencies. All other categories of agencies spend and earn more than their equivalent share of organizations.

On the basis of size, there was a shift downward to smaller organizations from 1990 to 1994 (Table 8). The number of smallest organizations (under \$50,000 revenue) increased from 33 per cent of all organizations in 1990 to 37 per cent in 1994. Although, conversely, there was a small

increase in the number of organizations with \$1 million or more in revenue. Other groupings either remained the same or fell marginally in size.

**Table 8: Distribution of Charitable Service Organizations by Size and Category, 1994**

Annual Total Revenue	Welfare	Health	Education	Benefits to Community	All Organizations
Under \$50,000	29.1%	44.0%	46.7%	33.3%	37.4%
\$50,000 to \$99,999	10.2%	10.7%	6.0%	15.4%	10.6%
\$100,000 to \$249,999	22.4%	17.3%	26.1%	20.5%	22.3%
\$250,000 to \$499,999	16.8%	2.7%	10.3%	15.4%	12.8%
\$500,000 to \$999,999	12.8%	8.0%	5.4%	7.7%	8.5%
<u>Over \$1 million</u>	<u>8.7%</u>	<u>17.3%</u>	<u>5.4%</u>	<u>7.7%</u>	<u>8.3%</u>
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

The patterns of agency size within each category remain similar to those reported in 1990. Education groups are the smallest; Health organizations tend to be large or small. In 1994, Welfare organizations polarized somewhat, with a growth in the smallest and largest groupings, and an associated proportional reduction in mid-size organizations.

#### 4.2.2 Sector and Agency Revenues

Sector and agency revenue data reveal only limited changes in the relative importance of specific funding streams; although, there are some changes in category shares of revenue.

As in 1990, government funding remains the most important source of funding (43 per cent), although this represents a marginal decrease in its proportional share of overall revenues (44 per cent in 1990). The proportion of sector revenues derived from "Other" income sources increased from 30 per cent to 32.5 per cent, while revenues from receipted gifts were down to 9.5 per cent from 11.5 per cent. Revenue from membership and subscriptions remains unchanged at 8.5 per cent. Gifts from other charities and non-receipted gifts make up the remaining outstanding revenues—3.5 per cent and three per cent respectively).

On the basis of agency category, Benefits to Community agencies received a greater proportion of their revenues from government funding sources than other categories of agencies, although less so than in 1990 (56 per cent compared to 62 per cent). Welfare organizations increased the proportion of their revenues from government sources, up to 49 per cent from 41 per cent. Education and Health groups, on the other hand, saw a reduction in the proportion of their revenues from government (34 to 28.5 per cent and 30 to 26.5 per cent respectively).

Other revenue patterns identified in 1990 were repeated in 1994. Health organizations continued to receive a much greater proportion of their revenues in gifts and donations (24 per cent for receipted gifts) than other groups. Similarly, Education groups received more than twice the proportion of revenues from membership income as compared to other groups (18 per cent).

Looking at agencies' use of sources of income, using mean agency revenue distributions, the overall patterns are similar to those identified in 1990 (Table 9). Health organizations continued to receive, on average, a greater proportion of their revenues from donations than government funding, with the proportion of their revenues received from government falling since 1990. Welfare organizations received the largest proportion of revenues from government funding, although their proportion of revenues from donations also increased from 1990.

Across the sector, agencies mean share of revenues from government funding rose slightly from 26.5 to 27.1 per cent between 1990 and 1994. Non-receipted gifts, gifts from charities and receipted gifts also increased; although, the overall changes were relatively small.

**Table 9: Mean Organization Funding by Category of Organization, 1994**

	Receipted Gifts	Non-receipted Gifts	Gifts from Charities	Gov't Funding	Membership Income	"Other Income"
Welfare	13.7%	4.0%	6.1%	35.3%	16.4%	26.2%
Health	25.6%	4.3%	7.3%	17.5%	7.6%	36.2%
Education	17.3%	4.6%	1.6%	25.2%	15.6%	40.9%
<u>Benefits to Community</u>	<u>16.1%</u>	<u>3.3%</u>	<u>3.2%</u>	<u>25.1%</u>	<u>15.3%</u>	<u>37.7%</u>
<b>All Organizations</b>	<b>18.2%</b>	<b>4.1%</b>	<b>4.1%</b>	<b>27.1%</b>	<b>14.5%</b>	<b>34.6%</b>

Revenue distributions among agencies of varying sizes also showed some changes between 1990 and 1994 (Table 10). The smallest organizations (under \$50,000) exhibited the most change, receiving a greater share of their revenues from government funding and receipted and non-receipted donations. Gifts from charities also increased for the smallest organizations.

Each size of organization moved slightly during the 1990 to 1994 period. However, the general patterns found in 1990 remained evident in 1994. Large organizations continued to receive a greater portion of their revenues from government funding than smaller agencies. Gifts from charities also increased with organization size, although this relationship flattened somewhat from 1990. The largest organizations (over \$500,000) continued to rely on membership income less than other organizations, while the proportion of revenues received from receipted gifts in 1994 more clearly decreased as organizations size increased.

**Table 10: Mean Organization Funding by Size of Organization, 1994**

	Receipted Gifts	Non- receipted Gifts	Gifts from Charities	Gov't Funding Income	Member- ship	"Other Income"
Under \$50,000	27.7%	5.0%	2.9%	16.2%	16.0%	36.3%
\$50,000 to \$99,999	17.6%	4.0%	4.0%	27.7%	17.2%	31.3%
\$100,000 to \$249,999	12.7%	4.2%	5.3%	28.0%	14.9%	37.4%
\$250,000 to \$499,999	11.2%	2.3%	4.4%	33.8%	17.1%	33.4%
\$500,000 to \$999,999	13.3%	3.2%	3.2%	40.1%	9.7%	31.4%
<u>Over \$1 million</u>	<u>9.7%</u>	<u>3.2%</u>	<u>5.9%</u>	<u>45.4%</u>	<u>5.5%</u>	<u>29.7%</u>
<b>All Organizations</b>	<b>18.2%</b>	<b>4.1%</b>	<b>4.1%</b>	<b>27.1%</b>	<b>14.5%</b>	<b>34.6%</b>

### 4.2.3 Sector and Agency Expenditures

As with revenues, sector expenditures increased significantly between 1990 and 1994 rising from \$185 million to \$252 million. Agencies circulated (revenues plus expenditures) in excess of \$0.5 billion dollars within the Edmonton economy in 1994: a 32 per cent increase from revenues and expenditures in 1990. Agencies use of these funds also showed some patterns of consolidation.

In 1994, 71 per cent of expenditures went directly into charitable programs, with 16 per cent allocated for administration. Compared to 1990, administration costs were down from 24 per cent of total expenditures and program spending up from 62 per cent. The period between 1990 and 1994 is one during which organizations, overall, realized a greater focus on program delivery. The remaining agency expenditures were disbursed to fundraising costs (six per cent) gifts to donees (2.5 per cent) and other expenses (five per cent).

Differences in patterns of expenditure between categories of agency remain evident in 1994; albeit, with some minor revisions from 1990. Health organizations still spent almost three times the proportion of expenditures on fundraising as organizations within the sector as a whole (16 per cent to six per cent overall). They also allocated a greater portion of expenditures to qualified donees (six per cent).

Welfare organizations spent the largest proportion of total expenditures on program delivery activities (78 per cent). Within this expenditure item, Education groups showed a significant increase in the proportion of their revenues allocated to program delivery up from 47 per cent in 1990 to 60 per cent in 1994. This increase brought them more in line with other categories of organization.

In 1990, Benefits to Community organizations allocated a larger proportion of their expenditures to administration than did other agency categories. Between 1990 and 1994, these expenditures were reduced considerably as a proportion of total expenditures falling to 18 per cent of agency costs—less than one-half of the level recorded in 1990. Education groups allocated the largest proportion of expenditures to administration costs in 1994.

Controlling for organization size, by examining the mean agency distribution of expenses, serves to flatten out category variations in administration and program spending between 1990 and 1994 (Table 11). Agency mean administration costs were 23.9 per cent of total expenditures—down marginally from 1990. Average program spending was 56.6 per cent—also down slightly from 1990. Across all agencies, the major change in mean patterns of expenditures between 1990 and 1994 occurred in the increase in the proportion of total costs allocated to fundraising and other expenses.

The variations between sector patterns of expenditures and mean agency patterns of expenditures controlling for agency size, reflect both larger organizations reduction in their administrative expenses, which reduces the overall sector average and the inability of smaller organizations, which made up a greater proportion of agencies in 1994, to make similar reductions in their administrative expenses. Overall, differences in agency administration expenditures between

categories, flatten between 1990 and 1994, with each category of agency spending similar proportions of total expenditures on administration costs.

As in 1990, Welfare organizations spent the largest proportion of their total expenditures on program delivery, although the difference between these organizations and organizations working in the other major category areas decreased between 1990 and 1994. Health organizations continued to spend more on direct payments to donees than agencies in other categories, while fundraising expenses assumed a greater proportion of expenditures among Health and Education organizations than they did among other agencies.

**Table 11: Mean Organization Expenditures by Category of Organization, 1994**

	Administra- tion	Gifts to Donees	Programs	Fundraising	Other
Welfare	22.6%	3.4%	66.6%	5.5%	5.0%
Health	22.5%	10.8%	47.2%	14.2%	5.2%
Education	25.2%	2.9%	52.9%	11.5%	8.0%
<u>Benefits to Community</u>	<u>24.2%</u>	<u>3.2%</u>	<u>54.3%</u>	<u>7.9%</u>	<u>9.0%</u>
<b>All Organizations</b>	<b>23.9%</b>	<b>4.2%</b>	<b>56.6%</b>	<b>9.0%</b>	<b>6.9%</b>

Patterns of mean agency expenditure by agency size reveal the reductions in administrative spending made by the largest charitable organizations (Table 12).



**Table 12: Mean Organization Expenditures by Size of Organization, 1994**

	Administra- tion	Gifts to Donees	Programs	Fundraising	Other
Under \$50,000	26.5%	5.7%	48.5%	12.3%	8.6%
\$50,000 to \$99,999	20.9%	3.9%	65.3%	3.8%	7.4%
\$100,000 to \$249,999	21.7%	3.8%	57.5%	9.7%	7.4%
\$250,000 to \$499,999	29.8%	3.5%	56.3%	6.4%	5.2%
\$500,000 to \$999,999	21.4%	1.8%	64.8%	6.2%	4.5%
<u>Over \$1 million</u>	<u>16.8%</u>	<u>3.6%</u>	<u>68.3%</u>	<u>7.3%</u>	<u>3.9%</u>
<b>All Organizations</b>	<b>23.9%</b>	<b>4.2%</b>	<b>56.6%</b>	<b>9.0%</b>	<b>6.9%</b>

Organizations with over \$1 million in revenues spent 17 per cent of expenditures on administration in 1994, down from 22 per cent in 1990. In turn, the smallest organizations, under \$50,000, saw their mean proportion of administrative costs increase to 26.5 per cent of total expenditures up from 20.5 per cent in 1990. Among mid-size organizations, those agencies with annual revenues between \$250,000 and \$499,999 allocated the largest portion of total expenditures to administration costs in 1994 - 29.8 per cent.

#### 4.2.4 Sector and Agency Staffing Patterns

Sector costs relating to staffing in 1994 matched the overall increases in revenues and expenditures. Across the sector, agencies spent \$130 million on employees in 1994—an increase of \$38 million from 1990. As a proportion of total expenditures, staffing costs increased to 51.6 per cent from 50.1 per cent in 1990. Over three-quarters of staffing costs (76.8 per cent) went to employees involved with charitable activities. This is down slightly from the similar figure of 77.9 per cent in 1990.

As for directors, organizations kept about the same proportion of their budget for director salaries and benefits. In total \$5.9 million was directed toward executive officers, approximately 4.6 per cent of all staff expenditures in 1994. This is the same proportion reported in 1990.

Welfare groups substantially increased their allocation of expenditures to staffing costs. In 1994, 62.6 per cent of expenditures went to staff costs, up from 55 per cent in 1990. Alternately, Education groups saw a reduction in their proportion of expenditures allocated to staffing costs—down from 41 per cent to 35.2 per cent. Again, Health and Benefits to Community groups remained in the “middle of the pack” spending 41.8 per cent and 51.9 per cent of total expenditures on staffing costs respectively.

## **5.0 The Changing Face of Edmonton’s Charitable Service Sector**

The above data provide a “snapshot” of the charitable service sector for the years 1990 and 1994. Data for these two years reveal some emerging patterns in sector and agency revenues and expenditures. To further explore these trends, an examination of the new agencies who joined the sector between 1990 and 1994, and a comparison of these agencies to those already established, presents some additional insights into the changing face of the charitable service sector.

### **5.1 New Charitable Service Agencies**

#### **5.1.1 Size and Scope of New Charitable Service Organizations**

According to Revenue Canada data, 127 new agencies were registered as charitable service organizations between 1990 and 1994. It is not possible from the Public Information returns to determine whether or not these organizations operated before 1994. But if they did, they did not have charitable status with Revenue Canada. The size and composition of these new agencies added to the sector affects sector averages. Removing these agencies for separate analysis provides insight both into the nature of these new organizations and allows for a more focused inquiry into how existing agencies changed.

The 127 agencies added to the sector fit the existing character of the category profile as a whole in terms of the areas of activity. Thirty-one per cent of new agencies registered as Welfare organizations; new Health organizations make up 10.3 per cent; Education and Benefits to Community comprise 31.9 per cent and 26.7 per cent respectively. None of these figures represent a significant deviation from sector distributions as a whole. Where a significant difference is found, however, is in the size of new agencies (Table 13).

New organizations are more likely to have revenues under \$50,000 than more established organizations. Conversely, the number of new agencies with revenues over \$1 million is one-fifth the total for the sector. In other words, new agencies are much smaller than previously existing organizations. This finding is somewhat intuitive, since it is rare for a new group to start out with large revenues at its disposal in what remain very competitive funding environments. It also helps to explain the increase in small agencies between 1990 and 1994.

**Table 13: Organization Distributions by Size—  
New and All Organizations, 1994**

	New Organizations	All Organizations
Under \$50,000	56.6%	37.4%
\$50,000 to \$99,999	10.6%	10.6%
\$100,000 to \$249,999	20.4%	22.3%
\$250,000 to \$499,999	6.2%	12.8%
\$500,000 to \$999,999	4.4%	8.5%
<u>Over \$1 million</u>	<u>1.8%</u>	<u>8.4%</u>
<b>Number of Organizations</b>	<b>127</b>	<b>623</b>

### 5.1.2 New Agency Revenues

While new organizations tend to be smaller than existing agencies, they also have differing patterns of revenue sources or streams. A comparison of new agency revenue sources to those of the sector as a whole reveals these differences (Table 14).

**Table 14: Mean Organization Revenues - New and All Organizations, 1994**

	New Organizations	All Organizations
Received Gifts	20.9%	18.2%
Non-receipted Gifts	5.5%	4.1%
Gifts from Charities	4.7%	4.1%
Government Funding	38.3%	27.1%
Membership Income	13.6%	14.5%
“Other Income”	17.4%	34.6%

New agencies receive a greater share of their revenues from government funding than the sector as a whole—38.3 per cent to 27.1 per cent. This is particularly noteworthy given the earlier finding that smaller organizations, as a whole, rely on government funding less than larger organizations. The effect of being “new” appears to cancel out the effects of being smaller.

New organizations also receive a much greater share of revenues from all three forms of gifts than the sector as a whole. Combined, they make up almost one-third of revenues, compared to one-quarter for the sector. Consequently, new organizations use “other” income sources half as much as the sector. Finally, they receive a slightly smaller share of their revenues from membership income.

### 5.1.3 New Agency Expenditures

Similar differences are evident in how new organizations allocate revenues (Table 15).

**Table 15: Mean Organization Expenditures - New and All Organizations, 1994**

	New Organizations	All Organizations
Administration	26.8%	23.9%
Gifts to Donees	3.5%	4.2%
Programs	48.5%	56.6%
Fundraising	12.8%	9.0%
Other	8.3%	6.9%

New organizations spend a greater proportion of total expenditures on administration and fundraising (26.8 per cent and 12.8 per cent respectively) than the sector as a whole. Conversely, a smaller proportion is spent on program delivery.

In terms of staffing, new organizations allocated 59.3 per cent of total expenditures on staff in 1994, more than the sector average. However, a smaller proportion of staffing dollars went to charitable activities. New organizations spent 62.3 per cent of staff expenditures on charitable activities, lower than the 77 per cent average for the sector. Finally 5.3 per cent of staff expenditures went to pay directors or executive officers. This is slightly higher than the sector average of 4.6 per cent.

## 5.2 Changes in Existing Agencies

### 5.2.1 The Changing Nature of Existing Agencies—A Cautionary Note

The separate analysis of charitable service organizations established prior to 1990 reveals considerable variations between individual agencies and groups of agencies. Individual agencies are subject to a variety of forces and factors that affect their growth and development. As a result, the nature of change experienced within agencies is both varied and diverse. For example, one agency's revenues grew by over 1000 per cent between 1990 and 1994. Other agencies had their revenues drop by over 90 per cent.

Such variations in agency experiences dictate some caution in describing changes within the sector as a whole. Using statistical measures such as the calculation of category and sector medians provides one tool for accommodating large variations in individual agency activities. The removal of obvious “outliers” represents an additional strategy to help prevent the skewing of sector calculations.

### 5.2.2 Established Agency Revenues

Within established agencies, the median percentage increase in total revenues from 1990 to 1994 was 9.4 per cent. Median revenue changes differ for agencies on the basis of category of service activity. The median percentage increase for Education organizations was only 2.2 per cent, while Health organizations grew by a median of 29.4 per cent. Welfare and Benefits to community agencies saw revenue increases of 12.0 per cent and 17.9 per cent respectively.

The changes in revenues reported by agencies also varied according to the size of agency budgets. The smallest and largest agencies had the highest rate of growth, while middle sized organizations (\$100,000 to \$499,999) experienced the smallest change. Indeed, organizations with revenue between \$100,000 and \$249,999 in 1990 witnessed a 2.7 per cent decrease in revenues (Table 16).

**Table 16: Median Organization Changes in Revenue by Size of Organization, 1990 to 1994**

Total Revenues in 1990	Median Change in Total Revenue 90-94 (per cent)
Under \$50,000	12.2%
\$50,000 to \$99,999	31.9%
\$100,000 to \$249,999	-2.7%
\$250,000 to \$499,999	10.7%
\$500,000 to \$999,999	13.3%
<u>Over \$1 Million</u>	<u>17.4%</u>
<b>All Organizations</b>	<b>9.4%</b>

Overall, 57.3 per cent of organizations increased their revenues between 1990 and 1994; while 42.5 per cent experienced a decrease in revenue. One agency reported no change in revenues.

Between categories, the figures range from 63.2 per cent of Health organizations with positive revenue changes to 51.1 per cent of Education agencies.

Less than one-half (47.8 per cent) of agencies with 1990 revenues between \$100,000 and \$249,999 increased their revenues. Somewhat surprisingly, however, the next lowest figure is 55.7 per cent from agencies under \$50,000. Considering this category had a higher median percentage increase than the sector as whole, this result suggests significant variations in revenue experiences between small agencies. Growth among the 56 per cent of small agencies that increased revenue was larger than that among other size groupings.

The calculation of mean revenue changes for different sizes of agencies confirms this finding. Organizations under \$50,000 reported the highest average increase in revenues across the sector. After eliminating six outliers, the average for all agencies was a 51.2 per cent increase. For agencies under \$50,000, the average was a 99.8 per cent increase—almost a doubling in size.

The removal of new organizations from the calculations allows for a direct comparison of changing sector revenue distributions on the basis of revenue source between 1990 and 1994 (Table 17). Between 1990 and 1994 the composite “Other” income sources increased in importance, from 35 per cent to 38 per cent. Gifts from other charities (foundations, etc.), received gifts and membership revenue also made up a greater share of mean agency revenues. Government funding decreased as a share of revenues.

**Table 17: Mean Revenues for Organizations  
Registered pre-1990, 1990 and 1994**

	1990	1994
Receipted Gifts	15.8%	16.2%
Non-receipted Gifts	3.8%	3.6%
Gifts From Charities	3.3%	3.9%
Government Funding	26.5%	25.9%
Membership Revenue	14.2%	14.8%
Other Income	35.3%	38.3%

### 5.2.3 Established Agency Expenses

As with agency revenues, the relative weight of expenditure items also saw some changes between 1990 and 1994. Again, the removal of new organizations from the analysis, provides some insights into how existing agencies shifted their spending priorities from 1990 to 1994 (Table 18).

Between 1990 and 1994, agencies reported a reduction in administration costs as well as program expenditures as a percentage of total expenditures. In turn, there were increases in fundraising costs and other expenses. The largest change was evident in gifts to donees (transfers to individuals or organizations), which more than doubled from 1.8 per cent to 4.4 per cent.

**Table 18: Mean Expenditures for Organizations Registered pre-1990, 1990 and 1994**

	1990	1994
Fundraising Costs	6.5%	7.6%
Administration	24.2%	23.0%
Gifts to Donees	1.8%	4.4%
Programs	62.1%	59.9%
Other	5.9%	6.5%

Finally, factoring out new organizations increases the staffing impact on expenditures. Changes in staffing remuneration were proportionally greater than overall increases in sector revenues. For the sector, staffing costs increased 16.8 per cent between 1990 and 1994. This increase was most noticeable in Health organizations, which saw a 36.5 per cent increase in staffing costs. The most moderate increases came from Education organizations, which saw staffing costs increase by 13.6 per cent.



## **6.0 Economic Comparisons Between the Charitable Service Sector and Other Sectors of the Economy**

Comparisons of charitable service sector revenues and expenditures to similar data for other sectors, or sub-sectors of the economy, provide a context for the discussion of the sector's economic role within the community. By extension, these data also help to reveal the contribution of charities to overall community development and well-being. The following section presents some of these comparisons.

Edmonton's charitable service sector agencies play a key role in creating and supporting community social infrastructure. The work of agencies within the sector focuses on the economic, social, physical and emotional well-being of Edmontonians. Their services and programs form a matrix of interlocking functions that build community. In other words, they serve as the building material for making Edmonton a better place to live. Given this "infrastructure" focus of the sector, comparisons with other infrastructure components of the economy are relevant.

### **6.1 The Relative Size of the Charitable Service Sector**

In 1994, charitable service agencies circulated in excess of \$0.5 billion dollars within the local economy with revenues and expenditures of \$258 and \$252 million dollars respectively. Edmonton's estimated Gross Domestic Product (GDP), or the value of all economic activity, during the same period was in the region of \$20 billion.<sup>1</sup> While the charitable service sector does not "generate income" or wealth in the same way as the business sector of the economy does these revenues and expenditures still comprise an important component of Edmonton's GDP. Charities remain a major local employer and a purchaser and provider of local goods and services.

The relative size of Edmonton's charitable service sector is evident through comparisons with other human service sector "organizations" (Table 19). First, the Department of Community Development for the Government of Alberta spent \$261 million in 1994/95 on the various programs it provides (including seniors' benefits and arts and culture funding). Second, The City of St. Albert had a Capital and Operating budget of \$49 million in 1997 to support the operation of physical infrastructure services throughout the community. Third, the newly created city department of Community Services (an amalgamation of Community and Family Services and Parks and Recreation) will spend about \$120 million on services, supports and administration costs in 1997.

**Table 19: Charitable Service Sector Selected Budget Comparisons, 1994**

City of St. Albert Budget (1997)	\$49,298,000
Alberta Community Development (1994/95)	\$261,266,000
Edmonton Community Services (1997)	\$120,000,000 (est.)
Charitable Sector Expenditures (1994)	\$252,279,000

A further measure of the sector's influences on the city is its more specific contribution to key dimensions of the infrastructure economy.

## **6.2 Profiles of the Charitable Service Sector and Other Infrastructure Industries/Sectors**

Comparisons of the charitable service sector's profile in relation to other industries involved in infrastructure development along dimensions of employment, and the number of businesses, provide further points of comparison (Tables 20 and 21).

In 1990, for example, Edmonton was home to more charitable service agencies than it was transportation companies, although, there were three times more construction businesses than charitable service agencies. Aside from the number of businesses alone, there are other substantial differences between charitable services agencies and infrastructure organizations in terms of the number of employees and total annual payroll. The charitable service sector remains significantly smaller than other "hard" infrastructure industries across these dimensions and is also smaller than the "softer" financial services industry. Where a charitable service organization has a staff of eight to ten employees, a construction company has 20 to 25 employees and a transportation business upwards of 90. These data reflect the preponderance of small charitable service organizations at work in the city, many of which have few staff.

**Table 20: Infrastructure Industry/Sector Comparisons, 1990**

	Number of Businesses	Number of Employees	Average Weekly Wage <sup>a</sup>	Total Annual Payroll
Financial Services	734	24,917	498	645,678,000 <sup>b</sup>
Public Administration	n/a	38,500	676	1,353,412,000 <sup>b</sup>
Construction	1,413	30,583	625	993,740,000 <sup>b</sup>
Transportation	409	36,583	639	1,215,579,900 <sup>b</sup>
Charitable	496	3,977 <sup>d</sup>	449 <sup>c</sup>	92,851,405

Notes:

- a: Average Weekly Wage for Alberta.
- b: Estimate based upon calculations using number employed and Alberta average weekly wage.
- c: Average weekly wage for the Health and Education Services industry.
- d: Estimate based upon calculations using total payroll and Alberta average weekly wage for Health and Education Services industry.

Updated infrastructure industry figures for 1994 confirm the previous comparisons (Table 21).

**Table 21: Infrastructure Industry/Sector Comparisons, 1994**

	Number of Businesses	Number of Employees	Average Weekly Wage <sup>a</sup>	Total Annual Payroll
Financial Services	712	25,583	579	770,252,960 <sup>b</sup>
Public Administration	n/a	38,333	702	1,399,307,832 <sup>b</sup>
Construction	1,554	26,187	618	841,545,430 <sup>b</sup>
Transportation	596	35,750	710	1,319,890,000 <sup>b</sup>
Charitable	614	5,090 <sup>d</sup>	492 <sup>c</sup>	130,210,530

Notes:

- a: Average Weekly Wage for Alberta.
- b: Estimate based upon calculations using number employed and Alberta average weekly wage.
- c: Aggregate average weekly wage for Service Producing industries.

d: Estimate based upon calculations using total payroll and Alberta aggregate average weekly wage for Service Producing industries.

These comparisons must be viewed with some caution, however, since the charitable service sector, unlike the construction or transportation industries, represents a section of the service sector rather than the whole sector. It could, perhaps, be more accurately defined as a sub-industry rather than as an industry itself. Unfortunately, reliable data sets are not available at the municipal level for equivalent sub-industries in construction, transportation or other industries. Similarly, it is not possible to develop a reliable profile of for-profit companies or businesses who deliver similar services to those available through charitable agencies.

In the absence of these more realistic frames of reference, detailed comparisons of the charitable service sector to other sectors of business remain problematic. The above data do, however, allow for some estimates of the sector's contribution to employment in the city. An estimated 3,977 people worked in charitable organizations in 1990. This grew to about 5,090 in 1994 a significant increase of 28 per cent. These employment numbers clearly indicate the sectors significant contribution to the employment picture in Edmonton.

Comparisons of the data available for 1990 and 1994 reveal some interesting patterns of change between the selected industries (Table 22).

**Table 22: Infrastructure Industry/Sector Profiles—Percentage Changes, 1990 to 1994**

	Number of Businesses	Number of Employees	Average Weekly Wage <sup>a</sup>	Total Annual Payroll
Financial Services	-3.0%	2.7%	16.3%	19.3%
Public Administration	n/a	-0.4%	3.8%	3.4%
Construction	10.0%	-14.4%	-1.1%	-15.3%
Transportation	45.7%	-2.3%	11.1%	8.6%
Charitable	23.8%	28.0%	9.6%	40.2%

Note: The above figures are in real dollars, before factoring for inflation.

The charitable sector compares favourably in measures of growth between 1990 and 1994. It had the second highest growth in number of organizations and the third highest growth in average weekly wage. In terms of employment, charitable sector organizations experienced a very different trend from the comparison industries. Where three of the four comparison industries experienced a net loss of employees (as much as 14 per cent in construction), the charitable sector created 28 per cent more jobs, by far the highest figure.

Further, the remuneration charitable services paid to their employees also kept pace. With inflation between 1990 and 1994 estimated to be around 10 per cent, the 9.6 per cent growth in wages runs close to meeting the increase in the cost of living. In contrast, the construction industry saw a 1.1 per cent reduction in wages prior to factoring for inflation, which results in a greater than 10 per cent decrease in average wages. Finally, the sector also had the highest growth in total annual payroll, reflecting the increase in employment.

## **7.0 Conclusions and Future Directions**

The results of the current study provide some preliminary insights into the profile and operation of Edmonton's charitable service sector. Charitable service agencies continue to play a vital role in the daily community life throughout the city, providing basic health, education and welfare services to a growing number of Edmontonians, as well as addressing artistic, recreational and cultural needs.

The very complexity and diversity of the sector makes generalizations about either its structure or operation problematic. Nevertheless, it remains obvious that charitable service agencies not only provide key services that contribute to the quality of life, but also form a source of economic vitality with their efficient cycling of revenues and expenditures that results in high quality cost-efficient services for clients using their services, employment and a sense of well-being for the over 5,000 Edmontonians who work in the sector and economic multipliers that help the wider municipal economy.

Between 1990 and 1994 the current study revealed growth in the charitable service sector at a time when other sectors of the economy were in decline. Over 100 new agencies were added to the sector during this period, an indication perhaps of the sector's robustness during times of economic downturn—as well as a reminder of the critical need for social services when the economy is deflating. The experiences of individual agencies during this period varied considerably. While close to 60 per cent of agencies saw an increase in revenues and

expenditures, the remaining 40 per cent saw their revenues and expenditures fall. Structurally, there was a polarization of organizations with the number of small and large agencies increasing while mid-size organizations fell away somewhat. The majority of new organizations added to the sector during this time were small organizations whose revenues came primarily from government and fundraising sources.

While the current study provides much information on the sector, with profiles of revenues, expenditures and changes in sector profiles over time, the data drawn from Revenue Canada's files leave many questions still unanswered. Despite a diverse range of revenue sources, charitable service organizations remain heavily dependent on government funding streams for many of the revenues they receive. Continued policies of government fiscal restraint, thus, suggest that the financial pressures on charitable organizations will continue to increase matched with a stable or increasing demand for their services. Senior agency staff involved in the study focus groups talked of the challenges they almost all faced in confronting decreasing revenue streams in the face of growing demands for service.

Within this context, the anticipated replacement of public government funding sources with private, business ones has not materialized for many agencies. Even in cases where private business funding opportunities are available agencies note that accessing such funds frequently requires additional time, expertise and resources which are not always available. The net result of such funding changes has been to reduce the stability many agencies feel, and to foster short term decision-making with little or no emphasis placed on long term strategic planning. Agencies report significant increases in the competition for funds and a greater reliance on many donors, funders and supporters to keep agency budgets in the black. Increasingly, the management of charitable sector service agencies involves the identification and securing of revenues from multiple revenue streams—requirements that place heavy demands on senior and front-line staff.

The report clearly highlights the need for additional data on the work of the sector as a whole. Revenue Canada classifications of agencies are not sufficient to allow for detailed analyses of agency areas of work and, thus, cannot help to determine whether or not agencies are well-placed to meet the growing social needs evident within the City of Edmonton and the province. In addition, the absence of similar provincial data sets on the growing number of not-for-profit organizations who also provide social, health, education and welfare services, but who do not have charitable status, makes definitive assessments of future directions for the sector difficult to determine. Significant additional work is needed here to address quickly this missing dimension of the sector.

The current report provides the basis for a more informed assessment of the work and operation of the charitable service sector. It is by necessity, however, a preliminary look at the sector which inevitably raises as many questions as it answers. It will be important that answers to these questions are forthcoming, since in them lies the key to the continued successful operation and vitality of the charitable service sector.

<sup>1</sup> There is no reliable measure for GDP at a municipal level. This figure is an estimate calculated from Alberta's GDP. Source: Planning and Development, City of Edmonton.

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**Appendix One:**

**Revenue Canada, Registered Charity Information  
and Public Information Return**

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A IDENTIFICATION

Registration Number

Registration Number input boxes

Return for Fiscal Period Ended

Fiscal Period input boxes (Day, Month, Year)

Is this the first return your charity has filed?

Yes/No checkboxes

If "NO", has the fiscal period changed from that shown on the last return?

Yes/No checkboxes

Does your charity meet ALL the exemption criteria set out in the Guide?

Yes/No checkboxes

Is this the final return to be filed by this charity? If so, please attach an explanation

Yes/No checkboxes

DESIGNATION OF CHARITY:

Is your charity

a Public Foundation

Checkbox A

a Private Foundation

Checkbox B

or a Charitable Organization?

Checkbox C

If the address shown above is incorrect or you can provide a more permanent address, please print the necessary corrections below. If organization's name is incorrect, please see the Guide

C/O Name or Position

Name/Position input boxes

Postal Address

Postal Address input boxes

City

City input boxes

Province

Province input boxes

Postal Code

Postal Code input boxes

B CALCULATION OF RECEIPTS AND DISBURSEMENTS FOR THE FISCAL PERIOD

Receipts from Gifts

Total gifts received for which your charity has issued "official receipts" for income tax purposes

Line 100 input field

Please give details about the amounts on line 100 as follows:

• Gifts from foreign sources

Line 900 input field

• Gifts of capital received by way of bequest or inheritance

Line 901 input field

• Gifts received subject to a trust or direction by the donor that they be held not less than 10 years

Line 902 input field

Total gifts received from other registered charities

Line 101 input field

• Gifts from line 101 which have been designated as "specified gifts"

Line 903 input field

Total gifts received for which "official receipts" have not been and will not be issued (gifts from other charities on line 101 and grants on line 103 are not to be included)

Line 102 input field

• Gifts from line 102 which are from foreign sources

Line 904 input field

Receipts from Other Sources

Federal, provincial or municipal grants and payments received

Line 103 input field

Investment and property income

Line 104 input field

Net realized capital gains (losses)

Line 105 input field

Income (loss) from any "related business"

Line 905 Gross input field

Net

Line 106 Net input field

Memberships, subscriptions, fees received

Line 107 input field

Other income (please specify)

Line 108 input field

Total Receipts (add lines 100 to 108 inclusive)

Line 109 Total Receipts input field

Please do not use this area	701	702	703	704

**Disbursements**

Total fund-raising costs .....	110	_____		_____
• Total fees from line 110 paid to fund-raising agents .....	906	_____		_____
Management and general administration costs .....	111	_____		_____
Total amount spent on political activities .....	112	_____		_____
Total amount of gifts to "qualified donees" (complete "Summary of Gifts to Qualified Donees" on page 4) .....	113	_____		_____
Please give details about the amount on line 113 as follows:				
• Gifts designated as "specified gifts" .....	907	_____		_____
• Gifts to "associated charities" .....	908	_____		_____
Total amount spent on charitable programs carried on by your charity .....	114	_____		_____
Note: Do not include amounts representing disbursements made during the fiscal period for the purpose of property accumulated - see relevant schedule and line 115 below				
Please give details about the amount on line 114 as follows:				
• In Canada .....	909	_____		_____
• Outside Canada .....	910	_____		_____
Amount accumulated with the permission of the Minister of National Revenue during the fiscal period .....	115	_____		_____
Other disbursements (please specify) .....	116	_____		_____
Total Disbursements (add lines 110 to 116 inclusive) .....	117	<input type="text"/>		<input type="text"/>

**C STATEMENT OF ASSETS AND LIABILITIES**

**Assets**

Cash on hand and in bank .....	118	_____		_____
Amounts receivable from founders, officers, directors, members, or organizations related to them .....	119	_____		_____
Amounts receivable from others (not included on line 119) .....	120	_____		_____
Investments other than rental property .....	121	_____		_____
LD Rental Property .....	122	_____		_____
Other fixed assets (e.g. land and buildings, etc.) .....	123	_____		_____
Inventory .....	124	_____		_____
Other assets (please specify) .....	125	_____		_____
Total Assets (add lines 118 to 125 inclusive) .....	126	<input type="text"/>		<input type="text"/>

**Liabilities**

Contributions, gifts and grants payable .....	127	_____		_____
Amounts payable to founders, officers, directors, members, or organizations related to such persons .....	128	_____		_____
Amounts payable to others (not included on lines 127, 128 and 130) .....	129	_____		_____
Mortgages, notes payable .....	130	_____		_____
Total Liabilities (add lines 127 to 130 inclusive) .....	131	<input type="text"/>		<input type="text"/>

**D REMUNERATION**

Total remuneration paid to employees carrying out charitable activities .....	132	_____		_____
Total remuneration paid to employees carrying out any other activities .....	133	_____		_____
Total remuneration paid to all employees (add lines 132 and 133) .....	134	<input type="text"/>		<input type="text"/>
Total remuneration (including benefits of any kind) paid to employees who were executive officers, directors or trustees of the charity .....	135	_____		_____
Number of individuals whose remuneration appears on line 135 .....	136	<input type="text"/>		_____

**E VOLUNTARY INFORMATION (Your co-operation in completing lines 137 to 143 would be appreciated)**

**Voluntary Work**

Approximate total number of hours contributed by all volunteers on all activities .....	137	_____
Percentage of volunteer hours devoted to:		
Fundraising activities .....	138	_____ %
Charitable activities .....	139	_____ %
"Related business" activities .....	140	_____ %

**Donations**

Approximate percentage of donations received from individuals .....	141	_____ %
Corporations .....	142	_____ %
Other Sources .....	143	_____ %

### G SUMMARY OF GIFTS TO "QUALIFIED DONEES"

To be completed by all registered charities that have reported gifts to "qualified donees" on line 113

Note: If you do not have enough space to list all the donees, please attach a separate sheet, using the headings below, and label it "Attachment to form T3010".

Name of Donee	Registration Number of Donee if a Charity	Location	Amount (Omit Cents)	Specified Gift (✓)	Associated Charity

### H IDENTIFICATION OF EXECUTIVE OFFICERS

To be completed by all registered charities

Please list below the name, address, telephone number and occupation of each current directing officer of the charity including, in the case of a parish or congregation, the name of the priest, minister or religious leader in charge.

Note: If you do not have enough space to list all the officers, please attach a separate sheet, using the headings below and label it "Attachment to form T3010".

Name	Position with Charity	Address	Telephone Number	Occupation

### I RETURN COMPLETION

Please provide the name, address, telephone number and occupation of the individual who completed this return.

Name: \_\_\_\_\_ Occupation: \_\_\_\_\_  
 Address: \_\_\_\_\_  
 Telephone Number: \_\_\_\_\_

### J CERTIFICATION

To be signed only by a current executive officer of the charity.

I \_\_\_\_\_ of \_\_\_\_\_  
 Name of officer whose signature appears below (please print) Address

HEREBY CERTIFY that the information given in this return and in all schedules and statements attached is true, correct and complete in every respect.

Signature of Authorized Officer	Position or Office within the organizational structure of the charity
Charity's Telephone Number 1 -         -	Date Day   Month   Year

**F INFORMATION DESCRIBING CHARITY'S PURPOSE(S) AND ACTIVITIES**

To be completed by all registered charities.

Note. If you do not have enough space, please attach a separate sheet and label it "Attachment to form T3010"

**Purpose(s)**

Give a brief statement of the primary purpose(s) of your charity.

**Activities in Canada**

Briefly describe the charitable programs which your charity carried on in Canada during the fiscal period. Please specify the location for each activity.

**Activities Outside Canada**

Briefly describe the charitable programs which your charity carried on outside Canada during the fiscal period. Please specify the location for each activity.

Were the activities outside Canada carried on

(a) by the employees of your charity itself?  Yes  No

If "Yes", print the total amount of salaries (including benefits of any kind) paid to them.

Print any other amounts provided to them for the purpose of carrying out these activities (e.g. for equipment, supplies, etc.)

1. \_\_\_\_\_

2. \_\_\_\_\_

(b) through an appointed agent(s) or authorized representative(s) of your charity?  Yes  No

If "Yes", print the total amount of the fees paid for their services including, in the case of an individual, amounts provided for personal living expenses.

any other amounts provided to them for the purpose of carrying out these activities

3. \_\_\_\_\_

4. \_\_\_\_\_

(c) in joint venture with a foreign charity or charities?  Yes  No

If "Yes", print the total amount your charity spent on projects of this nature.

5. \_\_\_\_\_

(d) by other means (please specify)

6. \_\_\_\_\_

Total amount spent on charitable programs outside Canada (add lines 1 to 6 inclusive)

Note: This amount should be equal to the amount printed on line 910 on page 2.

7. \_\_\_\_\_

Briefly describe the extent to which your charity directs, supervises and controls the application of its funds by agents, representatives or foreign charities acting in joint ventures.

**Appendix Two:**  
**Focus Group Agency Participants**

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## **Charitable Service Sector Agency Study**

### **Focus Group Participants**

AIDS Network of Edmonton  
Capital Health Authority  
Changing Together  
Personal Community Supports Association  
Edmonton Brain Injured Relearning Society  
Canadian National Institute for the Blind  
Edmonton City Centre Church Corporation  
Hope Foundation of Alberta  
Gateway Association for Community Living  
Canadian Mental Health Association  
Multiple Sclerosis Society of Canada  
Child and Adolescent Services Association  
Victorian Order of Nurses  
Alberta Association of Community Living  
Edmonton People in Need Shelter  
Edmonton Gleaners Association  
Mennonite Centre for Newcomers  
Arthritis Association  
Sexual Assault Centre of Edmonton  
John Howard Society of Alberta  
Boys and Girls Clubs of Edmonton  
Big Sisters and Big Brothers Society  
Edmonton Social Planning Council