

# Downturn will sink 10,000 non-profits: think-tank

## 'We're just beginning to see blood in the pool,' expert warns

BY JOANNE LAUCIUS, THE OTTAWA CITIZEN FEBRUARY 2, 2009

Between 10,000 and 12,000 of Canada's non-profits will fall victim to the current economic downturn, warns the head of a Toronto-based think tank.

That's one of every five or six of Canada's approximately 60,000 non-profits, Rick Blickstead told representatives of charities, government and academia at Carleton University last week.

While funding presents a problem, non-profits will go under because "they want to do the same things the same way because they don't want to look at partnerships," said Mr. Blickstead, a former senior retail executive and now CEO of the Wellesley Institute, which focuses on urban health and social policy.

Mr. Blickstead's estimate is based on projections made by the U.S. Rockefeller Foundation and adjusted for Canadian conditions.

Already, those seeking grants are competing for dwindling funds, he said. "I think we're just beginning to see the blood in the swimming pool."

The fate of Canada's non-profit sector in tight economic times is not a trivial question. The sector engages more than 12 million volunteers, generates more than \$112 billion in revenue and contributes almost seven per cent to the gross domestic product.

While the top five per cent of Canadian charities control about 85 per cent of the dollars, the vast majority of Canada's charities are "kitchen table" operations that depend on volunteers. That makes them vulnerable, said Mr. Blickstead.

On the plus side, in tough times communities rally to support local causes.

Non-profits are already collaborating and sharing resources such as office space and expertise. Now, they will have to think about merging with similar organizations that have similar missions in order to survive, he said.

And mission is important. The non-profits who stray too far from their missions are the most vulnerable.

Sheila Niven, an adviser to the governor of the Bank of Canada, predicted there will be a modest recovery next year. But she added that uncertainty is unprecedented. "Psychology is a big thing this time."

Many of those who attended the talk at Carleton agreed that perception counts for a lot. Non-profits work in a new psychological environment, said fundraiser and consultant Lynn Eakin.

"Now our leaders and our wealthy feel poor. That's a fundamental difference."

Some say the "shock wave" is still to come.

"I think the ripple effect has yet to hit," said Hilary Pearson, president of Philanthropic Foundations Canada, a national network of mostly private family foundations. She expects the wave to hit in 2010.

A survey of foundations her organization initiated last fall found that 86 per cent reported decreased investment income, and 54 per cent said they would be making fewer grants this year.

Some foundations will have to ask themselves hard questions, including whether they hold on to their endowments or fulfil their missions, she said.

"The shock wave will call into question the issue of perpetuity," she said. "There are moral and ethical questions around it. It's not all about preservation of capital."

Pollster Paul Adams of EKOS Research said Canadians are confused and girding themselves for the worst-case scenario. Donors want value for their money, which means they want get something back, whether it's a box of Girl Guide cookies or a raffle ticket.

Religious people are more likely than their secular counterparts to continue giving at the same levels. "Secular people see donations as a luxury," he said.

Meanwhile, donors will be more likely to give to causes that have directly touched them. Local charities will fare better than national ones, and national charities will fare better than international causes,

predicted Mr. Adams.

Donors will also prefer giving to immediate needs rather than future need, and will hesitate to give to charities that ask for weekly or monthly commitments, he said.

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