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# SECTOR SERIES 2022

Where do we  
go from here?

# CANADA'S NON-PROFIT SECTOR IS DIVERSE. AND YET, IT IS COMMONLY TALKED ABOUT AS A HOMOGENEOUS WHOLE.

This blunt approach to our sector is not only limiting, it also fails to adequately consider the unique characteristics and nuanced realities of the distinct sub-sectors that make it up.

In recognition of this diversity, KCI has developed a set of reports focused on each major sub-sector in Canada to explore where they go from here.

## **It's a timely undertaking.**

Between the COVID-19 pandemic, the ever-evolving definition of who and what is charity, and the re-examination of Canadians' beliefs around issues like equity and reconciliation, it's hard to think of a time when a greater number of transformative factors have affected fundraising and philanthropy in Canada. Through this series, we examine how this convergence of factors is impacting organizations in each major sub-sector, as well as how they and their fundraising models are adapting to remain relevant in 2022 and beyond.

We would like to thank the many sector leaders from across the country who contributed through their insights to the KCI Sector Series.

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The pandemic not only reinforced the depth of inequity in our society, but also the critical importance of community services organizations across the country in bridging the gaps in our social infrastructure. Early in the pandemic, community services organizations reported above average increases in demand for services, and were more likely to report increased expenditures. Many completely shifted programs and services to meet their community's most urgent needs.

For some, the increased public awareness of community services organizations resulted in a groundswell in fundraising support. For others, it's been a struggle to keep their mission front and centre while donor attention has been drawn elsewhere. Even within this broad spectrum of experience, there exist some common themes affecting community services organizations nationwide.

From a fundraising perspective, sector leaders are thinking about several key areas as we emerge from the pandemic: The post-pandemic case for investment, sustaining and diversifying donor support, strategically managing their workforce, and building on efforts in equity, diversity and inclusion (EDI).

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## 1 / SILVER LININGS: GROWTH IN REVENUES AND FUNDRAISING INNOVATION /

“The pandemic has given social service organizations a platform we’ve never had before. There is more understanding that we are part of the infrastructure that keeps our communities safe and healthy.”

Wendy McDowall, Chief Development Officer, YMCA of Greater Toronto.

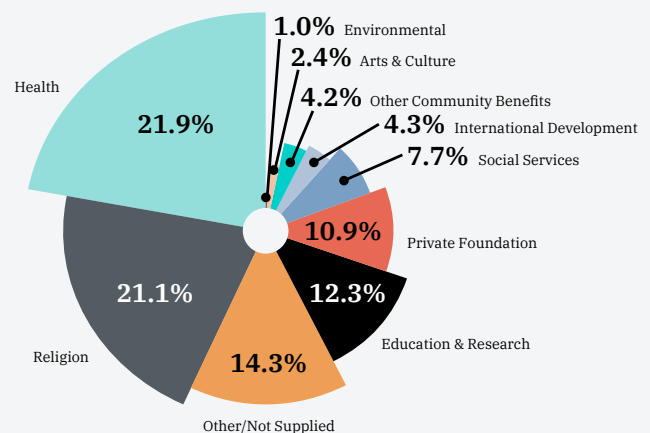
Prior to the pandemic, many community services organizations were reporting significant shifts in fundraising trends, with fewer donors giving more, declining events revenue and an increased focus on major giving. In the early months of the pandemic, events were cancelled, but many still saw growth in revenues driven, in part, by a marked **increase** in the number of major gifts. And while not universal, many organizations reported significant gains in their direct marketing programs.

According to CanadaHelps, Social Services received the greatest total online donations through its platform in 2020 and was the charity category that saw the second-highest growth in online giving (second only to Indigenous Peoples). And anecdotally, organizations like Salvation Army, many United Ways / Centraides and YMCAs reported achieving some of their best fundraising years ever during the pandemic.

### FY2020 FUNDRAISING REVENUE – COMMUNITY SERVICES ORGANIZATIONS

Total fundraising revenue reported by charities in Canada was \$33.6B in 2020. Community services organizations received \$3.9B or close to 12% of total (combination of Social Services and Other Community Benefits).

FY2020 Distribution of Fundraising Revenue (\$33.6B) by Sector



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It's generally acknowledged that another silver lining to this disruption is that the shift away from events forced organizations to explore potential in other fundraising programs and also drove a greater focus on individual donor relationship management. "It allowed us to dig into channels we'd ignored in the past", said one sector leader.

## 2 / PIVOT 2.0: SHIFTING THE CASE FROM CRISIS TO RECOVERY /

*“We need to be thinking about how to shift our approach - from talking about crisis to recovery.”*

Aaron Sanderson, SVP Advancement  
& Chief Development Officer,  
Kids Help Phone

While the pandemic isn't over, community services organizations understand they must evolve their organizational positioning from crisis to recovery mode in order to ensure their case for investment remains relevant and demonstrates urgency beyond the pandemic.

However, organizations are also ensuring their refreshed case stays rooted in historic impact (e.g. 'the world has changed, but we're here doing what we've always done best'), coupled with a concise vision for where the organization goes from here. The strength of this messaging will be particularly important for charities trying to renew support from new pandemic donors, who may be at greatest risk of lapsing.

Corporate support remains a key source of revenue for many community services organizations, but the landscape is shifting. To enhance corporate partnership efforts, organizations need to harness their strategic and storytelling capacity on two fronts: in reinforcing the organization's position as a strong community partner for social purpose, and in advancing the corporation's Environmental, Social and Governance (ESG) objectives, which are increasingly becoming the barometer by which corporate investments in charities are assessed.

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## 3 / A CASE WITH BROAD APPEAL /

Given their work and focus, community services organizations have a demonstrated ability to attract a broad base of donors, including younger donors and newcomers to Canada. According to CanadaHelps, younger people donated relatively more, compared to other demographics, to social justice-related Cause Funds through their platform. These donors are culturally diverse, educated and live in cities, and many are in the same groups that are active in the social justice movements or that are impacted by injustices.

This donor diversity is reinforced by Imagine Canada's [Multicultural & Newcomer Giving Report](#), which ranks Social Services high amongst sectors where newcomers to Canada and second-generation Canadians are likely to donate. Social services organizations including the United Way and Salvation Army rank high in top-of-mind awareness amongst this group. According to their research, people of South Asian (26%) origin were most likely to donate to Social Services, followed by those of Iranian (24%), Afro-Caribbean / African (23%), and Filipino (22%) origin. People of Chinese origin were least likely to donate to the sector (17%).

Charities in this sector also tend to have large numbers of donors at lower giving levels. As such, investing in data analytics as a means of identifying loyal donors with the capacity to increase their giving can yield a

high return and is an area of growing focus and interest among fundraisers at community services organizations.

## 4 / FORECASTING THE (UNCERTAIN) FUTURE /

Fundraising revenue forecasting is typically built on a combination of historic performance (the baseline) and prospect or program potential (the pipeline). But major changes in the fundraising program mix over the course of the pandemic, coupled with pandemic-induced fluctuations in donor support, is making it difficult for many community service organizations to determine where the baseline even is.

Although there may be a collective yearning for things to return to normal, many feel that the days of events, as they have been known, are over. Though some organizations achieved success at shifting to virtual events, the general consensus is that the future of events is likely a mix of virtual and in-person opportunities, with some uncertainty about what this will mean for event revenue.

The impact of rising costs and inflation is also creating a fair degree of uncertainty. A new [Ipsos Poll](#) reveals that 25% of Canadians are planning to give less to charities in 2022 and also shows that 26% of Canadians may in fact soon need charitable services to meet their basic needs.

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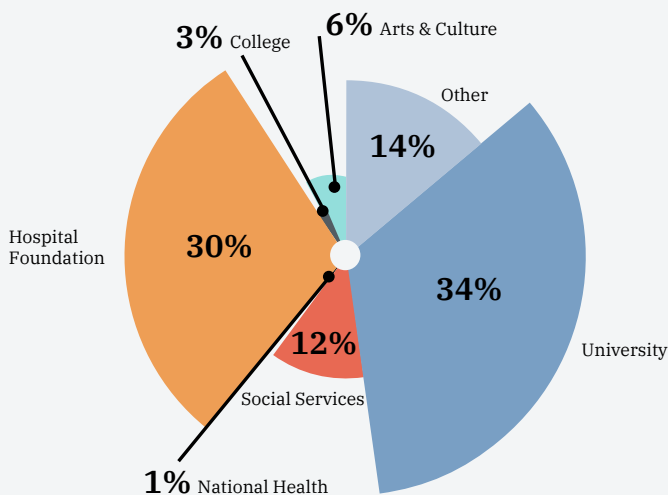
## 5 / GROWING RELIANCE ON MAJOR AND TRANSFORMATIONAL LEVEL GIFTS /

Given this economic reality, it is expected that community services organizations, like almost all charities in Canada, will need to prepare for greater reliance on major and transformational level donations. The Ipsos Poll also reveals that higher value fundraising channels are showing the most growth, including monthly giving (increasing by 21%), while donations of securities – including stocks, bonds, and mutual funds – generated 91% more in dollars raised than the previous year.

According to KCI's tracking of major giving in Canada, community services organizations are a popular destination for these types of gifts. However, they have historically demonstrated greater capacity to attract gifts between \$500,000 and \$5M than philanthropy at larger gift levels. In addition, the source of these types of gifts has skewed more corporate than other sectors. (See tables on page 7.)

The future of major and transformational giving in social service charities will be to continue to attract 7-figure donations while growing the interest in their work as a place to invest 8-figure+ gifts from individuals.

Value of \$500K+ Gifts by Sector (2012-2021)



Source: KCI

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## Distribution of \$500K+ Gifts by Size Across Sectors of Interest (Last 5 Years only, 2017-2021)

	Arts & Culture	College	Hospital Foundation	National Health	Social Services	University	Other	Grand Total
\$10,000,000+	12	5	53	1	16	51	23	161
\$5,000,000 - \$9,999,999	12	7	36	2	17	55	27	156
\$500,000 - \$4,999,999	80	67	314	18	284	300	152	1,215
<b>Grand Total</b>	<b>107</b>	<b>81</b>	<b>407</b>	<b>21</b>	<b>317</b>	<b>408</b>	<b>204</b>	<b>1,545</b>

## Distribution of Count \$500K+ Gifts by Source (Last 5 Years, 2017-2021) – as % of Total

	Arts & Culture	College	Hospital Foundation	National Health	Social Services	University	Other	Grand Total
Corporate	3.8%	5.4%	21.2%	2.0%	33.3%	20.4%	13.9%	100.0%
Foundation	5.7%	4.3%	24.0%	1.3%	23.3%	30.0%	11.3%	100.0%
Individuals	9.5%	5.4%	30.9%	0.9%	11.1%	29.1%	13.1%	100.0%
<b>Grand Total</b>	<b>6.9%</b>	<b>5.2%</b>	<b>26.4%</b>	<b>1.4%</b>	<b>20.7%</b>	<b>26.4%</b>	<b>13.0%</b>	<b>100.0%</b>

## 6 / BALANCING PERFORMANCE WITH SUPPORT FOR STAFF /

Leaders across all sectors are thinking deeply about how to effectively engage and manage talent through the transition to the post-pandemic workplace. There is widespread acknowledgment that staff are struggling to maintain both personal and professional motivation. And the wells of energy to pivot and innovate that were drawn upon so heavily during the pandemic are starting to run dry.

This phenomenon is particularly acute among community services organizations.

Other than frontline healthcare providers, no other sector has seen more strain, pressure and demand on their services and their staff, something that is only expected to continue as we recover from the pandemic. As such, many leaders in this sector are placing significant focus on employee wellbeing and morale.

Talent management going forward is unlikely to be a one-size-fits-all approach. Strategic and empathetic leadership will be required to simultaneously foster a collective team purpose while accounting for individual workplace expectations. Managers must engage staff in individual conversations about how to rebuild motivation and engagement for the next chapter of work.



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## 7 / DEMONSTRATING CONSISTENT AND INTEGRATED EDI EFFORTS /

*“Corporations are increasingly being approached by organizations that are grassroots, equity-led coming to them and asking for funding to support their communities. All charities must provide the case of being an equity-led organization.*

Danisha Bhaloo-Shivji, Manager of Development & Communications, Boys & Girls Clubs Big Brothers Big Sisters of Edmonton & Area

Addressing inequality is an area of focus for many social services organizations and will continue to inform the case for organizations going forward. The understanding that organizations who are diverse are more effective at serving diverse populations is not new, but has also never been higher amongst funders and the public-at-large. It's clear that donors and

funders are looking for evidence, as opposed to expressed organizational commitment, that meaningful advances in Equity, Diversity and Inclusion (EDI) have been made.

EDI efforts must be evidenced in both the organization's strategy, but also in its public-facing messaging. As it relates to the case for support, community services organizations are increasingly committed to equity and inclusion by depicting the populations they serve as being empowered, rather than in need of 'being saved'. Meaningful advances in EDI efforts are also incredibly important to success in talent recruitment, with more candidates increasingly seeking out organizations that reflect a broader diversity of thought and talent and that have proven they can deliver on their EDI goals.

## 8 / THE ROAD AHEAD /

The increased awareness of the role and impact of our community services organizations doesn't change the 'why' for these organizations, but it does change the 'how'. Throughout the pandemic, fundraisers at community services organizations have successfully seized on opportunities as they've arisen, while simultaneously trying to mitigate losses. The challenge now is to identify the gains that have the greatest potential, and ensure that the organizational case and resources are strengthened to meet the road ahead.

## **About KCI**

We are Canada's leading consultants to the non-profit sector with professionals across the country in fundraising, strategy, research & analytics, and executive search.

Our core purpose is to inspire and enable organizations to raise money, to make the dream of better communities and improved lives a reality. And through our nearly 40 years of experience, we've helped thousands of organizations craft their strategies, build their teams, and raise billions of dollars in the education, health, social service, arts & culture and religious sectors.

In doing that work, we firmly place our focus on values and people... both ours and yours. We are proudly and resolutely guided by our core values: the highest integrity in all our actions; commitment to excellence and innovation in everything we undertake; openness to new ideas; and collaborative and respectful relationships with our colleagues and our clients. We hire to these values and live them every day. And because we know the future won't look like the past, we hold capacity building, knowledge sharing and insight creation at our core.

We have made it our business to know What's Next.



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