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Smaller charities have larger woes

Low costs, high expectations don't mix
Bigger is better in the non-profit sector

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STAFF REPORTER

Olympic cycling medallist Curt Harnett had anticipated that it would be easy getting sponsors to rally around the cause of helping disadvantaged kids participate in organized sports.

But in the past four years Harnett has discovered that getting a small grassroots charity off the ground is a Herculean task, regardless of how worthwhile the cause.

"A lot of people like the idea of helping kids, but they want to see the kids they're helping," said Harnett, who assisted in setting up KidSport under the umbrella of the Sport Alliance of Ontario.

KidSport organizers had deliberately sought to keep the low-income children they were trying to aid far in the background.

"We used a stick-figure child in all our promotional material. We didn't want to parade kids out," said Harnett, director of marketing and development for Sport Alliance of Ontario.

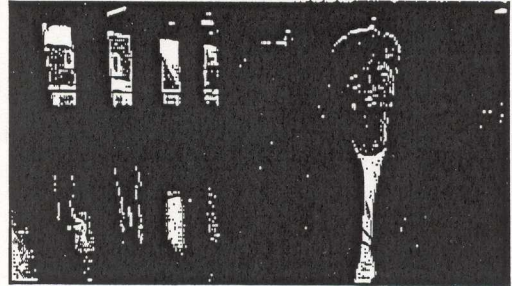
While the 15 small local chapters of KidSport dotted around Ontario have had some success doing individual fundraising at the community level, Harnett said the charity has struggled to find a major corporate sponsor at the provincial level to provide the organization with the infrastructure it needs to thrive.

KidSport has received donations and gifts in kind from various companies, but core support has remained elusive.

How does this match our strategic vision? What kind of recognition will our company receive? How will you demonstrate the impact of our investment?

These are the kinds of questions Harnett had to field when he went knocking on the doors of companies.

"They want to know what event you're going to run where they can get their name in lights," he said.



DAVID COOPER/TORONTO STAR

Pam Jolliffe, executive director of Boys and Girls Clubs of Canada, says fundraising for basic infrastructure — office staff, utilities, etc. — has become a hard sell.

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Although increasing dollars are being pumped into the charitable and non-profit sector each year, the vast majority are being funnelled into a minority of large organizations at the top, which can meet the greater demands of donors and government funders.

As a result, many smaller charities and non-profits, often recognized as the innovators in the sector, are struggling to survive.

The top 2 per cent of non-profits account for about 75 per cent of all the resources that flow to the entire sector, said Paul Reed, senior social scientist at Statistics Canada.

"There is a very small number of very large organizations, and they account for far and away the lion's share of all the dollars going through the sector," said Reed, who is also director of the Centre for Applied Social Research at Carleton University.

"The small ones, as soon as they lose a grant, they're up a creek. They start withering."

Reed said the increasing demands of donors and funders have made dollars less accessible to smaller non-profits.

"Government departments, foundations, big donors — they all want a report that spells out how the money got spent," Reed said.

"A non-profit might have to write six different reports every quarter, to six different funders. This might require an extra person on staff just to produce reports, and smaller charities couldn't handle this."

Reed said the current state of affairs puts many non-profits in a straitjacket, and that is hindering the sector as a whole.

Boys and Girls Clubs of Canada seems to have adapted well to the changing landscape, achieving a consistent increase in dollars raised each year over the past several years.

But Pam Jolliffe, executive director of the after-school clubs' national office, worries about the overall health of the non-profit sector and points to the imposition of project-based funding as a major culprit.

"What used to come in to help support the trunk of an organization has been withered away," Jolliffe said.

"Neither governments nor donors want to fund infrastructure.

"We're being asked to be more effective and accountable, but at the same time no one wants to fund any staff. It is a catch-22 situation."

During a recent luncheon speech at the Empire Club of Canada, Georgina Steinsky-Schwartz, president of the Canadian Centre for Philanthropy, challenged business leaders to contemplate running their businesses on the basis by which they expect non-profits and charities to operate.

The expectation that charities are

somehow going to raise money without spending money is crippling our ability to save lives'

Ken Wyman, Humber Institute

"Would you run your organization with no administrative backbone, no supervisory personnel?" Steinsky-Schwartz asked.

"It is clear that the focus on project funding is becoming dysfunctional."

Ken Wyman, who teaches a postgraduate-level fundraising program at the Humber Institute of Technical and Applied Learning, said it's important for the public to understand what's at stake when non-profits can't make a go of it.

"They are increasingly providing the social safety net to those in need. Charities save people's lives," Wyman said.

"The expectation that charities are somehow going to raise money without spending money is crippling our ability to save lives.

"How are we going to reach out to new people if we can't spend some money? If we simply wait for Canadians to wake up one morning and become spontaneously generous, then children will die in the meantime," Wyman said.

Frances Lankin, president of the United Way of Greater Toronto, believes it's important for the public to distinguish between necessary administrative costs that are required for a non-profit to carry out its work and the percentage of dollars an organization actually gets to keep after subtracting fundraising costs.

Lankin said that if a canvasser told her that only 20 cents of every dollar being raised ends up in the hands of the charity, she wouldn't donate.

But it's important to recognize that, "for an organization to meet the needs in a community and be able to innovate, it has to have stable infrastructure," she said.

The United Way is one of the few organizations that provides core funding to help non-profits keep the lights on and pay for staff.

"The United Way is a way for those small agencies that don't have access to individual donors, because they're not a 'brand name' organization, to access funding."

Tim Brodhead, president of the J.W. McConnell Family Foundation, one of the country's oldest private grant-giving bodies, said he fears some non-profits are being squeezed out of existence because of an inability to do basic things like pay staff enough to keep them.

"We as Canadians have to ask ourselves if the non-profit sector is important," Brodhead said.

"If it is, then it is in our interest to make sure that it works," he said.

The McConnell Foundation is among the few that will consider supporting core costs.

"If 20 per cent is considered a reasonable overhead for an organization to function and remain healthy, then donors should accept that part of their funds would contribute to this," Brodhead said.

Much of the non-profit sector is now adopting the language of business to describe how organizations must adapt to compete, seeking to "brand" themselves and serve a "niche market."

Reed is troubled by what he sees as the "corporatization" of the non-profit sector.

"Do we want a society," he asks, "where branding and niche marketing has to preoccupy charitable organizations?"

But Bill Young thinks it may be time to devise an alternative, bridging the divide between the private sector and the not-for-profit sector, and at the same time address societal ills.

Young, who made his wealth in the computer industry, now runs an organization called Social Capital Partners.

His aim is to provide funding to groups looking to create a business that expects to make a profit but will train, employ and exist for the benefit of disadvantaged individuals.

For instance, Social Capital Partners has helped to fund a start-up renovation company in Winnipeg, run by a social housing agency, which hires and trains aboriginals to upgrade rundown homes in the inner city.

Young has also provided seed money to a small Toronto courier company that gives street youth their first opportunity at a job.

"Canada needs more of these types of organizations, where they are trying to generate social good *and* be self-sustaining," Young said.

"This notion of relying on government to solve our structural social issues is not a long-term fix."

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