

Community Dispatch

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FUNDING MATTERS: A WARNING AND AN OPPORTUNITY FACT SHEET #3: ADMINISTRATION: THE NEW DIRTY WORD IN FUNDING

*The Canadian Council of Social Development (CCSD) has produced a seminal report, "Funding Matters: The Impact of Canada's New Funding Regime on Nonprofit and Voluntary Organizations." This study analyses changing funding patterns throughout Canada and their impact on voluntary sector organizations. The findings of this study compliment the results of community-based research conducted in Halton in recent years that identify major funding issues and their consequent impact on the quality and accessibility of community services. Community Development Halton has prepared five Community Dispatches of the Fact Sheets prepared by CCSD for the June 2003 launch of their study. I believe this information is essential for all those in leadership roles in the nonprofit and voluntary sector. Furthermore, a workshop, **Funding Matters: A Warning and An Opportunity**, for senior managers, Board members, funders and concerned citizens is planned for **Tuesday November 25, 2003**. Katherine Scott, author of the CCSD report, will give the keynote address. Details will be available shortly.*

Joey Edwardh

Vital Operating Expenses Few Want To Fund

Funders are now very reluctant to cover administrative costs that cannot be directly tied to a project or program. Organizations can typically include a portion of administrative costs, such as rent, in a project budget. But funders take a narrow view of allowable expenses and many do not permit organizations to charge any administrative fee at all.

Q. Isn't it reasonable to expect that nonprofit and voluntary groups should

devote as much of their funding as possible to programs?

A. Absolutely. But this expectation has evolved into an unreasonable demand that virtually all monies be strictly directed to programming.

Many study participants expressed frustration over their inability to charge – much less recoup – the real costs of their programs under the terms of many funding agreements and contracts. Moreover, the trend towards fixed-price contracting is compounding these difficulties year after year. The ramifications for nonprofit and voluntary groups are enormous:

- Two-thirds (66%) of organizations surveyed reported cash flow problems related to the project-funding regime. Many indicated that they could not meet their payroll obligations on several occasions.
- The project-funding model eats away at the sustainability of organizations. Programming is pared to the bone, important activities are dropped, and capital and infrastructure costs are deferred – all in an effort to make up for non-program costs that are not recognized in the rigid project budgets.
- The ban on funding administrative or core organizational costs directly undermines the viability of programs.
- Organizations are experiencing increasing difficulties in providing the infrastructure necessary for effective program delivery.

- Funders – in many cases, governments – are increasingly slow in signing project contracts, and organizations cannot bill for any costs related to the start-up or operation of their projects – sometimes for weeks after the start date – until the contract is formally signed.
- As a consequence, only groups which have access to commercial credit or have

substantial financial reserves can afford to take on these contracts

For more information on *Funding Matters: The Impact of Canada's New Funding Regime on Nonprofit and Voluntary Organizations*, visit the CCSD website at: <http://www.ccsd.ca/pubs/2003/fm/>



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