

# Community Dispatch

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## FUNDING MATTERS: A WARNING AND AN OPPORTUNITY FACT SHEET #5: THE FUNDING FALL-OUT

*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

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### The Toll Exacted By The New Funding Regime

Nonprofit and voluntary groups must now devote a disproportionate amount of time to securing funds and reporting back to funders. This time-consuming process diverts organizations from their key activities and affects the programs and services they provide to millions of Canadians.

**Q. But what's wrong with greater accountability? After all, Canadians want to know that their tax dollars are being spent wisely.**

**A. Nonprofit and voluntary sector organizations support the need for effective accountability. But they challenge the current emphasis on accountability to funders – through onerous reporting procedures – at the expense of accountability to their own beneficiaries, members and communities.**

Survey participants suggest that monitoring requirements have taken on a life of their own, imposing heavy demands that threaten the sustainability of many organizations, particularly the smaller ones.

Not surprisingly, human-resource fatigue was a top concern. The new funding climate has placed greater demands on staff and volunteers at most organizations, as they stretch themselves to the limit to remain faithful to their mission. In fact, 57% of groups surveyed reported greater difficulties in staying connected to their constituencies. Other worrisome trends include:

- Organizations must hire and let staff go like revolving doors or find money to bridge salaries until the next project-funding period. The uncertain funding climate certainly impedes their ability to plan ahead.
- Seven of 10 organizations surveyed said the funding changes had affected their beneficiaries, while 77% said the new funding practices had restricted their ability to meet community needs.

- As organizations scramble to qualify for narrowly prescribed program funding, some are being pulled away from their primary mission, which may ultimately hurt their credibility in the community and may hurt the community itself. One-third of organizations surveyed said they had, in fact, experienced “mission drift.”
  - Advocacy has historically been an integral role for many nonprofit and voluntary organizations. But some groups are speaking out less often on behalf of their constituencies because they are concerned that it may hurt their efforts to cobble together programs and partnerships in this new funding climate.
- Cleavages in the sector have opened up between large organizations and smaller groups that are less equipped to compete for funding dollars.
  - Organizational instability because of volatile funding makes it difficult for groups to build social capital and foster active citizenship.

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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