
Backgrounder

The Canadian Nonprofit Sector

The nonprofit sector is estimated to contribute between 4 and 10 percent of Canada's Gross Domestic Product (GDP). Yet, neither governments nor researchers can state conclusively how many organizations are in the sector, and other key data are missing. Information on the size, scope and characteristics of the nonprofit sector is urgently required so that policymakers in Canada can better anticipate the effects of the changing role of government and understand the dynamics of civil society.

What's in a Name?

What exactly are nonprofits? The many existing definitions of "nonprofit" add to the confusion, as do the varied activities undertaken by these organizations. There are registered charities, such as religious organizations and social services groups. There are hospitals and universities, which are also charities but are funded largely by government grants. Then there are noncharitable organizations that operate on a not-for-profit basis. These include some housing cooperatives, day care centres and boards of trade. A broad definition comprises both registered charities and noncharitable associations, including those that are registered with the government and those that are not.

Measuring the Nonprofit Sector: What Current Data Tell Us

Statistics from Revenue Canada are the primary source of data on nonprofit organizations. Registered charities must submit an annual information return; all other nonprofit organizations must file financial data only if their annual revenues or total assets exceed a certain threshold. Unfortunately, this means that Revenue Canada data are only capturing a small subset of the noncharitable nonprofit sector. Further complicating the matter, the forms for registered charities have not been a reliable source of financial information.

Registered Charities:

In 1996, slightly more than 74,000 registered charities were active in Canada, more than double the number registered in 1969. Almost half of these were religious organizations. Welfare organizations were the next most numerous, followed by educational organizations.

Noncharitable Nonprofit Organizations:

Although noncharitable nonprofit organizations are seen to comprise a significant portion of the nonprofit sector, it has been nearly impossible to obtain an accurate count of these organizations in Canada. The most recent guesstimate, gathered from information provided by federal, provincial and territorial governments, is about 100,000.

These organizations differ in character from registered charities. For instance, the revenues for noncharitable nonprofits are typically generated from the organizations' activities. Membership fees constitute the second largest source of revenue, while government grants come third.

Rooted in History: A Special Relationship with Government

Some of the most pressing questions about the nonprofit sector involve its relationship with government. The original role of nonprofits was to provide essential social services, such as schooling and health care. Citizens still look to the sector to fill some of the gaps left behind by government.

Governments in Canada have a long history of providing funding to the nonprofit sector, and now account for more than 50 percent of total revenues. Despite government spending restraint in the 1990s, government funding of charities appears to have risen perhaps because governments are contracting out more services to nonprofit organizations. More information is needed on which government services these are, and the extent to which the nonprofit sector provides services under contract to governments.

Governments also provide tax relief to individual and corporate donors. Charities would likely suffer financially if income tax deductions for individuals and credits on charitable donations for corporations were to be altered or removed. Alternatively, donations might very well increase if the tax treatment were improved.

Opening Our Hearts and Our Wallets to Nonprofits

Canadians contribute both their time and money to nonprofits. According to Statistics Canada's 1987 Volunteer Activity Survey, more than five million people, or 27 percent of Canadians, volunteered in organized activities that year. A higher number, 66 percent, took part in informal volunteer activities. In total, Canadians are estimated to have supplied some one billion hours of volunteer work in 1987, for a value of \$13 billion.

Not surprisingly, corporations tend to give much larger gifts to charities than do individuals, with the average corporate contribution in 1987 being well over \$5,000 as compared to about \$180 for individuals. In a five-year survey conducted by the Canadian Centre for Business in the Community (CCBC), the average total contribution per company was highest in the banking industry and second highest in the beverage and tobacco industries.

Working Toward a Research Agenda

At this time, researchers have only a partial picture of the nonprofit sector. To assess the overall importance of nonprofits, information is needed in basic areas such as finances, employment and

activities of charities. More qualitative information on the characteristics of nonprofits is also needed.

Details on the following topics would help researchers build a more accurate profile of the sector, and more accurately define its role in our economy.

- 1. Sources of Support:** to what degree do nonprofits rely on private donations; volunteer time; government funding or earned income?
- 2. Beneficiaries:** are they the members of an organization or the general public?
- 3. Size:** what is the annual revenue and what are the organizations' paid and unpaid resources?
- 4. Activities:** what types of activities do they carry out and what resources do they use?
- 5. Legal Form:** how many organizations are considered corporations, unincorporated associations or trusts?
- 6. Organizational Structure:** are the organizations local or national; do they have provincial offices?

Many questions remain about the role of the charitable sector in the Canadian economy. Before these can be addressed, more and better information must be made available. Already, Revenue Canada is planning to step up its review process of the information returns submitted by registered charities. A similar review process needs to be established for the information returns filed by other nonprofit organizations. In addition, the Canadian Centre for Philanthropy, and Volunteer Canada, will initiate a pilot survey of giving and volunteering.

Nonprofits can help in the information gathering by keeping better records of volunteer activities and employment, and improving the quality of reported data on revenues and expenses.

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