

# **Demonstrating the Economic Contributions of Community Sector Organizations in the St. John's Region: A Pilot Study**

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**September 2015**



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The authors of this report are Darlene Scott, Dr. Wade Locke and Penelope Rowe. Interviewing and research assistance was provided by Alyssa Coombs. The authors wish to thank Prajwala Dixit for interviewing, research assistance and data analysis throughout the pilot study period.

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## About CSC NL

*Community Sector Council Newfoundland and Labrador (CSC NL)* is an independent organization promoting social and economic well-being. Its goal is a prosperous and inclusive society that supports individuals, families and communities. The mission of CSC NL is to encourage citizen engagement, to promote the integration of social and economic development and to provide leadership in shaping public policies. CSC NL is committed to strengthening and promoting the essential role that community sector organizations play in building healthy and prosperous communities.

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## About CARE

*Collaborative Applied Research in Economics (CARE)* promotes applied economic research within the Atlantic region to promote greater understanding of the economy of Newfoundland and Labrador and the Maritimes and create and share knowledge about wider social impacts. CARE is administered through the Department of Economics at Memorial University of Newfoundland. It is funded by the Atlantic Canada Opportunities Agency (ACOA), Husky Energy, the Government of Newfoundland and Labrador and Memorial University.

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## Acknowledgments

CSC NL and CARE wish to thank the board and staff of the 45 organizations who took the time to meet with our researchers, answer questions and provide the documentation needed to aggregate these findings. A list of the organizations is appended. Thanks are extended as well to our volunteer advisors Shirley Alexander of Grant Thornton, Ross Klein, Faculty of Social Work, Memorial University, Greg Noel, Lung Association, Newfoundland and Labrador, and Sean Wiltshire, Avalon Employment Incorporated. Funding for this pilot study was provided by CARE and CSC NL. Thanks are due to Amanda Halliday for document design and formatting.

## Preface

*The community sector (the nonprofit or voluntary sector) alongside the private and public sectors makes significant contributions to the economy. Community sector organizations hire employees, rent facilities, purchase goods and services from the private sector and remit taxes; such financial activities have largely gone unrecognized.*

*Typically society understands the immense value of nonprofit groups to the quality of life through their contributions to social outcomes and wellbeing. Through unpaid board leadership and the engagement of thousands of volunteers, the sector has a unique place in our society.*

*In conceiving this study the Community Sector Council of Newfoundland and Labrador (CSC NL) wanted to explore the economic impact of community organizations. Together with the Collaborative Applied Research in Economics (CARE), Department of Economics Memorial University of Newfoundland a pilot study was designed to research their economic contributions and determine if the impact could be measured. We are delighted that 45 community organizations stepped up to participate in this groundbreaking study.*

*The profile that emerges is important. It highlights significant economic contributions through the generation of employment, purchase of goods and services, provision of important programs and supporting arts and cultural activities that enhance opportunities for social and economic development and diversification. Through these nonprofit groups considerable money flows to individuals, the business sector and three levels of government through taxes and other expenditures.*

*The results of this pilot study shed a new perspective on the value of the community sector. We hope they will be used by community sector groups, funders, the public and policy makers to further strengthen the capacity of nonprofit organizations to continue making meaningful contributions to the local economy.*

*CARE and CSC NL are most grateful to the individuals and organizations who invested significant effort to support this important research. Without their trust and willingness to share information this pilot would not have been possible. We look forward to pursuing the findings with colleagues to continue to build a solid knowledge base about the community sector in Newfoundland and Labrador.*

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## Executive Summary

This report demonstrates that community-based organizations led by volunteers make significant contributions to the economy. The Community Sector Council Newfoundland and Labrador (CSC NL) aggregated recent annual revenues and expenditures of 45 incorporated community groups to demonstrate their contributions to the economy of the St. John's region. CSC NL data in this pilot study was examined in detail by Memorial University's Collaborative Applied Research in Economics (CARE) initiative to ensure accurate measurement of the contributions.

CARE demonstrated that an Input-Output Model (IOM) of economic analysis can be applied to community groups. Its results show that annual spending of almost \$61 million by community organizations accounts for the creation of more than 1,200 full-time jobs in the economy. The majority, 804 full-time equivalent positions, are accounted for by direct employment and an additional 475 are created by local spending and activity by businesses that supply the community groups with goods and services. This means that for every two direct jobs in the community sector, an additional 1.2 full-time positions are created by their spending. In dollars and cents, the community groups meet almost \$34 million in salaries. The IOM analysis shows that direct spending by their employees, combined with indirect and induced spending by suppliers, accounts for an additional \$17 million in wages, salaries and benefits in the economy.

The injection of almost \$61 million of total spending by the community groups for wages, programs and operations, creates direct, indirect and induced spending on sales, goods and services of more than \$169 million. More than \$18 million is returned to the provincial, federal and municipal governments from spending by community groups as they go about meeting their missions. Spending by community groups has a positive impact on the Gross Domestic Product (GDP), exceeding \$74 million.

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# 1.0 Introduction

Community sector groups are focused on satisfying social missions but are also employers, tenants, property owners, consumers and service-deliverers. These organizations manage budgets, employ skilled workers, contribute to the tax base and exercise their substantial purchasing power within the local economy. However, groups that operate on a nonprofit basis are more likely to be recognized in terms of their missions; their contributions to the social good; the positive outcomes delivered to their clientele and general improvement in the quality of life within the communities in which they operate. Yet, these groups which do 'good' for our communities also spend real dollars and cents purchasing actual goods and services and, as such, contribute in a significant way to the local economy. Because these impacts are often overlooked, this report addresses the extent to which community groups may contribute to local economic activities. This report fills a research void by demonstrating their economic contributions.

## 1.1 Purpose

The Community Sector Council Newfoundland and Labrador (CSC NL) in cooperation with Memorial University's Department of Economics, Collaborative Applied Research in Economics (CARE) initiative examined the revenues and expenditures of a group of provincially-incorporated, voluntary sector, community-based groups in a pilot study to determine if their economic contributions could be demonstrated quantitatively.

CSC NL was particularly interested in meeting a longstanding desire in the community sector to demonstrate value of community organizations above and beyond quality of life or social impact metrics that are often put forward. CARE's interest was twofold. Firstly, CARE wished to test a standard economic IOM<sup>1</sup> on data collected in the community sector to ascertain if the methodology could be applied more widely than to public or private sector entities. Secondly, CARE had an interest in better understanding the community sector's contribution to the local economy.

## 1.2 Scope

These results are compiled from a study in the St. John's region with 45 nonprofit organizations. CSC NL made a public call in 2014 for pilot study respondents seeking

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<sup>1</sup> The effect that a level of economic activity has on a given area, in terms of gross value added, income and jobs generated, may be defined as an economic impact (Weisbrod & Weisbrod, 1997). Measured by calculating the net effect or the gross effect, economic impact analysis more often than not, utilizes economic models like the IOM to estimate or forecast income, jobs and sales generated due to a project, facility or a sector. The IOM utilizes existing statistical information related to the flow of various goods, services, income and employment amongst the related sectors within a given economy (Lin, 1999). The specific model used in this study has been used in more than 400 studies from coast to coast to assess the economic impacts of various sectors, including universities, airports, mining and services sectors.

groups who met certain criteria for inclusion: legal incorporation, year round operations, staffed, with at least one office location. Interested respondents were asked to provide recent financial statements, meet with CSC NL researchers and to complete a detailed questionnaire on finances. As a result, the study was conducted with well-established organizations interested in economic impacts and willing and able to assign research time.

Although the organizations in the sample served many community purposes, they were clustered primarily in areas of ability or disability support, health, family and youth services, and arts and cultural endeavours. This report provides a snapshot of annual operations and spending for the sample, alone. All information is in aggregate form; individual organizations may or may not have had spending in some or all of the categories. This report deals with totals of revenues and expenditures for the sample of 45 organizations.

Please note: figures in tables may vary slightly or contain small corrections due to unavoidable rounding errors.

## 2.0 Methodology and Description of the Sample

The in-depth nature of the pilot study, including the need to gather accurate and comprehensive financial information, required the participation of organizations that were willing to invest board and staff time in detailed examinations of documentation on their operations. All participation was voluntary. A total of 45 nonprofit organizations responded to the CSC NL publicly-advertised invitation. The research was carried out in late 2014 and early 2015.

### 2.1 Data Collection

CSC NL researchers interviewed senior staff and board members of community organizations in the St. John's region and examined recent financial statements to gain a one-year snapshot of their financial position. The data is current. A set of formal financial statements for either fiscal year 2012, 2013, or 2014 was examined in each instance. As illustrated in Table 1, most sets of statements were less than a year old.

**Table 1: Fiscal Year End for which financial statements were available (N=45)**

<b>Fiscal Year</b>	<b>Number of organizations</b>	<b>Percent of the sample</b>
2012	2	4.4%
2013	8	17.8%
2014	35	77.8%
<b>Total</b>	<b>45</b>	<b>100.0%</b>

Revenues were aggregated into 14 source categories, including levels of government, earned revenues, fundraising efforts, corporate sources, foundations and investment income. Expenditures were aggregated into four broad categories. When compiled, the data on spending was analyzed by CARE through the use of EcoTec Consultants' IOM.<sup>2</sup> This model has been used in prior research to measure impacts at universities, airports and so on, but not applied, before now, to community-based spending in the nonprofit sector in NL.

### 2.2 Description of the Sample (N=45)

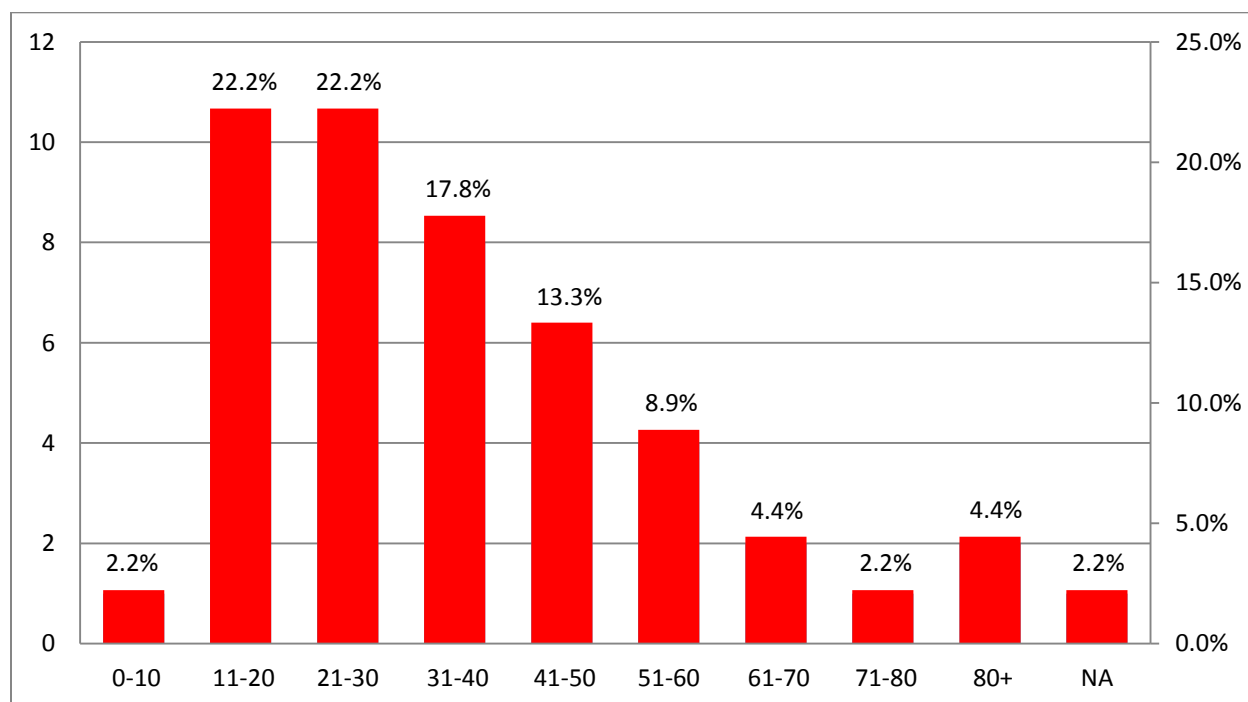
Respondent organizations operated primarily in St. John's, the City of Mount Pearl or the Town of Conception Bay South. Each organization was legally incorporated to conduct business as a nonprofit corporation without share capital.

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<sup>2</sup> EcoTec Consultants is a Quebec-based consulting firm which specializes in the field of economic impact studies and regional economic development. Over the last 31 years, EcoTec has completed over 400 assignments, most of which in the resource sector. EcoTec Consultants state of the art economic models are built on an Input-Output (I/O) core, which is integrated with econometric modules that cover the whole country (Locke & Lynch, 2014). This analysis used tables specifically relevant to the nonprofit sector

The organizations were mature and well-established, with demonstrated financial oversight. Each organization had an operational board of directors in place and a large majority had been either formally audited or recently undergone an external financial review engagement (FRE). As illustrated in Figure 1 the majority of organizations within the sample had been in existence for more than a decade, and some of them for several decades. On average, the organizations had been in operation for 38.8 years.

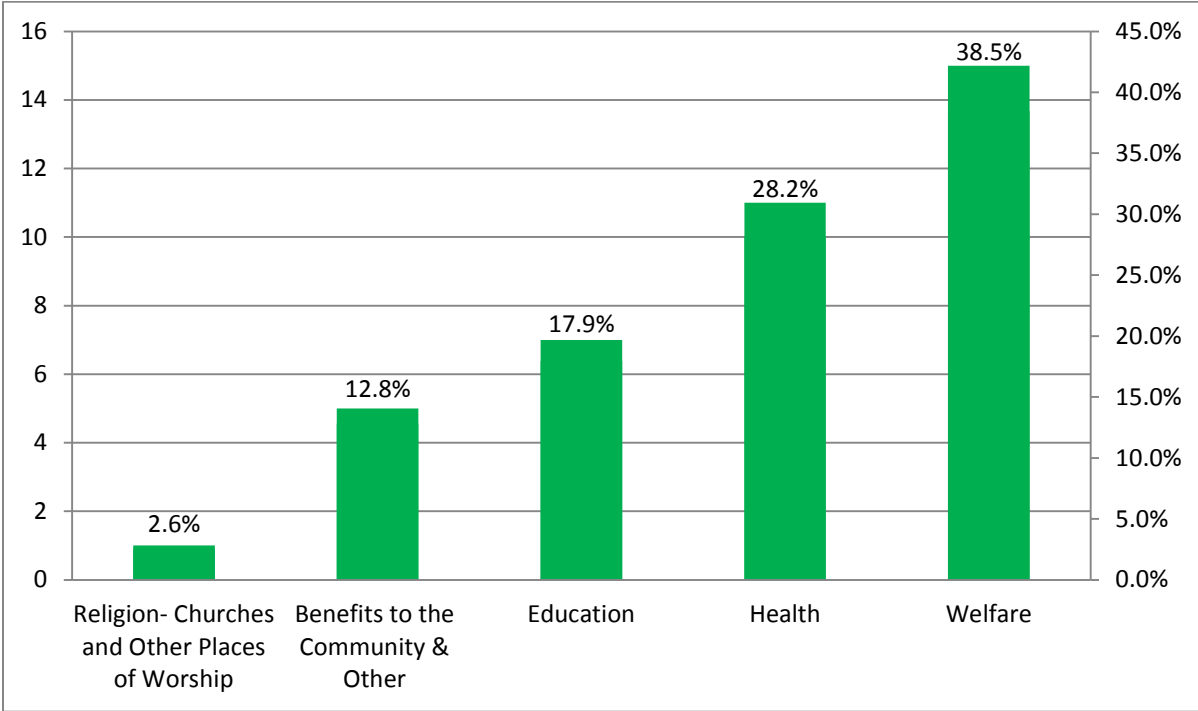
**Figure 1: Distribution of Sample by Years of Operation (N=45)**



A majority of the respondent organizations, 39 of 45 (86.7%), held federally-registered charitable status. This registration is granted by the Canada Revenue Agency (CRA) and ensures that an organization provides a recognized public benefit in one of five approved categories.<sup>3</sup> Registration enables an organization to provide donors with receipts that may relieve a portion of income tax paid by the person(s) who made a cash or in-kind gift to the charity. Charitable organizations in the sample included representatives from each of the five defined charity codes outlined by CRA.

<sup>3</sup> Charities must provide public benefits in relief of poverty, advancement of education, advancement of religion, or certain other purposes beneficial to the community in a way the law regards as charitable and of welfare to a community. Visit CRA (Charities and Giving): <http://www.cra-arc.gc.ca/charitiesandgiving/> CRA recognizes the purpose of a charity using one of five 'category codes'.

**Figure 2: Distribution of Sample by CRA Category Code for Organizations with Charitable Status (N=39)**



The majority (33 of 45, or 73.3%) operated offices only in the St. John’s region, but 12 organizations (26.6%) operated additional regional or satellite offices outside the St. John’s area,<sup>4</sup> implying that economic impacts extended to other parts of the province, as well.

The majority, 36 (80%) identified themselves as free-standing, independent organizations while several (20%) were either local chapters of a national organization or represented a coalition. As illustrated in Table 2, the organizations generally identified themselves as having a provincial scope for their services (66.7%).

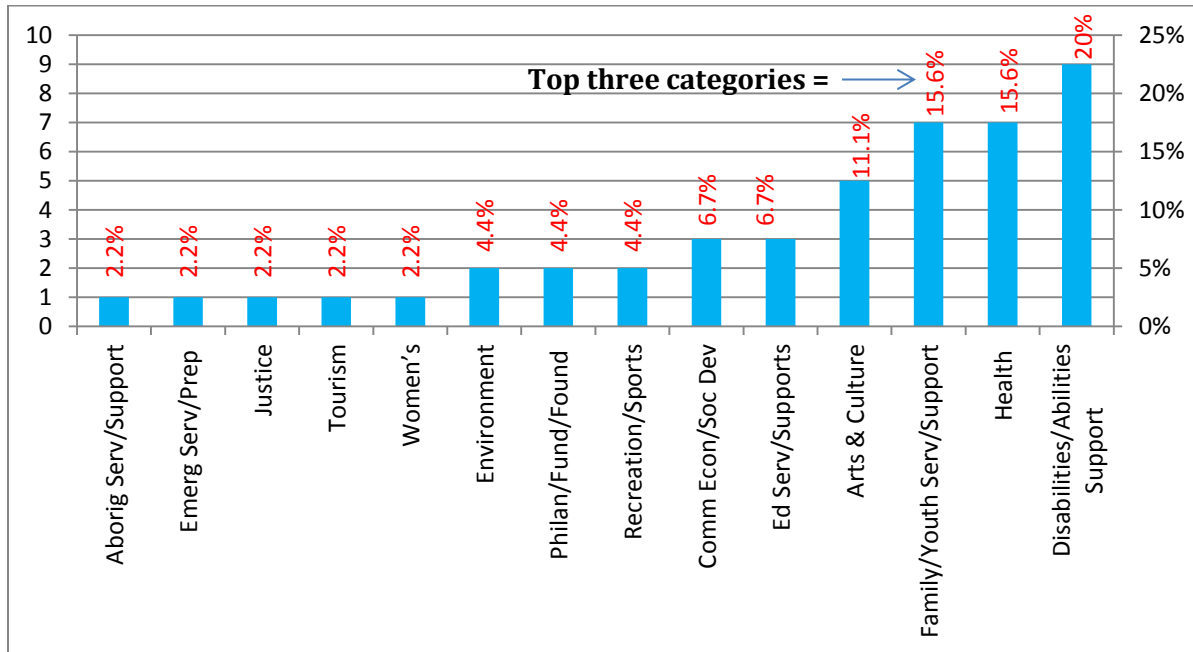
**Table 2: Distribution of Sample by Scope of Service to the Community (N=45)**

Scope	Number of organizations	Percent of the sample
Provincial	30	66.7%
Regional	12	26.7%
Local	2	4.4%
National	1	2.2%
International	0	0.0%
<b>Total</b>	<b>45</b>	<b>100%</b>

<sup>4</sup> Specifically, Corner Brook, Stephenville, Carbonear, Port au Port and Clarenville.

The sample was diverse. CSC NL recognized 14 categories of service by community group in its questionnaire. Figure 3 demonstrates that slightly more than half of the organizations sampled (23, 51.1%) provided ability/disability support (20%), health services (15.6%) or supports to families and youth (15.6%).

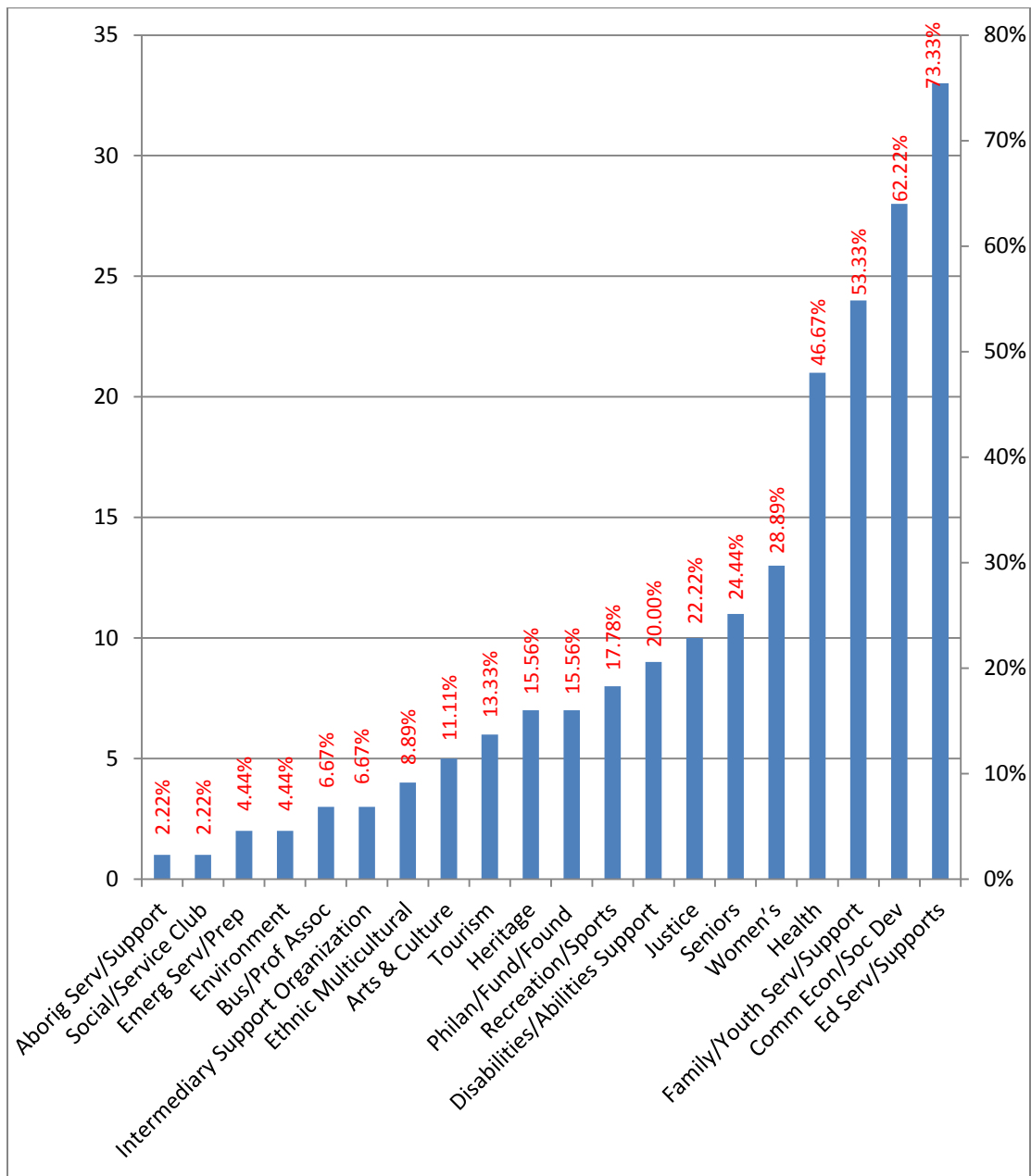
**Figure 3: Distribution of Sample by Primary Category of Service**



To ensure a clear understanding of the service areas covered by participant organizations, CSC NL also gathered, using the same 14 categories, any secondary focus of service to their community and respondents chose all categories that applied to their organizations. Respondents indicated, see Figure 4, that services can be broadly described, firstly as educational services and supports (73.3% of the time), secondly, as community economic and social development (62.2%) and thirdly, family or youth support (53.3%).



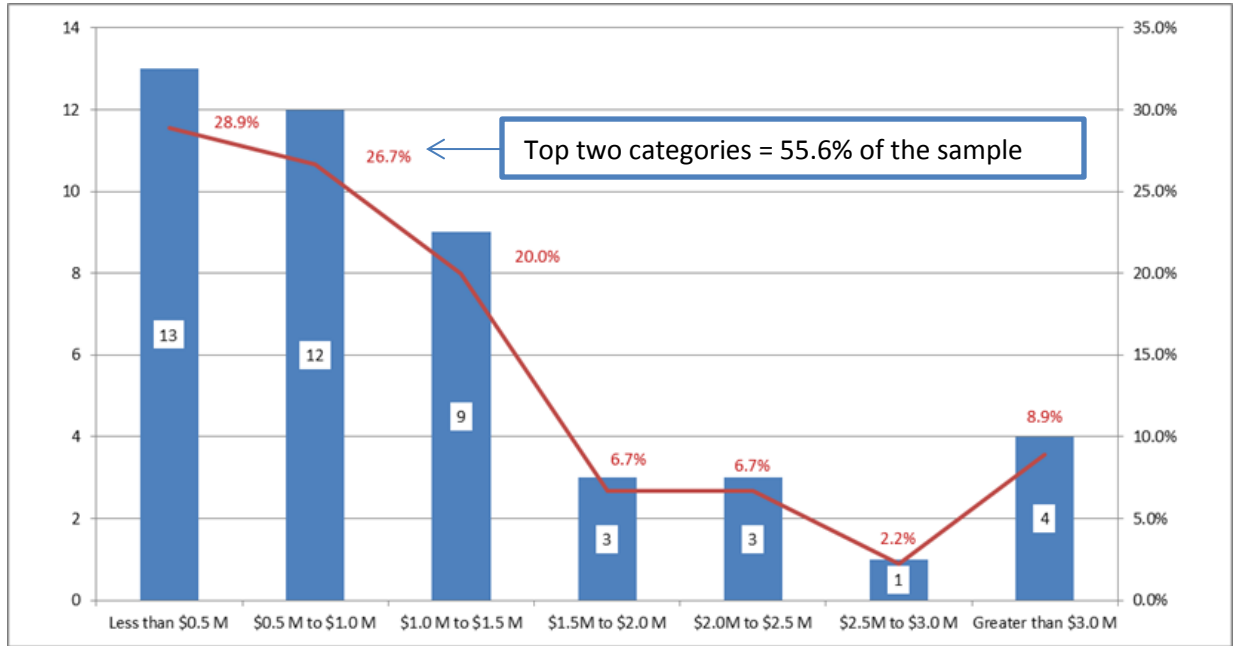
**Figure 4: Distribution of the Sample by Category of Service (Secondary)**



Although averages are used when reporting some figures, readers should be aware that the size of organizations in the sample varied widely and the presence of a few (8.9%) very large nonprofit organizations with revenues in excess of \$3 million (see Figure 5) may skew the average, upward. For example, more than half of the organizations, 25 of 45 (55.6%) were smaller than the stated average of \$1.36 million in annual revenues. Where possible, a median value is reported in findings.<sup>5</sup>

<sup>5</sup> The median is the mid-point of the distribution where half of the observations are above this value and half are below the median value.

Figure 5: Distribution of Sample by Total Revenues Reported (N=45)



Total revenues at the 45 organizations were at \$60.9 million. Expenditures equaled \$60.6 million.

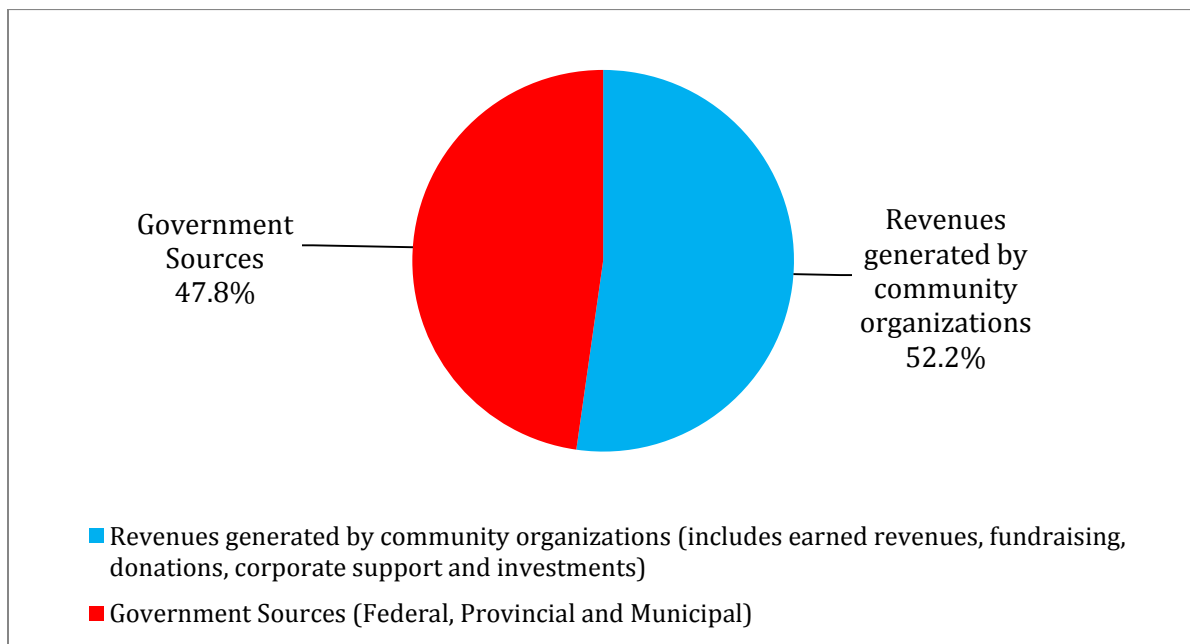
### 3.0 Revenues: Where Does the Money Come From?

A majority of pilot study participants (62.2%) reported that revenues in their organization have grown in the past five years and 55.6% believed they will continue to grow in the next fiscal year.

The size of organizations in the sample varied considerably. The smallest organization had an annual budget of approximately \$96,000 and the largest organization had a budget of just more than \$9 million. The median budget size was \$931,259 and, on average, \$1.36 million. Community groups manage monies from a variety of sources; few have only one source of income, while most have many sources. This, in turn, requires financial management skills to deal with government departments, donors, corporate funders, and citizen supporters. This report aggregates the revenues of 45 organizations under 14 distinct headings.

The total amount of revenues managed by the organizations for the one-year period examined in this pilot study was \$60.9 million. Government funding, as in all provinces,<sup>6</sup> accounts for a significant portion of revenues (47.8%); community groups are often contracted and supported by governments to deliver essential services but, more than half the groups' income (52.2%) was generated from non-government sources.

**Figure 6: Total Revenue by Broad Source (N = 45)**



<sup>6</sup> Imagine Canada notes that government funding is, and will remain, a large portion of community-based revenues, due to the reliance of governments on community groups to deliver some services. (Lasby, 2013).

These findings on revenues are consistent with national and Atlantic Canadian reports on the size and description of community-based groups.<sup>7</sup>

### 3.1 Government funding levels: federal, provincial and municipal

All three levels of government contributed revenues, generally to provide programs and services, but in varying proportions. As shown in Table 3, breaking down the broad sources of income across the more specific 14 categories researched by CSC NL, shows that the (provincial) Government of Newfoundland and Labrador represents the single largest source of revenue for all groups combined, accounting for 37.6%. On the other hand, municipal funding was recorded at less than one percent.

**Table 3: Total Annual Revenue for Community Organizations by Source, Based on Most Recent Financial Statements (N=45)**

Source of Revenue	Value in CAD	Percentage
Government Sources - Provincial	\$ 22,923,964	37.6%
Earned Revenues	\$ 19,899,917	32.6%
Government Sources - Federal	\$ 5,757,400	9.4%
Fundraising	\$ 4,131,073	6.8%
Other Grants	\$ 3,806,470	6.2%
Donations	\$ 2,250,930	3.7%
Corporations - National	\$ 485,747	0.8%
Foundations - Provincial	\$ 457,623	0.8%
Government Sources - Municipal	\$ 442,396	0.7%
Corporations - Provincial	\$ 345,662	0.6%
Foundations - National	\$ 298,114	0.5%
Investment Income	\$ 191,650	0.3%
Foundation Sources - International	-	0.0%
Corporation Sources - International	-	0.0%
<b>Total</b>	<b>\$ 60,990,944</b>	<b>100%</b>

The (federal) Government of Canada contributed almost 10 per cent of income recorded by the 45 organizations.<sup>8</sup> A large majority of organizations, 42 of 45 (93.3%) recorded a rebate on Harmonized Sales Tax and provided CSC NL with the most recent annual amount. HST rebates totaled \$771,043 (1.25% of the overall \$60.9 million in revenues) returned to the 42 organizations in the 'snapshot' year recorded in this pilot study.<sup>9</sup>

<sup>7</sup> See: *The Nonprofit and Voluntary Sector in Atlantic Canada: Regional Highlights from the National Survey of Nonprofit and Voluntary Organizations*.

*Cornerstones of Community: Highlights of the National Survey of Nonprofit and Voluntary Organizations. Satellite Account of Non-profit Institutions and Volunteering - 2007.*

<sup>8</sup> Nonprofit organizations may apply to the Government of Canada for a rebate on their own spending of HST on goods and services purchased annually. Although amounts of the rebate may vary depending on complex circumstance, this is generally a 50% rebate of taxes paid. This amount, therefore, may include portions of the Harmonized Sales Tax (HST) rebate for which community organizations are eligible by virtue of operating on a nonprofit basis.

Most, 37 of the 45 organizations, (82.2%) reported receiving provincial government funds in some amount; 29 of 45 (64.4%) received some amount of federal funds; 28 of 45 (62.2%) received funds from both the federal and provincial governments, while 6 of 45 (13.3%) of the organizations in the sample received no funds from either the federal or provincial governments.

### 3.2 Earned Revenues

Earned revenue is the second single largest source of income (\$19.9 million or 32.6% of income) for the groups in the sample. This share of income is in line with national findings on earned income percentages in the Canadian nonprofit sector.<sup>10</sup> Conditions to support the growth of earned income to assist with budget stability, diversify funding bases and fulfil missions are promoted at the national level by nonprofit policy makers.

**Table 4: Amounts of Earned Revenues (N=45)**

Sources of Earned Revenue by Category	Amounts	Percentage of Earned Revenues
Services delivered	\$ 8,799,932	44.2%
Goods sold	\$ 4,552,049	22.9%
Tickets sold	\$ 3,217,684	16.1%
Rent collected	\$ 2,095,353	10.6%
Restaurants/cafes	\$ 856,656	4.3%
Other	\$ 369,011	1.8%
Membership fees	\$ 9,233	0.1%
<b>Total</b>	<b>\$ 19,899,917</b>	<b>100%</b>

Like amounts, (see Table 4), the sources of earned income (see Table 5) for the sample of Newfoundland and Labrador organizations align with national findings. Respondents indicated income-earning services ranged from training and program fees to advertising and service fees. Goods sold included crafts, books, gift shop items and beer tent sales. Ticket sales were from box office, lotteries, raffles and admission fees. Rental incomes were generated by charging shelter or hostel fees or from renting excess office or warehouse space. Restaurant and café sales were either direct food sales or commissions from arrangements with on-site caterers. Membership fees were either dues paid or registration fees for community events.

<sup>9</sup> The rebate averaged \$18,358 but the median return, calculated to offset variations in the size of organizations, was \$10,000.

<sup>10</sup> Imagine Canada reported in 2013 a national average of 31% of earned revenues but noted, as would be the case in this sample, that proportions vary across groups by size, mission and other factors (Lasby, 2013), (Imagine Canada, 2013). See *Change is in the air: The Economic Realities of Canada's Nonprofit Sector* for commentary on the growth of earned revenues as a proportion of nonprofit budgets, especially since 2007. See *Charities in Canada as an Economic Sector: Discussion Paper* for comments on whether earned incomes may grow.

**Table 5: Sources of Earned Revenue Activities**

<b>Source</b>	<b>Number of Organizations Engaged in Earning Revenue</b>
Delivery of Services	17 of 45 (37.8%)
Rental Income	13 of 45 (28.9%)
Sale of Goods	11 of 45 (24.4%)
Ticket Sales (for performance and fundraising)	8 of 45 (17.8%)
Membership Fees	8 of 45 (17.8%)
Restaurants/cafes	3 of 45 (6.7%)
Other/unspecified activity	2 of 45 (4.4%)

From Table 5, it is clear that the delivery of services was the largest single category of earned income activity at individual organizations - 17 of 45 (37.8%) were engaged in the delivery of services. A restaurant or café service was, except for miscellaneous or other sales, the least used method for producing earned income; three of 45 organizations (6.7%) engaged in these sales (although the three organizations operated seven different restaurant or café sites).

### **3.3 Fundraising, Donations and Other Sources of Revenue**

Fundraising (6.8%) and donations (3.7%) combine to represent 10.5% of the revenues at the 45 organizations. Corporations and foundations, whether provincially or nationally based, account for the least amounts of revenue, in total, less than 5%. Investment income is negligible.

### **3.4 Summary of Revenue Highlights**

- Total revenue generated was \$60.99 million;
- More than half of the revenues (52.2%) were generated directly by the organizations from non-government sources;
- Almost half (47.8%) of revenues at the 45 organizations were from government (federal, provincial or municipal) sources;
- Provincial government funds account for 37.6% of revenue – community organizations are often contracted and supported by the Province to deliver services to individuals and communities;
- Average annual income from earned revenues was \$442,220 – earned income is the second single largest category of revenues at 32.6%;
- Average annual income from fundraising and donations, combined, was just under \$142,000; and,
- Average municipal funding was just under \$9,900.

## 4.0 Expenditures: Where Does the Money Go?

As demonstrated in Table 6, expenditures can be summarized in four broad categories, almost all of which are accounted for by spending in the local economy<sup>11</sup> to meet staffing, operational, and program costs. Most respondents (77.8%) indicated expenditures have grown in the past five years and 62.2% believe they will continue to grow in the immediate future, i.e., the next fiscal year.

**Table 6: Type of Annual Expenditures (N=45)**

<b>Expenditure Categories</b>	<b>Value in CAD</b>	<b>Percentage</b>
Human Resource Costs (salaries, wages, benefits, remittances)	\$33,635,991	55.5%
Programming Costs (including grants to other charities)	\$12,535,352	20.7%
Operating Costs	\$11,346,123	18.7%
Administration Costs	\$3,092,119	5.1%
<b>Total</b>	<b>\$60,609,584</b>	<b>100%</b>

Human resource costs comprise the single largest expense category for the 45 organizations. Salaries, wages and their related costs, including remittances, accounted for 55.5% of spending, followed by programming (20.7%) and operating (18.7%) costs. Administration costs are in the 5% range.

### 4.1 Human Resource Costs

Meeting salaries, directly, takes up nearly 85% of the human resources expenditure category and, as illustrated in Table 7, accounts for \$28.4 million of the \$33.6 million in this category.

**Table 7: Annual Expenditures on Human Resources**

<b>Expenditures</b>	<b>Value in CAD</b>	<b>Average</b>	<b>Percentage</b>
Salaries	\$ 28,429,423	\$ 631,765	84.5%
CPP	\$ 2,005,135	\$ 44,559	6.0%
Pension Plans	\$ 882,085	\$ 19,602	2.6%
Employment Insurance	\$ 787,671	\$ 17,504	2.3%
Health Plans	\$ 629,509	\$ 13,989	1.9%
WHSCC	\$ 496,329	\$ 11,030	1.5%
Payroll Tax	\$ 405,838	\$ 9,019	1.2%
<b>Total</b>	<b>\$33,635,991</b>	<b>\$ 747,466</b>	<b>100%</b>

<sup>11</sup> CSC NL predetermined the categories based on a preliminary review of random financial statements in the sector, many of which are publicly available on web sites or by request from CRA in the case of an organization with charitable status. Although sub-categories abound, these represent the main areas of spending.

All groups, as would be expected, met standard remittances for personal income taxes on behalf of employees and the employer portions of federal income support programs (CPP and EI). A number, mostly larger organizations, contributed to pension or health plans for employees.<sup>12</sup> At least 24 of the 45 organizations (53%) contributed to pension plans for employees and at least 31 (69%) made employer contributions to health plans (drug, dental, and vision coverages, for example). The median contribution to pension plans was \$3,872 and the median contribution to health plans was \$7,263. Combined, these two categories account for nearly 5% of expenditures in the Human Resources category.

## 4.2 Programming and Operating Expenditures

The 45 community groups, as shown in Table 8, spent more than \$12.5 million to support programs. Spending was on materials and supplies (\$9.7 million), advertising and promotions (\$1.5 million), supports to other community organizations (\$0.8 million) and rental of space for activities outside office space, such as for events, workshops and training (\$0.3 million).

**Table 8: Annual Programming Costs**

<b>Expenditures</b>	<b>Value in CAD</b>	<b>Average</b>	<b>Percentage</b>
Materials, supplies and Other	\$9,718,760	\$215,972	77.6%
Advertising/ promotion	\$1,481,940	\$32,932	11.8%
Grants (to other groups)	\$826,280	\$18,362	6.6%
Venue rental	\$266,643	\$5,925	2.1%
Program equipment rental	\$241,729	\$5,372	1.9%
<b>Total</b>	<b>\$12,535,352</b>	<b>\$278,563</b>	<b>100%</b>

From Table 9, one observes that the community organizations in the sample spent more than \$11.3 million annually on basic operating costs; meeting rent or amortizations, paying for utilities (if not included with rents), supplying offices, insuring operations, and paying for telecommunications.

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<sup>12</sup> Personal income taxes and individual employee contributions to pension or health plans are subsumed in the 'salaries' portion of these expenditures and were not detailed in the CSC NL questionnaire.



**Table 9: Annual Operating Costs**

<b>Operating Expenditures</b>	<b>Value in CAD</b>	<b>Average</b>	<b>Percentage</b>
Occupancy costs	\$ 2,666,668	\$ 59,259	23.5%
Operating costs – Other	\$ 2,134,514	\$ 47,434	18.8%
Travel	\$ 1,257,277	\$ 27,939	11.1%
Utilities	\$ 1,183,583	\$ 26,302	10.4%
Office supplies, equipment rental, postage, miscellaneous costs	\$ 1,169,118	\$ 25,980	10.3%
Maintenance/ repairs	\$ 1,119,312	\$ 24,874	9.9%
Telecommunications	\$ 955,633	\$ 21,236	8.4%
Professional development for staff and volunteers	\$ 461,218	\$ 10,249	4.1%
Insurance	\$ 398,801	\$ 8,862	3.5%
<b>Total</b>	<b>\$ 11,346,123</b>	<b>\$ 252,136</b>	<b>100.0%</b>

Basic occupancy costs<sup>13</sup> account for almost a quarter of the spending (23.5%) on operations and approach 34% when maintenance and repairs are added (9.9%). Professional development (PD) costs of training and other activities to improve skills for both board members and staff were recorded by 28 of the 45 organization (62.2%) and accounted for 4.1% of overall operating expenditures; the median expenditure on PD was \$3,828. Travel accounted for spending of \$1.2 million, and would include local, provincial or national travel, if any. Local travel would include kilometrage for staff meeting, program or client needs.

### **4.3 Administration**

Administration costs are in the 5% range for the 45 organizations in the pilot study. An audit or financial review is a best practice, especially for larger groups and is usually required by funders such as government departments for whom services are delivered, or foundations from whom funding is sought for community-based programs.

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<sup>13</sup> These costs are predominantly rent, but occasionally amortization costs if an organization owns office property.

**Table 10: Annual Administration Costs**

<b>Expenditures</b>	<b>Value in CAD</b>	<b>Average per organization</b>	<b>Percentage</b>
Other Administration <sup>14</sup>	\$ 844,487	\$ 18,766	27.3%
Professional and Consulting fees (exclusive of audit but may include accounting or bookkeeping fees)	\$ 833,349	\$ 18,519	27.0%
Bank interest and charges	\$ 831,733	\$ 18,483	26.9%
Audit fees	\$ 299,211	\$ 6,649	9.7%
Licenses and Membership fees	\$ 172,516	\$ 3,834	5.6%
Bank fees	\$ 110,823	\$ 2,463	3.6%
<b>Total</b>	<b>\$ 3,092,119</b>	<b>\$ 68,714</b>	<b>100%</b>

In this sample, 41 of 45 (91.1%) of organizations paid audit or financial review engagement (FRE) costs, all of which would have been purchased externally in the private sector. This expenditure accounted for almost 10% of spending in the administration category. The average cost (n=41) for the service was \$7,298. A majority (39 of 45, or 86.6%) of boards of directors reported either a Finance or Audit Committee active at the board level to oversee review functions. As well, occasionally boards reported that Executive Committees assumed these responsibilities.

#### 4.4 Surpluses and Deficits

Community groups tend toward balanced budgets, based on the one-year snapshot of operations included in this sample. The majority, 27 (60%) of the organizations ran a surplus in the year examined for the pilot study. The lowest recorded surplus was \$2,200 (rounded) and the highest \$356,750 (rounded), with an average of \$52,142. The median was \$22,999 or 0.07% of overall revenues. One organization (2.0%) reported a budget that exactly balanced in the reporting year and 17 (38%) reported deficits. The average deficit for these organizations was \$59,930 and the median deficit was \$29,161.

#### 4.5 Summary of Expenditure Highlights

- Total Expenditures of \$60.60 million with an average of \$1.35 million per organization;
- A budget surplus was recorded by 60% of the organizations, while 38% reported a deficit and 2% a balanced budget;
- The 45 organizations spent an average of \$747,466 meeting wages, salaries and related human resource costs;
- \$2.7 million was spent annually for office space;
- Utilities, when recorded separately (i.e., not as part of occupancy), cost the 45 organizations \$1.2 million;

<sup>14</sup> These could include administration fees and any other miscellaneous costs not covered by specific professional and consulting, audit, banking and licensing or membership fees.

- Office supplies, equipment rental, and postage cost the organizations almost \$1.2 million;
- The 41 organizations whose financial statements were either formally audited or underwent a financial review engagement (FRE) paid an average of just under \$7,300 for the service;
- \$1.2 million dollars was expended on travel by the 45 organizations surveyed. Local travel would include kilometrage for staff while meeting client and program needs;
- Telecommunications cost the 45 organizations just under \$1 million, averaging \$21,236 annually;
- Advertising and promotions costs of nearly \$1.5 million were met annually; and
- Venue rentals to support programming and events (i.e., over and above basic occupancy) cost the 45 organizations \$266,643 in total, an average of \$5,925 annually.

# 5.0 Human Resources

The 45 groups in the sample were all employers, meeting payrolls for persons who work in the region and who spend in the local economy.

## 5.1 Paid Staff

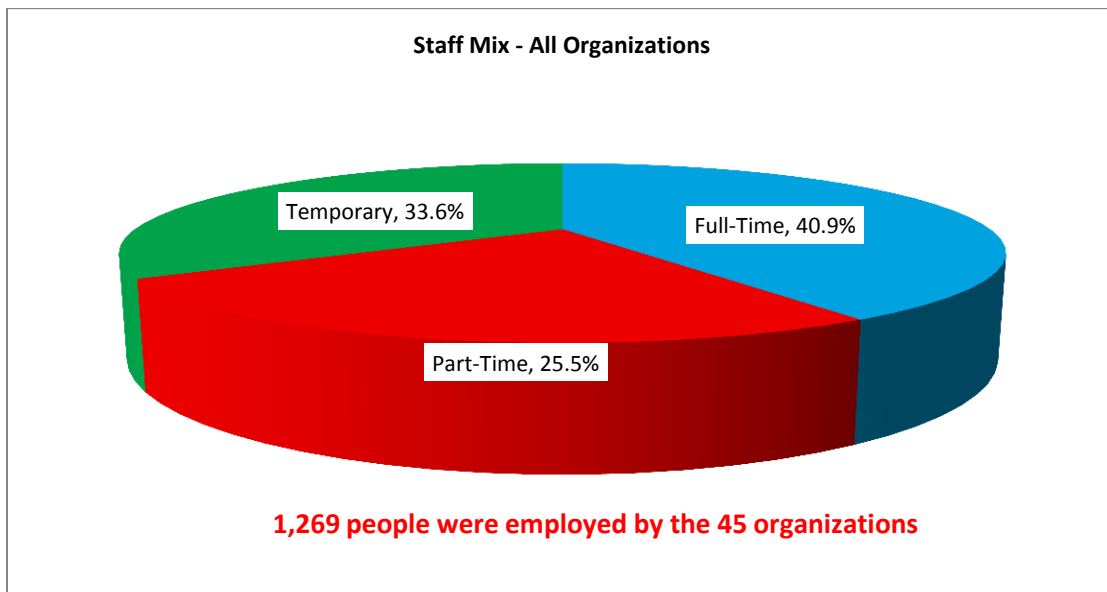
In total, the 45 organizations employed 1,269 individuals in the one-year fiscal period, in a variety of full and part-time or temporary and seasonal positions. Table 11 illustrates that more than 80% of the time, employers engaged a mix of part and full-time or occasional contract staff. Fewer than 20% of the organizations (17.8%) employed only full-time, year-round staff.

**Table 11: Employment Mix, full-time, part-time and occasional staff (N=45)**

Mix	Number of organizations	Percent of the sample
Only full-time staff	8	17.8%
Only part-time staff	1	2.2%
Full-time and part-time staff	17	37.8%
Full-time and part-time staff with occasional subcontractors	19	42.2%
<b>Total</b>	<b>45</b>	<b>100.0%</b>

Full-time employees (n=519), as shown in Figure 7, comprised 40.9% of the sample’s workforce in raw numbers, part-time employees (n=324) accounted for 25.5% of the sample’s workforce and temporary or seasonal workers (n= 426), who may have been full or part-time, comprise the remaining 33.6%.

**Figure 7: Distribution of Staff by Type of Employee (N=1,269)**



To control for part-time and temporary positions so that the IOM could derive a standard measure for impacts of employment in the economy, CSC NL applied a person-year (PY) formula (1,950 hours annually, corresponding to a 37.5 hour work week) to each individual staff count in the organizations. The 1,269 employees when aggregated to PYs account for 804 full-time equivalent (FTE) person-years of employment at the 45 organizations. The nonprofit community based sector in North America is characterized by higher female than male employment<sup>15</sup> and this is true of the sample of 45 organizations in the St. John's region as well - 66.7% of full-time employees are female as are 68.6% of part-time, temporary or seasonal employees.

## 5.2 Board Volunteers

As indicated in Table 12, the 45 organizations accounted for 508 individual members of boards of directors, an average of 11 board volunteers per organization. Females comprised slightly more than half (n=274, 53.9%) of board volunteers and males (n=234, 46.1%) slightly less than half. At least 183 of the board volunteers take on executive (such as president, vice-president, treasurer) duties and slightly more than half (n=92, 50.3%) of them are female. There are slightly more males serving as chair of the board (n=24, 53%) than females (n=21, 47%) at the 45 organizations. Board volunteers cluster in the 45 to 54 and 55 to 64 age ranges, corresponding to 27.9% and 29.3%, respectively. Fewer than 12% are under age 35.

<sup>15</sup> See: *Charities in Canada as an Economic Sector*.

See: *The Glass Ceiling of Nonprofits: A Review of Gender Inequality in U.S. Nonprofit Organization Executives*.

**Table 12: Age Range of Board Members (at large and officers) (N=505)**

Age Range (in years)	Number of Board Members	Percent of the Sample
18-24	2	0.4%
25-34	58	11.5%
35-44	109	21.6%
45-54	141	27.9%
55-64	148	29.3%
65-74	38	7.5%
75 or older	9	1.8%
<b>Total</b>	<b>505</b>	<b>100.0%</b>

Increased age is correlated with increased leadership responsibilities: the largest single age category among directors at large (n=325) is 45 to 54 years (29.5%) whereas the largest single age range for executive officers such as president, or chair, vice-president, secretary or treasurer (n=180) is 55 to 64 years (36%).<sup>16</sup>

Formal educational attainment, see Table 13, is generally high among board members. More than 90% of board members have completed post-secondary educations at the college or university level and 35% of board volunteers have a professional career designation<sup>17</sup>.

**Table 13: Educational Attainment of Board Members (N=460)**

Level of Education	Number of Board Members	Percentage
Bachelor's degree	171	37.2%
Professional degree (i.e. law or medicine)	132	28.7%
Master's degree	71	15.4%
Vocational or college completion	31	6.7%
High school diploma	21	4.6%
Some college or university	17	3.7%
Doctoral degree	13	2.8%
Less than high school	4	0.9%
	<b>460</b>	<b>100%</b>

<sup>16</sup> Age range and educational attainment questions were optional in the respondent survey. Age range data (in ten-year spans) was collected on 505 of the 508 directors and officers. Educational attainment data was collected on 460 of the 508 directors and officers. (N.B. A director is a board member at large and an officer is a board member with identified executive responsibilities, usually with a title designated in by-laws and often appointed internally by the full board of directors, e.g., President, Vice-President and so on.)

<sup>17</sup> i.e., registered membership in a professional association such as the bar, physicians college, social work, nursing, dietitian associations-generally where a member would use a lettered designation with a signature. (N.B. The question about professional designations was optional and for 65% of the time, respondents (often staff) simply did not know if such a designation existed for an individual board member; it was simply not recorded in day to day contact lists.)

### 5.3 Summary Highlights on Employment and Human Resources

- The 45 organizations created 1,269 jobs in the local economy, which equate to 804 full-time equivalent positions in the sector;
- Staffing in the sector is predominantly (almost 70%) female, whether staff are full-time, part-time or seasonal;
- 90% of board members have completed post-secondary educations and at least 35% of board volunteers have a professional career designation; and
- Board volunteers cluster in the 45 to 54 age range (27.9%) and 55 to 64 age range (29.3%). Fewer than 12% are under age 35.

# 6.0 Economic Impacts: Direct, Indirect and Induced

The data gathered from respondents in the survey and compiled from financial statements of the 45 organizations was analyzed using an economics IOM recommended by CARE to measure direct, indirect and induced impacts of spending in an economy.

- Direct impacts result from expenditures associated with operating on labour, materials, supplies, and capital;
- Indirect impacts result from the suppliers of the organizations purchasing goods and services and hiring workers - impacts that would not occur without the operations;
- Induced impacts result from the employees of the organizations purchasing goods and services at a household level.

The model additionally measured impacts (multiplier effects) on employment in the overall economy, provincial GDP, and the government revenues generated at federal, provincial and municipal levels as a result of spending in the community-based nonprofit sector.

## 6.1 Employment Impacts

Table 14 indicates that the economic activities associated with the 45 community sector organizations involved in the pilot study were responsible for 1,279 person-years<sup>18</sup> of employment annually in Newfoundland and Labrador<sup>19</sup>. Direct employment was responsible for 62.9% (804 person-years) of the employment created in the sample of 45 community sector organizations; indirect employment generated in industries that supply goods and services to the community sector accounted for nearly 18% (229 person-years) of the total employment; and the remaining 19.2% (246 person-years) of employment was created in the services sector, i.e., an extra 1.2 extra positions elsewhere in the economy for every two full-time jobs in the community groups.

**Table 14: Person-Years of Employment Associated with 45 Community Sector Organizations**

Impacts	Average	Combined	Percentage
Direct	17.87	804	62.9%
Indirect	5.10	229	17.9%
Induced	5.46	246	19.2%
<b>Total</b>	<b>28.43</b>	<b>1,279</b>	<b>100%</b>

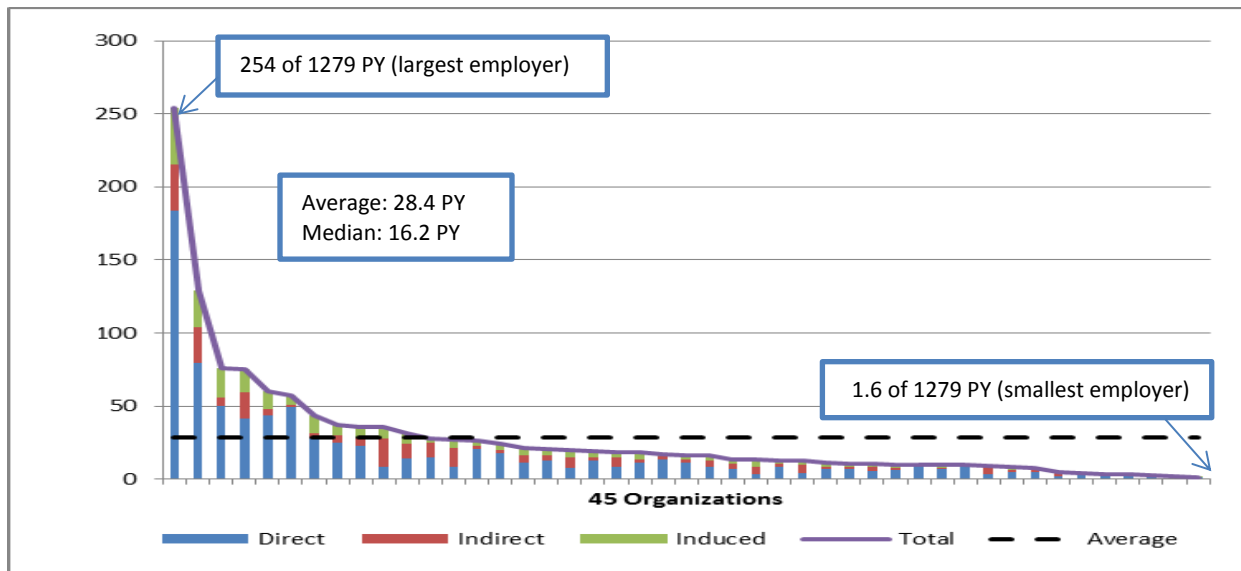
<sup>18</sup> A person-year of employment is calculated as any combination of people and hours that sum to 1,950 person-hours of work in one year.

<sup>19</sup> Note of clarification: as reported in section 5.0 Human Resources, the 45 organizations employed 1,269 individuals in a variety of full-time, part-time and seasonal positions, equating to 804 FTEs. The IOM analysis indicated these 804 FTEs when indirect and induced impacts are measured, account for an additional 475 jobs in the economy, for an overall effect of 1,279 jobs.



On average, this corresponded to 28.4 person-years of annual employment per organization. Although the average is normally a reasonable metric to characterize the distribution of the employment impacts this might not be the best metric for this particular analysis. As Figure 8 illustrates, there was a significant variation in the reported direct and the calculated indirect and induced employment levels across the community sector organizations sampled. By way of illustration, annual, full-time-equivalent, direct, indirect and induced employment ranged from 254 person-years for the largest employer to 1.6 person-years for the smallest employer. The median, or the mid-point, for this distribution was 16.2 person-years, which, being less than the average (28.4 person-years), demonstrates that the distribution of employment levels by community sector organization is skewed.

**Figure 8: Person-Years of Employment Associated with 45 Community Sector Organizations**



In particular, there were 11 larger organizations with employment levels above the average and 34 organizations with employment levels below the average. In other words, the average was disproportionately affected through the influence of several larger community sector organizations. Consequently, the median might be a better indicator than the mean to utilize for comparison purposes.

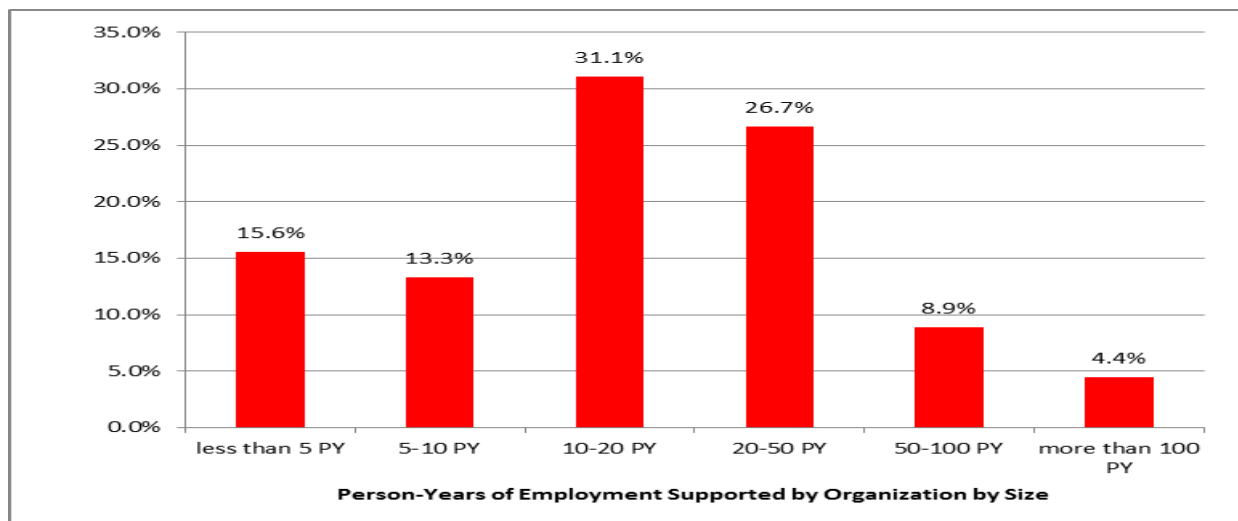
**Table 15: Distribution of Community Sector Employment by Size and Number of Organizations**

Size of Employment Category	Number of Employees in Category	Percentage of Employees in Category	Number of Organizations in Category	Percent of Organizations in Category
less than 5 PY	22	1.7%	7	15.6%
5-10 PY	54	4.2%	6	13.3%
10-20 PY	200	15.6%	14	31.1%
20-50 PY	352	27.5%	12	26.7%
50-100 PY	268	21.0%	4	8.9%
more than 100 PY	383	30.0%	2	4.4%
<b>Total</b>	<b>1279</b>	<b>100%</b>	<b>45</b>	<b>100%</b>

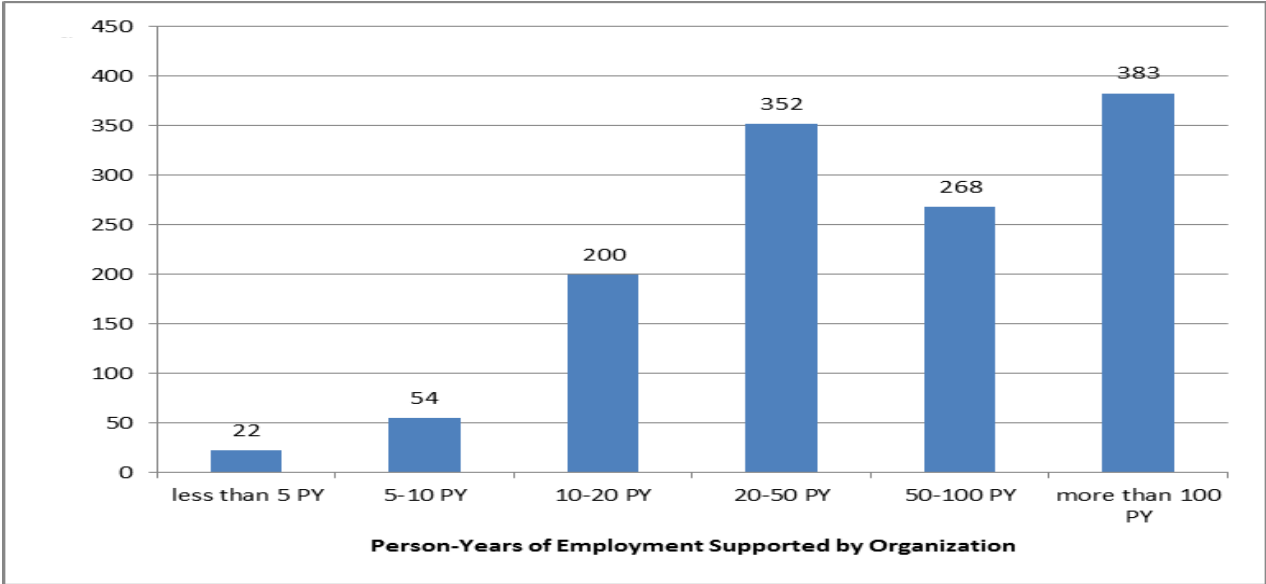
Distribution rankings (see Figure 9 and Figure 10) clearly demonstrate that a very few (4.4% of organizations, i.e., the largest groups) amount for the greatest employment generation, whether direct, indirect or induced.

Specifically, 4.4% (or, two) of the organizations analyzed supported in excess of 100 person-years of direct, indirect and induced employment. Even though these organizations comprised only 4.4% of the sample, they actually supported 383 person-years of employment, representing 29.9% of the 1,279 person-years of employment. Alternatively, approximately 58% of organizations (i.e., 31.1% plus 26.7%) associated with the middle of the distribution supported employment levels that ranged from 10 to 50 person-years. This middle group of organizations was associated with 552 person-years of employment (200 person-years plus 352 person-years), corresponding to 43.1% of the estimated 1,279 person-years of employment.

**Figure 9: Distribution of Sample Organizations - Ranked by Number of Employees Supported**



**Figure 10: Distribution of Sample Organizations – Grouped by Number of Employees Supported in Each Category**



**6.2 GDP Impacts**

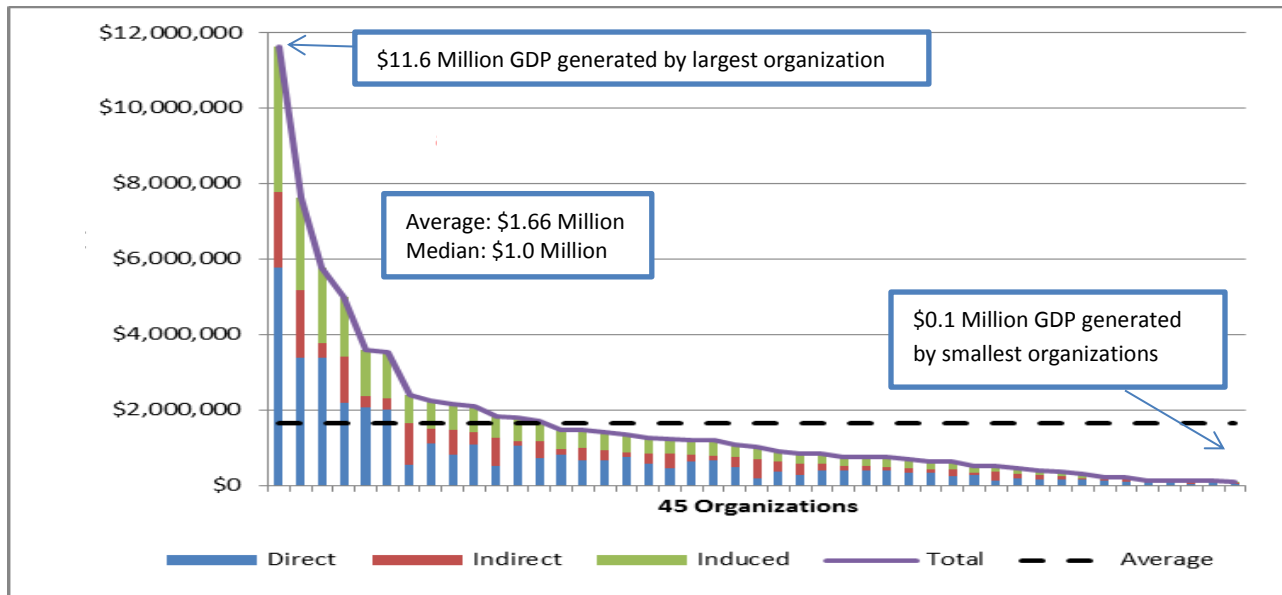
IOM analysis shows that the 45 community sector organizations involved in this pilot project generated \$74.5 million of GDP in Newfoundland and Labrador. On average, this corresponded to \$1.66 million in GDP per organization involved in the study.

**Table 16: GDP Associated with 45 Community Sector Organizations**

<b>Impacts</b>	<b>Average</b>	<b>Combined</b>
Direct	\$782,696	\$35,221,326
Indirect	\$328,916	\$14,801,220
Induced	\$544,934	\$24,522,019
<b>Total</b>	<b>\$1,656,546</b>	<b>\$74,544,565</b>

As Figure 11 illustrates, the GDP levels of the organizations ranged from \$11.6 million to \$0.1 million. The median GDP supported by the 45 organizations was \$1.0 million. The distribution of GDP levels by organization is skewed, with 13 organizations with GDP above the average and 32 organizations with GDP below the average.

**Figure 11: GDP Associated with 45 Community Sector Organizations**



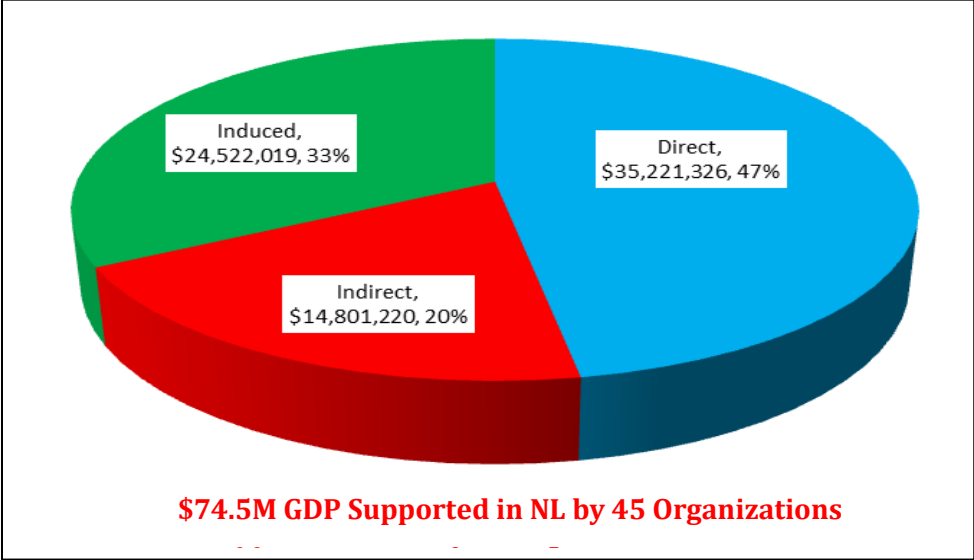
From Table 17 one observes that 8.9% of the organizations analyzed supported in excess of \$5 million in GDP, which corresponded to \$30.0 million of the \$74.5 million or 40.3% of the estimated GDP. Additionally, 53.3% of the sample of community sector organizations supported between \$0.5 million and \$2.0 million in GDP each, representing a combined GDP impact of \$25.92 million.

**Table 17: Distribution of Community Sector GDP by Size of GDP Impact and Number of Organizations**

Size of GDP Category	Amount of GDP in Category	Percentage of GDP in Category	Number of Organizations with GDP in Category	Percent of Organizations with GDP in Category
less than \$100k	\$85,235	0.1%	1	2.2%
100K-500K	\$2,442,935	3.3%	10	22.2%
500K-1M	\$7,849,935	10.5%	11	24.4%
\$1M - \$2M	\$18,068,546	24.2%	13	28.9%
\$2M-\$5M	\$16,065,550	21.6%	6	13.3%
more than \$5M	\$30,032,364	40.3%	4	8.9%
<b>Total</b>	<b>\$74,544,565</b>	<b>100%</b>	<b>45</b>	<b>100%</b>

Approximately 47% (or, \$35.2 million) of the GDP was created directly; while indirect GDP generated in the supply industry accounted for 20% of the total GDP or \$14.8 million; and the remaining 33% of GDP (or, \$24.5 million) emanated from the services sector. The corresponding GDP averages are: \$782,696 of direct GDP, \$328,916 of indirect GDP and \$544,934 of induced GDP.

**Figure 12: GDP Associated with the 45 Community Sector Organizations by Type of GDP Impact**

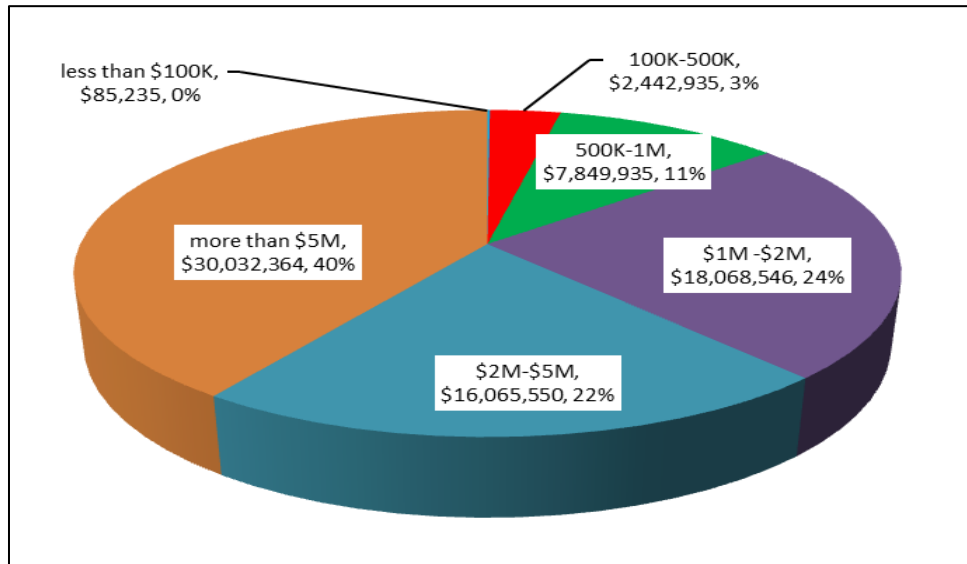


Finally, the amount of total GDP generated by the 45 organizations, alone, represents about 0.2%<sup>20</sup> of the total annual GDP for the province. Although no attempt is made in this pilot study to extrapolate findings to the larger community sector, it should be noted that NL comprises more than 1,200 registered charities (not all of which would be staffed year-round) and an additional 1,500 or so nonprofit organizations without charitable status.

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<sup>20</sup> Newfoundland and Labrador's Gross Domestic Product (GDP) was \$35,832 (in millions) in 2013, of which \$74.5 million is 0.2%. See. <http://www.stats.gov.nl.ca/> Note that 45 organizations is a fraction of the organizations operating in St. John's region. In 2007, the GDP of the Canadian core non-profit sector (i.e. excluding hospitals, universities and municipalities) amounted to \$35.6 billion, accounting for 2.5% of the total Canadian economy. (Haggar-Guennette, Hamdad, Laronde-Jonet, Pan and Yu, 2009)

**Figure 13: Distribution by Size of GDP**



### 6.3 Wages, Salaries and Supplementary Labour Income Impacts

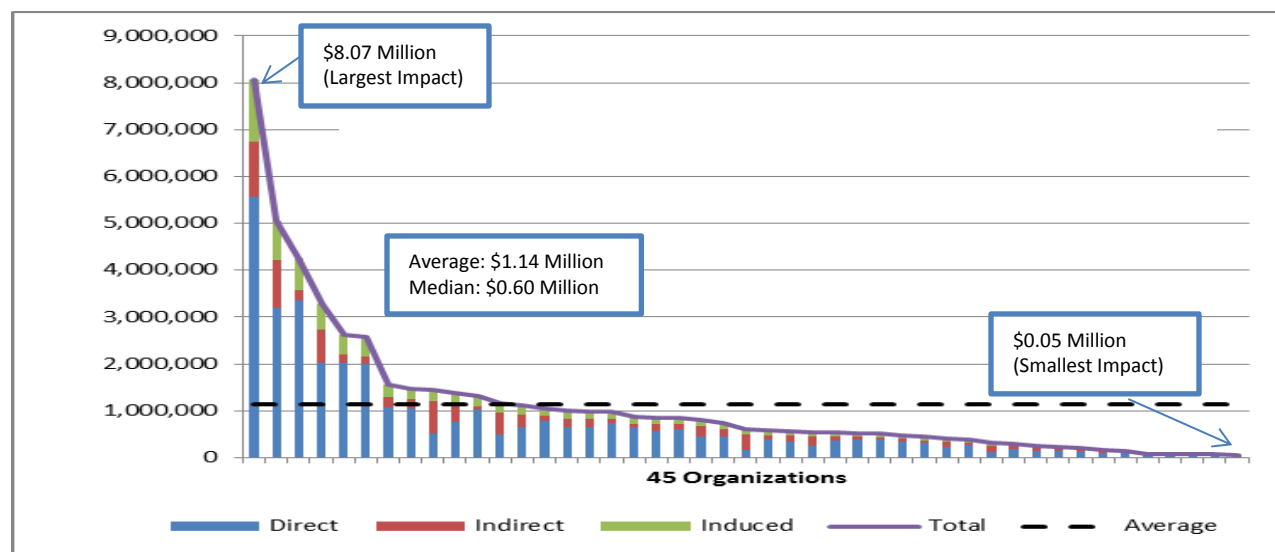
The 45 community sector organizations involved in this pilot project were responsible for \$51.1 million of wages, salaries and supplementary labour income in Newfoundland and Labrador, which, on average, corresponded to \$1.14 million per organization sampled.

**Table 18: Wages, Salaries and Supplementary Labour Income Associated with 45 Community Sector Organizations**

Impacts	Average	Combined
Direct	\$754,451	\$33,950,310
Indirect	\$194,263	\$8,741,813
Induced	\$186,383	\$8,387,214
<b>Total</b>	<b>\$1,135,097</b>	<b>\$51,079,337</b>

The wages, salaries and supplementary labour income levels of the organizations ranged from \$8.07 million to \$0.05 million with a median value of \$0.60 million. The distribution of wages, salaries and supplementary labour income levels by organization is skewed, with 12 organizations above the average and 33 organizations below the average.

**Figure 14: Wages, Salaries and Supplementary Labour Income Associated with 45 Community Sector Organizations**



Another perspective on the distribution of wages, salaries and supplementary labour income associated with the sample of community sector organizations is provided in Table 19.

**Table 19: Distribution of Community Sector Wages, Salaries and Supplementary Labour Income by Size and Impact**

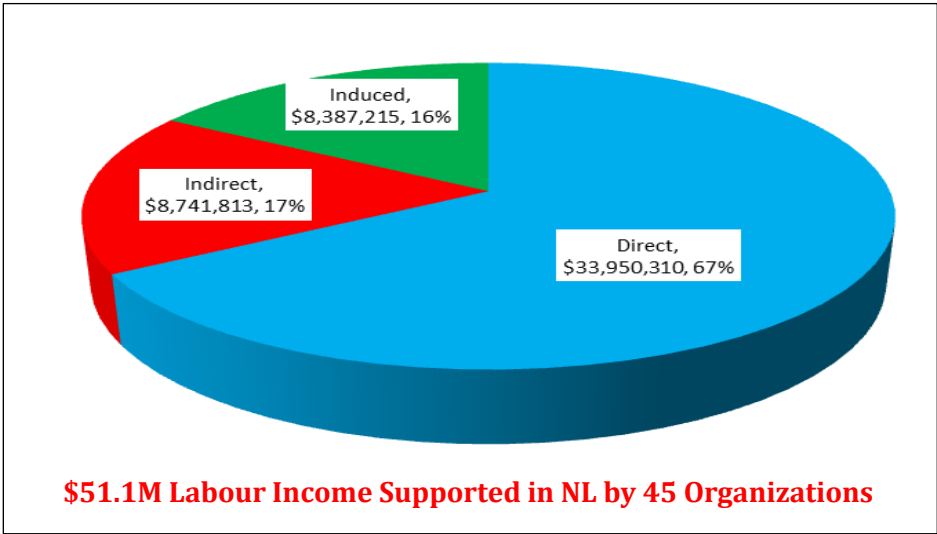
Size of Wages, Salaries and Supplementary Labour Income Category	Amount of Wages, Salaries and Supplementary Labour Income in Category	Percentage of Wages, Salaries and Supplementary Labour Income in Category	Number of organizations with Wages, Salaries and Supplementary Labour Income in Category	Percent of Organizations with Wages, Salaries and Supplementary Labour Income in Category
less than	\$386,726	0.8%	5	11.1%
100K-500K	\$3,328,029	6.5%	11	24.4%
500K-1M	\$9,968,489	19.5%	14	31.1%
\$1M-\$2M	\$11,533,091	22.6%	9	20.0%
\$2M-\$5M	\$12,734,875	24.9%	4	8.9%
more than \$5M	\$13,128,127	25.7%	2	4.4%
<b>Total</b>	<b>\$51,079,337</b>	<b>100%</b>	<b>45</b>	<b>100%</b>

For instance, 4.4% of the organizations analyzed supported in excess of \$5 million in wages, salaries and supplementary labour income and this accounted for \$13.1 million or 25.7% of the \$51.1 million wages, salaries and supplementary labour income. As well, 51.1% of the middle of the distribution supported between \$0.5 million and \$2.0 million in wages, salaries and supplementary labour income, which corresponded to nearly \$21.5

million or 42.1% of the wages, salaries and supplementary labour income supported by the 45 community sector organizations.

An alternative way of reflecting on the wages, salaries and supplementary labour income impacts associated with the 45 community sector organizations in the sample is to consider the impact by direct, indirect and induced effects. For example, 67% of the wages, salaries and supplementary labour income created in the sample of 45 community sector organizations (or, nearly \$34.0 million) was generated directly; indirect wages, salaries and supplementary labour income associated with the supply industry accounted for 17% of the total wages, salaries and supplementary labour income (or, \$8.7 million); and the remaining 16% of wages, salaries and supplementary labour income or \$8.4 million emanated from the services sector. The corresponding averages are: \$754,451 of direct wages, salaries and supplementary labour income, \$194,263 of indirect wages, salaries and supplementary labour income and \$186,383 of induced wages, salaries and supplementary labour income.

**Figure 15: Wages, Salaries and Supplementary Labour Income Associated with the 45 Community Sector Organizations by Type and Impact**



**6.4 Government Revenue (All Levels) Impacts**

The IOM analysis of expenditures by the 45 community sector organizations involved in this pilot project indicate they generated \$18.36 million of revenue in Newfoundland and Labrador to all levels of government. On average, this represented \$407,941 per organization.

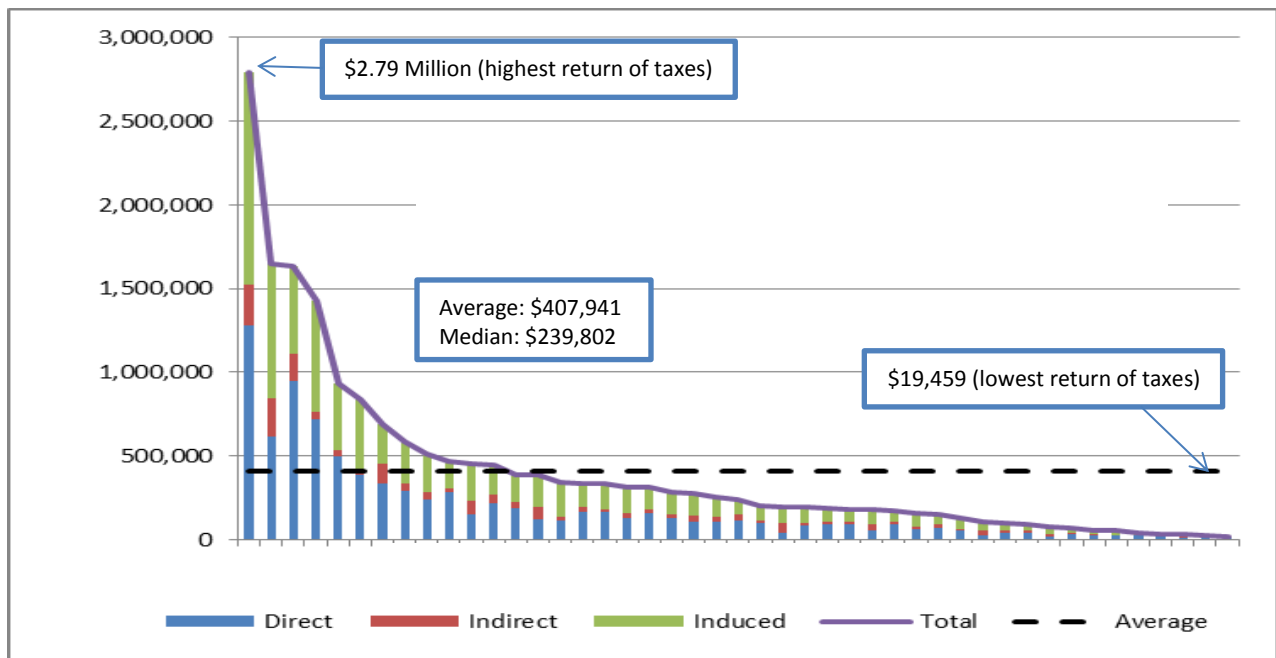


**Table 20: Government Revenue (All Levels) Associated with 45 Community Sector Organizations**

Impacts	Average	Combined
Direct	\$ 188,908	\$ 8,500,852
Indirect	\$ 39,450	\$ 1,775,257
Induced	\$ 179,583	\$ 8,081,220
<b>Total</b>	<b>\$ 407,941</b>	<b>\$ 18,357,329</b>

As Figure 16 demonstrates, the revenue to all levels of government by organization ranged from \$2.79 million to \$19,459 with a median value of \$239,802. There were 12 organizations above the average and 33 organizations below the average.

**Figure 16: Distribution of Government Revenue (All Levels) Associated with 45 Community Sector Organizations**



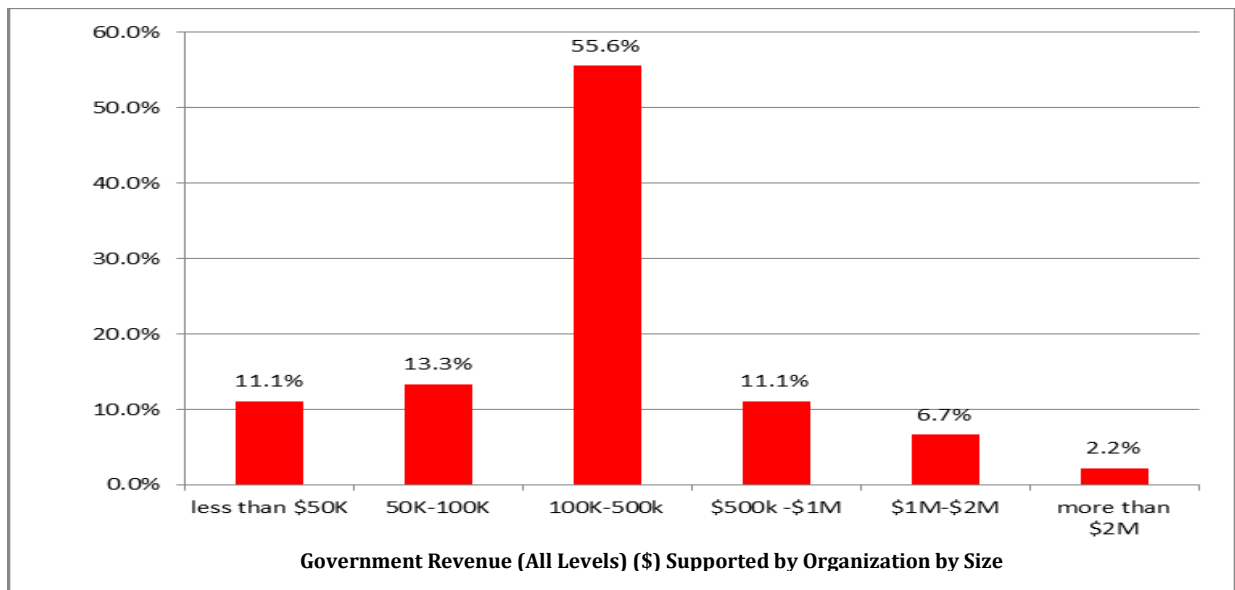
Another perspective on the distribution of revenue to all levels of government associated with the sample of community sector organizations is provided in Table 21.

**Table 21: Distribution of Community Sector Government Revenue (All Levels) by Size of Government Revenue (All Levels) Impact**

Size of Government Revenue (All Levels) in Category	Amount of Government Revenue (All Levels) in Category		Percentage of Government Revenue (All Levels) in Category	Number of Organizations with Government Revenue (All Levels) in Category	Percent of Organizations with Government Revenue (All Levels) in Category	
less than \$100K	\$151,574		0.8%	5	11.1%	
\$100K-\$500K	\$447,761		2.4%	6	13.3%	
\$500K-\$1M	\$6,691,894		36.5%	25	55.6%	
\$1M -\$2M	\$3,560,475		19.4%	5	11.1%	
\$2M-\$5M	40.9%	\$4,711,950	25.7%	3	8.9%	6.7%
more than \$5M		\$2,793,675	15.2%	1		2.2%
<b>Total</b>	<b>\$18,357,329</b>		<b>100%</b>	<b>45</b>	<b>100%</b>	

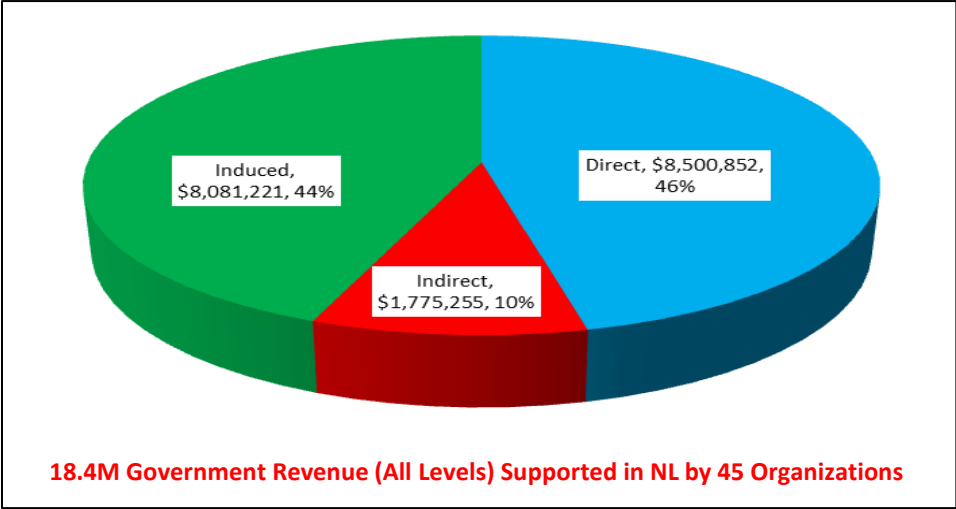
Interestingly, 8.9% (6.7% + 2.2%) of the organizations analyzed generated in excess of \$2 million in revenue to all levels of government, which represented \$7.5 million (or, 40.9%) of the \$18.4 million revenue yield to all levels of government. The middle of the distribution, representing 55.6% of the sample, supported between \$0.5 million and \$1.0 million in revenue to all levels of government, as seen in Figure 17. This corresponded to \$6.69 million in revenue to all levels of government and represented 36.5% of the revenue to all levels of government generated by the 45 community sector organizations.

**Figure 17: Sample Organizations - ranked by Size of Government Revenue (All Levels) Impacts**



Nearly 46% (or, \$8.5 million) of revenue to all levels of government was generated directly; indirect revenue to all levels of government generated in the supply industry accounted for 10% of the total revenue to all levels of government (or, \$1.8 million); and the remaining 44% of revenue to all levels of government (or, \$8.1 million) emanated from the services sector.

**Figure 18: Government Revenue (All Levels) Associated with the 45 Community Sector Organizations by Type of Impact**



Spending by the 45 community-based organizations on human resources, materials and supplies has a positive impact on tax revenues generated for each level of government. This information is displayed, by level of government, in Table 22. The provincial (\$8.7 million) and federal (\$8.6 million) governments are the largest beneficiaries.

**Table 22: Impact on Government Revenues (by Federal, Provincial and Municipal Impacts)**

<b>Government Revenue (Federal) (\$)</b>		<b>Average Government Revenue (Federal) per Organization (\$)</b>
Direct	\$5,171,894	\$ 114,931
Indirect	\$ 803,013	\$ 17,845
Induced	\$ 2,621,388	\$ 58,253
<b>Total</b>	<b>\$ 8,596,295</b>	<b>\$ 191,029</b>
<b>Government Revenue (Provincial) (\$)</b>		<b>Average Government Revenue (Provincial) per Organization (\$)</b>
Direct	\$ 3,269,009	\$ 72,645
Indirect	\$ 872,107	\$ 19,380
Induced	\$ 4,571,724	\$ 101,594
<b>Total</b>	<b>\$ 8,712,840</b>	<b>\$ 193,619</b>
<b>Government Revenue (Municipal) (\$)</b>		<b>Average Government Revenue (Municipal) per Organization (\$)</b>
Direct	\$ 59,950	\$ 1,332
Indirect	\$ 100,137	\$ 2,225
Induced	\$ 888,106	\$ 19,736
<b>Total</b>	<b>\$ 1,048,193</b>	<b>\$ 23,293</b>

### 6.5 Government Revenue (Provincial) Impacts

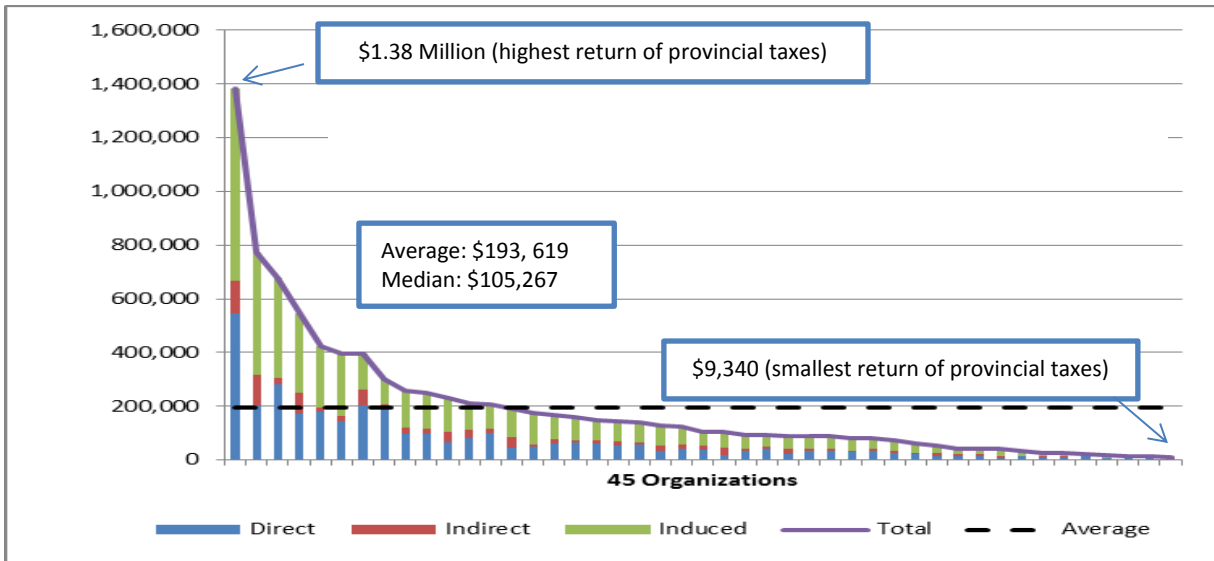
The Government of Newfoundland and Labrador is a substantial source of monies managed by the community groups examined in the pilot study, accounting for 37.6% (or \$22.9 million) of the \$61 million reported revenues at the organizations. The IOM analysis conducted by CARE shows that more than \$8 million of this is returned to the province in taxation by direct, indirect and induced methods, based on spending by the groups (i.e. these organizations were responsible for generating \$8.7 million of revenue to the provincial government, for an average of \$193,619 in revenue per organization).

**Table 23: Government Revenue (Provincial) Impact Associated with 45 Community Sector Organizations**

<b>Impacts</b>	<b>Average</b>	<b>Combined</b>
Direct	\$72,645	\$3,269,009
Indirect	\$19,380	\$872,107
Induced	\$101,594	\$4,571,724
<b>Total</b>	<b>\$193,619</b>	<b>\$8,712,840</b>

As Figure 19 shows, the revenue to the provincial government ranged from \$1.38 million to \$9,340, with a median value of \$105,267. There were 13 organizations with revenues to the provincial government above the average and 32 organizations with revenues to the provincial government below the average.

**Figure 19: Government Revenue (Provincial) Associated with 45 Community Sector Organizations**



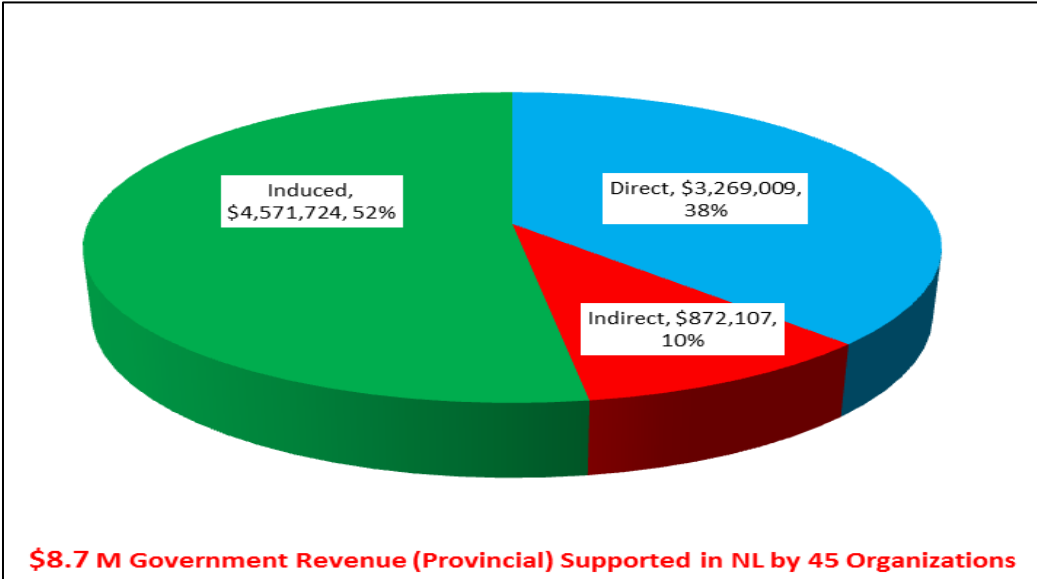
We see that 8.9% of the organizations analyzed supported in excess of \$2 million in revenues to the provincial government. These organizations accounted for nearly \$3.4 million of the \$8.7 million (38.8%) revenues received by the provincial government. Additionally, 33.3% of the sample supported between \$0.5 million and \$1.0 million in revenues to the provincial government. This corresponded to \$2.47 million in revenues to the provincial government.

**Table 24: Distribution of Community Sector Government Revenue (Provincial) by Size of Government Revenue (Provincial) Impact**

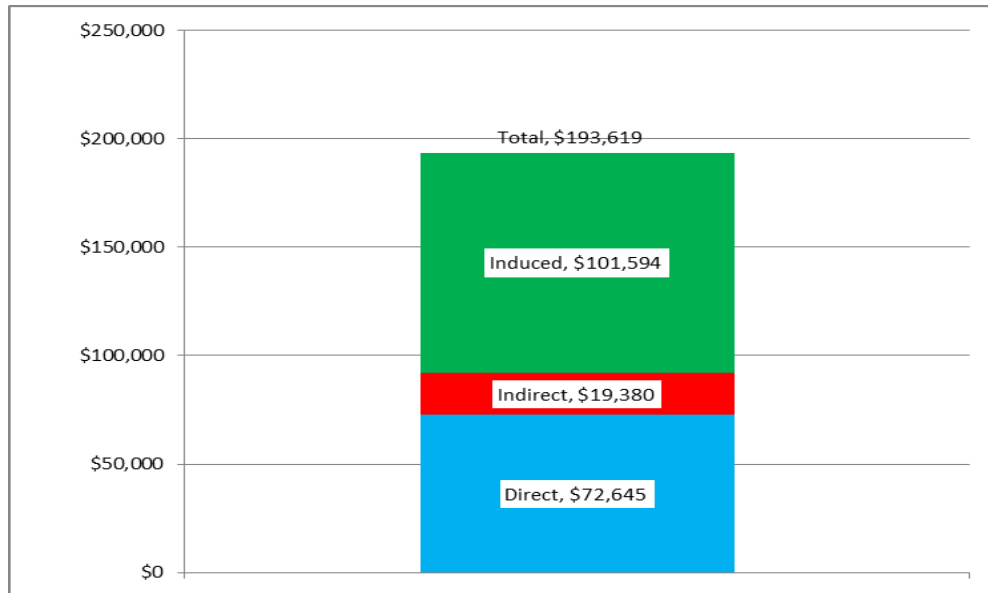
Size of Government Revenue (Provincial) Category	Amount of Government Revenue (Provincial) in Category	Percentage of Government Revenue (Provincial) in Category	Number of Organizations with Government Revenue (Provincial) in Category	Percent of Organizations with Government Revenue (Provincial) in Category
less than \$100K	\$284,542	3.3%	11	24.4%
\$100K-\$500K	\$795,057	9.1%	10	22.2%
\$500K-\$1M	\$2,473,512	28.4%	15	33.3%
\$1M-\$2M	\$1,777,345	20.4%	5	11.1%
\$2M-\$5M	\$1,997,869	22.9%	3	6.7%
more than \$5M	\$1,384,515	15.9%	1	2.2%
<b>TOTAL</b>	<b>\$8,712,840</b>	<b>100%</b>	<b>45</b>	<b>100%</b>

Approximately 38% or \$3.27 million of the revenues to the provincial government were generated directly; indirect revenues to the provincial government accounted for 10% or \$872,107 of the total revenue; and the remaining 52% of revenue to the provincial government or \$4.6 million emanated from the services sector.

**Figure 20: Government Revenue (Provincial) Associated with the 45 Community Sector Organization by Type of Government Revenue (Provincial) Impact**



**Figure 21: Average Government Revenue (Provincial) Impact Associated with the 45 Community Sector Organizations**



### 6.6 Government Revenue (Federal) Impacts

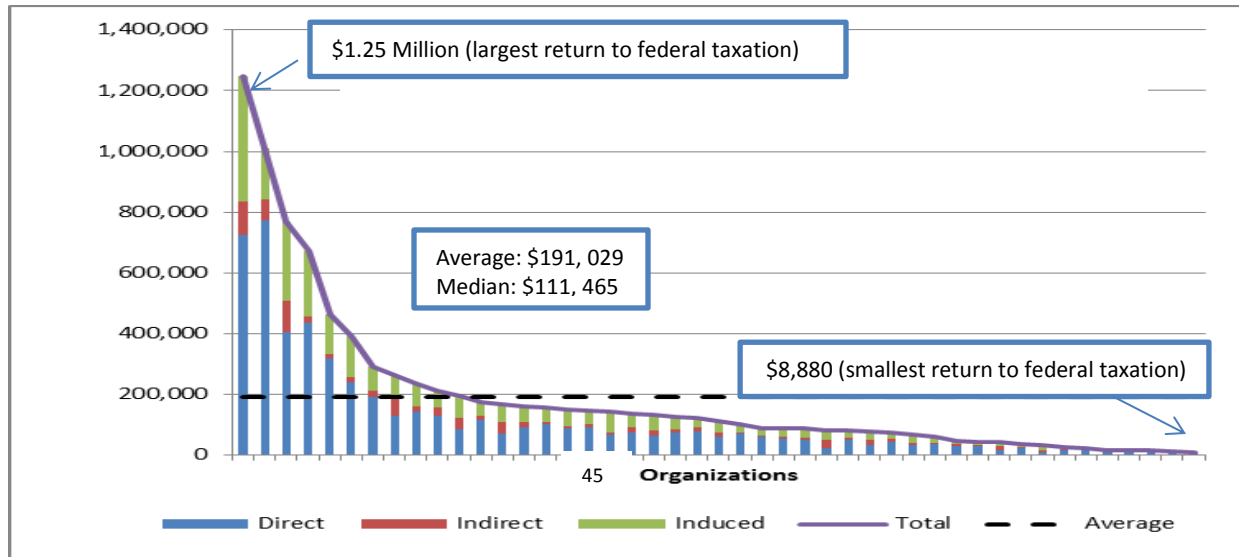
The IOM analysis showed that the 45 organizations in the pilot study were responsible for generating \$8.6 million of revenues to the federal government, which, on average, corresponds to \$191,029 per organization.

**Table 25: Government Revenue (Federal) Associated with 45 Community Sector Organizations**

Impacts	Average	Combined
Direct	\$114,931	\$5,171,894
Indirect	\$17,845	\$803,013
Induced	\$58,253	\$2,621,388
<b>Total</b>	<b>\$191,029</b>	<b>\$8,596,295</b>

The revenues to the federal government ranged from \$1.25 million to \$8,880 with a median value of \$111,465. There were 11 larger organizations that yielded revenues to the federal government above the average and 34 organizations below the average.

**Figure 22: Government Revenue (Federal) Associated with 45 Community Sector Organizations**



The IOM shows (in Table 26) that the four largest organizations (8.9% of the organizations analyzed) accounted for \$3.7 million of the \$8.6 million (or 43.2% revenue to the federal government). Additionally, 35.6% of the sample supported between \$0.5 million and \$1.0 million in revenues to the federal government. This represented nearly \$2.47 million in revenues to the federal government.

**Table 26: Distribution of Community Sector Government Revenue (Federal) by Size of Government Revenue (Federal) Impact**

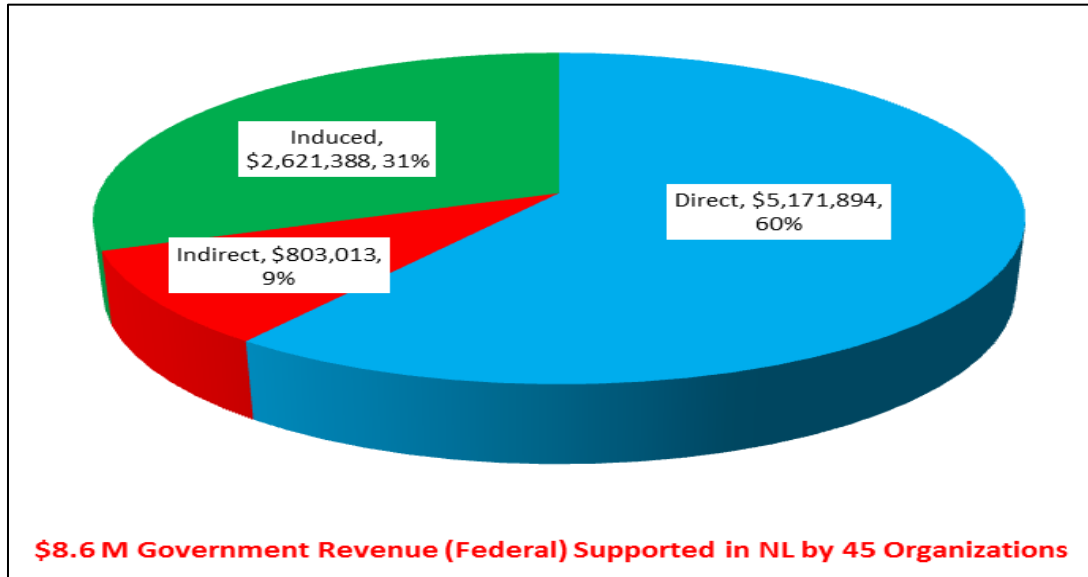
Size of Government Revenue (Federal) Category	Amount of Government Revenue (Federal) in Category	Percentage of Government Revenue (Federal) in Category	Number of Organizations with Government Revenue (Federal) in Category	Percent of Organizations with Government Revenue (Federal) in Category
less than \$100K	\$322,748	3.8%	11	24.4%
\$100K-\$500K	\$702,749	8.2%	10	22.2%
\$500K-\$1M	\$2,463,356	28.7%	16	35.6%
\$1M-\$2M	\$1,407,386	16.4%	4	8.9%
\$2M-\$5M	\$2,453,432	28.5%	3	6.7%
more than \$5M	\$1,246,623	14.5%	1	2.2%
<b>Total</b>	<b>\$8,596,295</b>	<b>100%</b>	<b>45</b>	<b>100%</b>

As shown in Figure 23, approximately 60% or \$5.17 million in revenues to the federal government was generated directly; indirect revenues to the federal government generated in the supply industry accounted for 9% of the total revenues to the federal



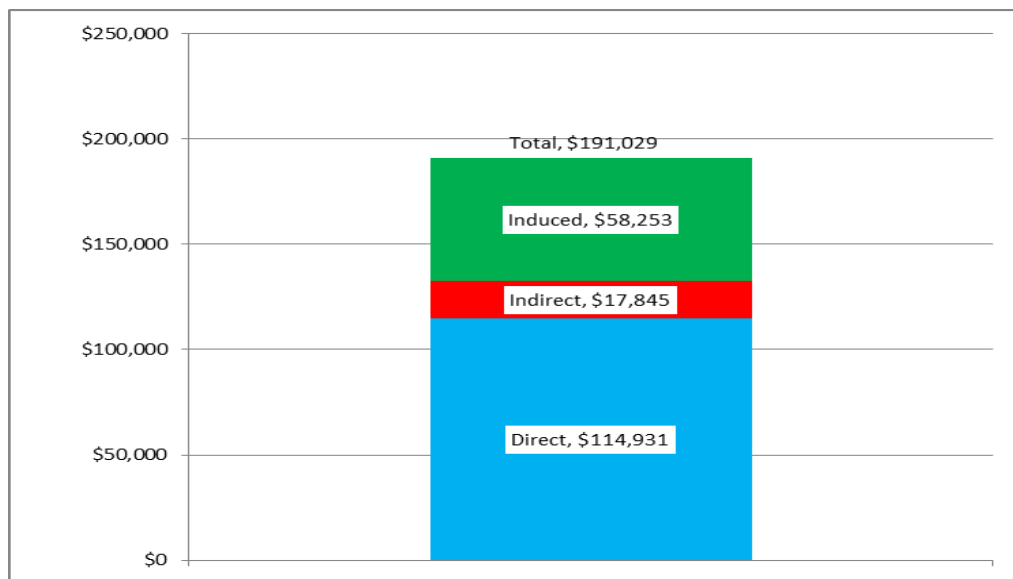
government or \$803,013; and the remaining 31% of revenue to the federal government (or \$2.6 million) emanated from the services sector.

**Figure 23: Government Revenue (Federal) Associated with the 45 Community Sector Organization by Type of Government Revenue (Federal) Impact**



The average (\$191, 029) impact on federal revenues is shown in Figure 24 by induced, indirect and direct proportions.

**Figure 24: Average Government Revenue (Federal) Impact Associated with the 45 Community Sector Organizations by Type of Government Revenue (Federal) Impact**



## 6.7 Government Revenue (Municipal) Impacts

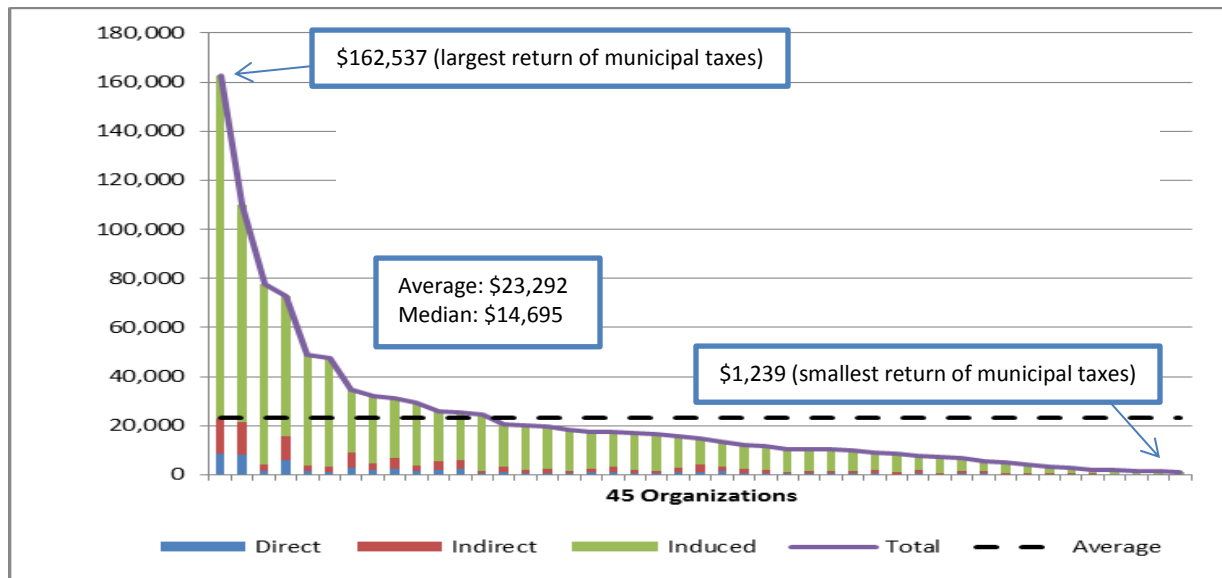
The 45 community sector organizations involved in this pilot project, according to the IOM analysis, were responsible for generating \$1.1 million of revenue to municipal government in Newfoundland and Labrador. This revenue represented an average value of \$23,293 per organization involved in the study.

**Table 27: Government Revenue (Municipal) Associated with 45 Community Sector Organizations**

Impacts	Average	Combined
Direct	\$1,332	\$59,950
Indirect	\$2,225	\$100,135
Induced	\$19,736	\$888,109
<b>Total</b>	<b>\$23,293</b>	<b>\$1,048,194</b>

As seen in Figure 25, the revenues flowing to the municipal governments ranged from \$162,537 to \$1,239 and the median value was \$14,695. There were 13 organizations with revenue impacts above the average and 32 organizations with revenue impacts below the average.

**Figure 25: Government Revenue (Municipal) Associated with 45 Community Sector Organizations**



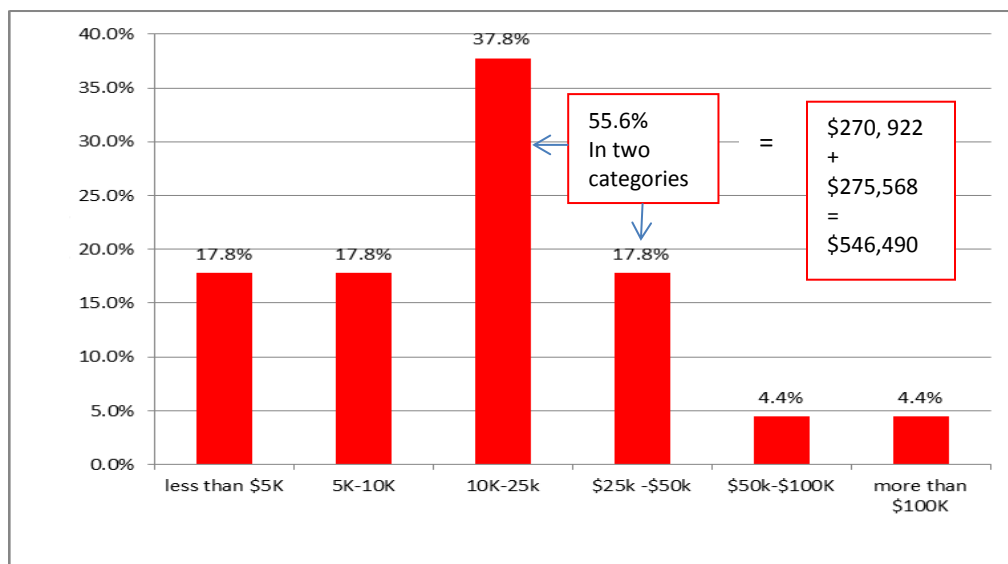
A look at distribution shows 4.4% of the organizations analyzed supported in excess of \$100,000 in revenues to the municipal governments, which represented \$272,744 or 26.0% of the \$1.1 million revenues received by municipal governments.

**Table 28: Distribution of Community Sector Government Revenue (Municipal) by Size of Government Revenue (Municipal) Impact**

Size of Government Revenue (Municipal) Category	Amount of Government Revenue (Municipal) in Category	Percentage of Government Revenue (Municipal) in Category	Number of Organizations with Government Revenue (Municipal) in Category	Percent of Organizations with Government Revenue (Municipal) Category
less than \$5K	\$18,725	1.8%	8	17.8%
\$5K-\$10K	\$59,794	5.7%	8	17.8%
\$10K-\$25k	\$270,922	25.8%	17	37.8%
\$25k -\$50k	\$275,568	26.3%	8	17.8%
\$50k-\$100K	\$150,442	14.4%	2	4.4%
more than	\$272,744	26.0%	2	4.4%
<b>Total</b>	<b>\$1,048,195</b>	<b>100%</b>	<b>45</b>	<b>100%</b>

Additionally, 55.6% of the sample supported between \$10,000 and \$50,000 in revenue to the municipal governments. These organizations generated \$546,490 in revenues to the municipal governments which was equivalent to 52.1% of the local government revenue.

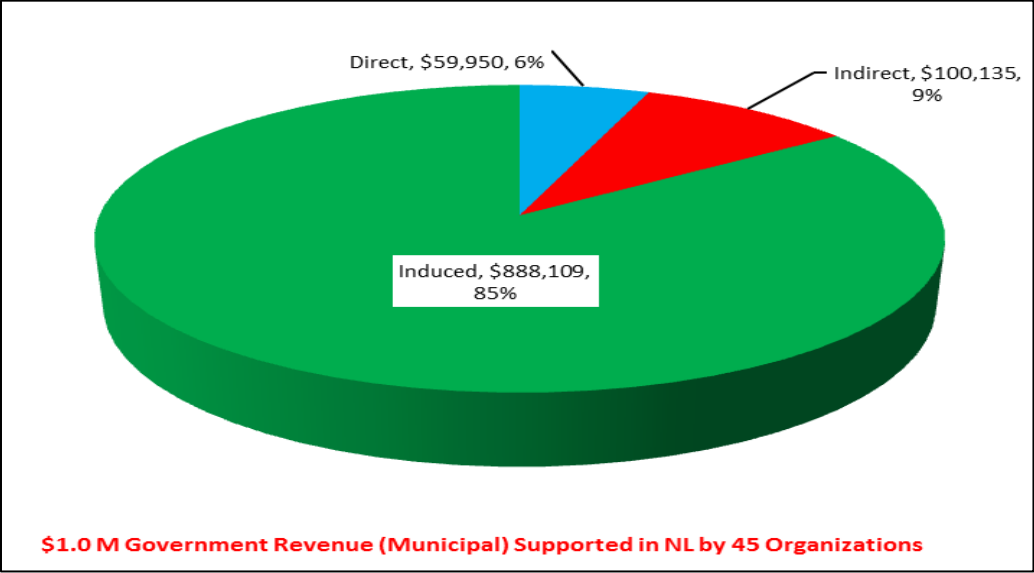
**Figure 26: Distribution of Sample Organizations - Ranked by Size of Government Revenue (Municipal) Impact**



Direct, indirect and induced revenue impacts differ considerably, in size, when municipal taxation is examined. Approximately 6% of the revenues flowing to municipal governments or \$59,950 were generated directly; indirect revenues accounted for 9.5% of the total revenues or \$100,135; and the remaining 85% of revenues or \$888,109 emanated from the

services sector. The corresponding averages are: \$1,332 in direct revenues, \$2,225 in indirect revenues and \$19,736 of induced revenues.

**Figure 27: Government Revenue (Municipal) Associated with the 45 Community Sector Organization by Type of Government Revenue (Municipal) Impact**



**6.8 Inter-Firm Sales Impacts**

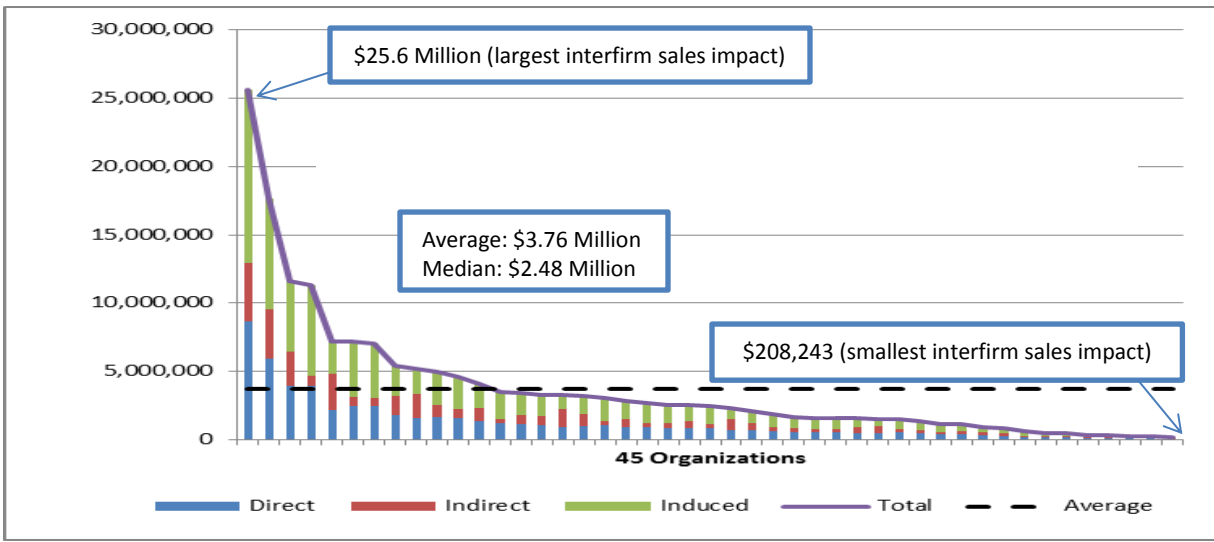
The annual injection of \$60.6 million per year in the provincial economy initiates several rounds of expenditures between various industries in the province. For example, the purchase of gasoline for vehicles generates revenues for gas stations which, in turn, use the revenues to pay not only for gasoline but also for electricity, insurance, office supplies and salaries. Insurance companies (for example) will spend revenues on various goods and services required to run their businesses. The 45 community sector organizations involved in this pilot project were responsible for generating \$169.0 million of inter-firm sales or business activity in Newfoundland and Labrador for an average of \$3.76 million per organization involved in the study.

**Table 29: Inter-Firm Sales Associated with 45 Community Sector Organizations**

Impacts	Average	Combined
Direct	\$1,256,305	\$56,533,727
Indirect	\$706,526	\$31,793,682
Induced	\$1,793,207	\$80,694,314
<b>Total</b>	<b>\$3,756,038</b>	<b>\$169,021,723</b>

The inter-firm sales ranged from \$25.6 million to \$208,243, with a median value of \$2.48 million. There were 12 organizations with inter-firm sales above the average and 33 organizations below the average.

**Figure 28: Inter-Firm Sales Associated with 45 Community Sector Organizations**



Another perspective on the distribution of inter-firm sales associated with the sample of community sector organizations is provided in Table 30. For instance, 8.9% of the organizations analyzed supported in excess of \$66.2 million (or, 39.2% of the total) in inter-firm sales. Additionally, 57.8% of the sample supported between \$1.0 million and \$5.0 million in inter-firm sales, which corresponded to \$65.9 million in total.

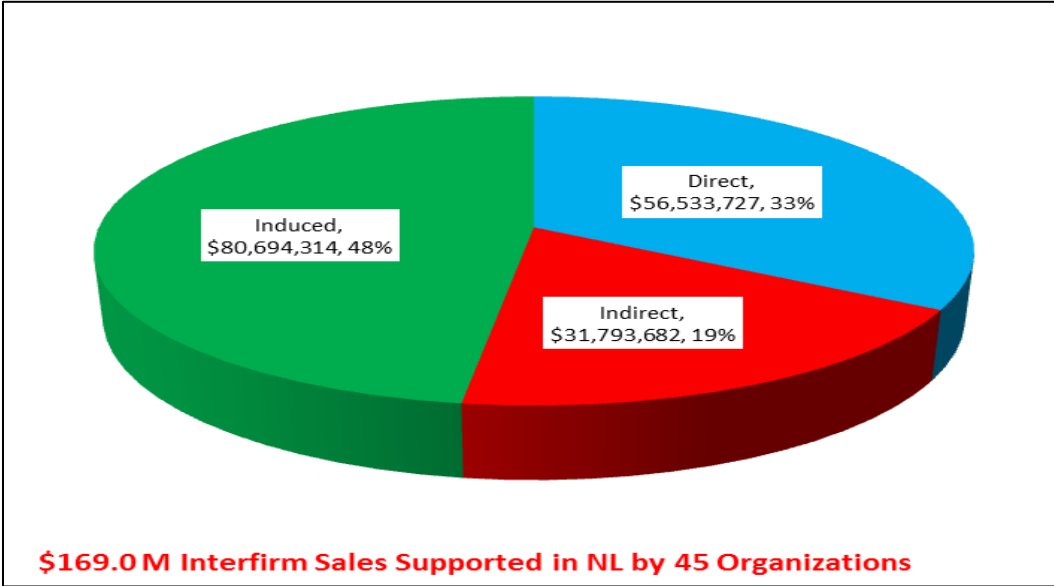
**Table 30: Distribution of Community Sector Inter-Firm Sales by Size of Inter-Firm Sales Impact**

Size of Inter-Firm Sales Category	Amount of Inter-Firm Sales in Category	Percentage of Inter-Firm Sales in Category	Number of Inter-Firm Sales Organizations in Category	Percent of Inter-Firm Sales Organizations in Category
less than \$500K	\$1,839,754	1.1%	6	13.3%
\$500K-\$1M	\$2,931,144	1.7%	4	8.9%
\$1M-\$5M	\$65,884,485	39.0%	26	57.8%
\$5M-\$10M	\$32,122,499	19.0%	5	11.1%
\$10M-\$25M	\$40,630,292	24.0%	3	6.7%
more than \$25M	\$25,613,549	15.2%	1	2.2%
<b>Total</b>	<b>\$169,021,723</b>	<b>100.0%</b>	<b>45</b>	<b>100%</b>

Figure 29 indicates that, approximately 33% of the inter-firm sales created in the sample of 45 community sector organizations or \$56.5 million were generated directly; indirect inter-firm sales generated in the supply industry accounted for 19% of the total inter-firm sales or \$31.8 million; and the remaining 48% of inter-firm sales or \$80.7 million emanated from

the services sector. The corresponding averages are: \$1.26 million in direct inter-firm sales, \$0.71 million in indirect inter-firm sales and \$1.79 million in induced inter-firm sales, per organization.

**Figure 29: Inter-Firm Sales Associated with the 45 Community Sector Organizations by Type of Inter-Firm Sales Impact**



**6.9 Summary of Economic Impacts in the Local Economy**

- For every two full-time employment positions in the community sector an additional 1.2 positions can be accounted for in the broader economy;
- Average spending of \$1.3 million by a community group results in more than \$400,000 taxation dollars to the various levels of government;
- Every three-quarter of a million (\$754,000) spent by community groups on wages, salaries and benefits, accounts for \$1.1 million of actual wages, salaries and benefits in the economy; and
- The revenues and expenditures of 45 community groups account for more than \$74.5 million in GDP in the province of Newfoundland and Labrador.

## 7.0 Assets, Liabilities and Reserves

The 45 organizations in the pilot study report current assets for one fiscal year of \$20.9 million and other assets, in long term investments and capital assets, for a total of \$84.8 million.

**Table 31: Total Assets (N=45)**

<b>Assets</b>	<b>Total</b>	<b>Average per organization</b>
Current Assets	\$ 20,966,639	\$ 465,925
Investments	\$ 3,902,096	\$ 86,713
Capital Assets	\$ 59,972,502	\$ 1,332,722
<b>Total</b>	<b>\$ 84,841,237</b>	<b>\$ 1,885,361</b>

Current liabilities were reported at \$40.1 million<sup>21</sup> and with outstanding loan payments, totaled \$53.9 million.

**Table 32: Total Liabilities (N=45)**

<b>Liabilities</b>	<b>Total</b>	<b>Average per organization</b>
Current liabilities	\$ 40,130,761	\$ 891,795
Loans (outstanding amount, one year)	\$ 13,762,951	\$ 305,843
<b>Total</b>	<b>\$ 53,893,712</b>	<b>\$ 1,197,638</b>

The net asset position of the 45 organizations, in aggregate, stands at just under \$31 million.

**Table 33: Net Assets (N=45)**

<b>Net Assets</b>	<b>Total</b>	<b>Average per organization</b>
Net Assets- Invested in Capital Assets	\$ 8,501,519	\$ 188,923
Net Assets- Operating or Project Fund	\$ 1,438,640	\$ 31,970
Net Assets- General Fund	\$ 3,277,223	\$ 72,827
Net Assets- Reserves & Contingency Fund	\$ 2,135,907	\$ 47,465
Net Assets - Unspecified	\$ 15,593,620	\$ 346,525
<b>Total</b>	<b>\$ 30,946,909</b>	<b>\$ 687,709</b>

It is a good practice, in the community sector, to reserve some funds to cover unexpected operating costs in the case of a major downward turn of events, such as loss of a major program or funder. Standards vary but the minimum is usually three months of operating

<sup>21</sup> Within standard categories of accounts payable, accrued liabilities and deferred revenue (the largest category, at \$34.4 million).

costs.<sup>22</sup> Primarily, such reserves would cover program costs, staffing, leasing and current liabilities, in the event of unforeseen loss of revenue, especially if an organization had to halt or severely curtail operations. Although amounts would vary widely in actual circumstances and depend on the size of each organization,<sup>23</sup> the amount of designated contingency funds (\$2.14 million) would appear to be low.

## 7.1 Summary Highlights on Assets and Liabilities

- Total Assets - \$84.84 million;
- Total Liabilities - \$53.89 million; and
- Net Assets - \$30.95 million.

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<sup>22</sup> See *Uncertain Times call for certain measures: Charity fundraising in difficult times (2010)*. Other funds, including a general fund, could be used to cover cash flow shortages, and unspecified net assets, shown at \$15.5 million, may have restrictions (i.e. obligations to donor designated programs, scholarships, etc., placed on spending, which were not examined by CSC NL.)

<sup>23</sup> Grant Thornton (Spring 2010)



## 8.0 Conclusion

Examining the economic impact of community-based organizations with an IOM shows that in the St. John's region, the 45 organizations in this study have had positive impacts on job creation in the local economy and created government revenues at the municipal, provincial and federal levels. Local spending has generated direct, indirect and induced impacts which are both positive and measurable.

Some highlights:

- For every two full-time employment positions in the community sector an additional 1.2 positions can be accounted for in the broader economy;
- Average spending of \$1.3 million by community groups results in more than \$400,000 taxation dollars to the various levels of government;
- Every three-quarter of a million (\$754,000) spent by community groups on wages, salaries and benefits, accounts for \$1.1 million of actual wages, salaries and benefits in the economy; and
- The expenditures of 45 community groups account for more than \$74 million in provincial GDP.

Community groups are governed by mature, well-educated citizens who report that revenues and expenditures are more likely to rise in the near future than decline. The organizations will continue to have economic impacts in the St. John's region. Areas for future exploration might include a more detailed look at human resources, both paid and volunteer, the diversification of funding bases of community groups and how to develop reserves for operations. This is only a partial list.

# Appendix 1: References

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## Appendix 2: Organizations Surveyed

- AIDS Committee of Newfoundland and Labrador (ACNL)
- The Arthritis Society - Newfoundland and Labrador Division Office
- Artistic Fraud of Newfoundland Inc.
- The Newfoundland & Labrador Association for Community Living (NLACL)
- The Autism Society, Newfoundland Labrador (ASNL)
- Avalon Arena Association
- Avalon Employment Inc. (AEI)
- Big Brothers Big Sisters of Eastern Newfoundland
- Bowring Park Foundation Inc.
- Brighter Futures Coalition of St. John's and District
- Canadian Hard of Hearing Association - Newfoundland and Labrador (CHHA-NL)
- Canadian Mental Health Association - Newfoundland and Labrador (CMHA-NL)
- Children's Wish Foundation of Canada - Newfoundland and Labrador Chapter
- Coalition of Persons with Disabilities - Newfoundland and Labrador (COD-NL)
- Conservation Corps of Newfoundland and Labrador
- Craft Council of Newfoundland and Labrador
- Credit Counselling Services of Newfoundland and Labrador
- Daybreak Parent Child Centre Association
- Destination St. John's
- East Coast Trail Association (ECTA)
- Easter Seals Newfoundland and Labrador
- The Eating Disorder Foundation of Newfoundland and Labrador (EDFNL)
- The Newfoundland and Labrador Folk Arts Society (NLFAS)
- Independent Living Resource Centre (ILRC)
- The St. John's International Women's Film Festival (SJIWFF)
- Island Furniture Association
- The John Howard Society of Newfoundland & Labrador
- Kids Eat Smart Foundation Newfoundland and Labrador
- Learning Disabilities Association of Newfoundland and Labrador (LDANL)
- The Lung Association - Newfoundland and Labrador
- Manuels River Natural Heritage Society Inc. (MRNHS)
- The Murphy Centre
- The Newfoundland Symphony Orchestra (NSO)
- Parkinson Society Newfoundland and Labrador (PSNL)
- Réseau de Développement économique et d'employabilité de Terre-Neuve-et-Labrador (RDEE TNL)

- Refugee Immigrant and Advisory Council Inc. (RIAC)
- Single Parent Association of Newfoundland and Labrador (SPAN)
- Mount Pearl Sport Alliance
- St. John Ambulance - Newfoundland and Labrador
- St. John's Native Friendship Centre Association (SJNFC)
- Status of Women Council / Women's Centre Inc. - St. John's
- Stella's Circle
- Thrive (Community Youth Network - St. John's)
- Transition House Association of Newfoundland and Labrador (THANL)
- YMCA of Northeast Avalon

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