

Appendix A: Methodology

Phase I

In Phase I of this project, the project team set up the parameters of the study and identified research issues of interest. The focus was to establish the necessary building blocks to conduct an in-depth examination of funding in the nonprofit and voluntary sector. These included a comprehensive review of the literature and of existing Canadian data, the identification of key issues and central research questions, and the articulation of our research methodology, including the development of research tools to conduct our investigation.

Literature Review

Our first task was to conduct a literature review and collect background information. We examined primary and secondary sources on funding for the nonprofit and voluntary sector in order to situate our research questions, including methodological issues related to nonprofit and voluntary sector research. We reviewed the following:

- Canadian literature;
- selected international literature;
- available quantitative data (i.e., T3010 data file; Survey of Volunteer Activity 1987; National Survey of Giving, Volunteering and Participating 1997, 2000); and
- relevant government studies (Treasury Board; Department of Finance; HRDC).

Through our literature review, we identified key issues from the perspectives of the nonprofit and voluntary sector, public/private funders, and the general public, and we finalized research questions related to our project objectives. At this point in the project, we also conducted interviews with selected experts in the field.

Research Tools

Based on our review of the literature, as well as key informant interviews and discussions with our Advisory Group, we selected the most appropriate research methodology and tools to address the central question of this study: what is the impact of changing funding trends on the sustainability of the nonprofit and voluntary sector.

In this phase of the project, we developed the following:

- operating definitions and descriptions of key project concepts, including: funding source, funding mechanism, financial sustainability, financial capacity, public/ private funders, and nonprofit and voluntary sector organizations.
- a comprehensive list of sources of funding and funding mechanisms for nonprofit and voluntary organizations.
- a sampling methodology for the study, identifying selection criteria for proposed focus groups participants and subjects for in-depth case studies.

- other methodological tools, such as a discussion guide for interviews and survey instrument for participants.

We adopted the working definition used by the VSI Joint Tables and Working Groups, based on the definition used by the U.N. System of National Accounts and the International Classification of Nonprofit Organizations (ICNPO) developed by John Hopkins Comparative Nonprofit Sector Project. We therefore included nonprofit and voluntary sector organizations in our study which demonstrated the following characteristics:

- *Organized*: The organization must be institutionalized to some extent, that is, have some institutional permanence.
- *Private*: The organization must be institutionally separate from government and for-profit business.
- *Non-profit-distributing*: The organization must not return profits generated to owners or directors.
- *Self-governing*: The organization must be independent and able to govern its own activities.
- *Voluntary*: The organization must have a significant degree of voluntary participation in the conduct of its activities or its management. Membership is non-compulsory. (Hall and Banting, 2000; Salamon, Anheier and Associates, 1998)

While this definition is still somewhat ambiguous, it was useful in establishing a broad set of parameters for our sample population. We also chose to focus on organizations that are organized for “public” rather than “mutual” benefit. Thus, we chose to exclude the following:

- co-operatives and economic sociale groups;
- closed-shop unions and professional or industrial associations; and
- consumer associations.

We also excluded religious organizations and transfer-payment agencies such universities and hospitals that are almost exclusively reliant on government funding and regulations. The very size of these voluntary organizations has been shown to skew the analysis of nonprofit and voluntary sector activity. (Hall notes, for example, that nearly two-thirds of charitable revenues go to hospitals and teaching institutions.) A more extensive discussion of the definition of the nonprofit and voluntary sector is presented in Chapter 2.

Phase II

Throughout Phase II, we collected data for the project. Data collection proceeded on a number of fronts:

Key Informant Interviews

The research team consulted with our Advisory Group and various experts on the nonprofit and voluntary sector. We conducted roundtable discussions with groups of public and private sector funders to document the recent evolution of funding practices. We were able to interview representatives from a diverse range of volunteer centres across the country. In addition, we

interviewed over 25 individuals, all of whom provided valuable insights into funding trends and the nonprofit and voluntary sector.

Focus Groups (2 national and 9 regional groups)

We conducted a series of focus groups to generate both qualitative and quantitative information on the experiences of nonprofit and voluntary organizations which rely on different funding sources and mechanisms. We used two guiding principles in organizing the focus groups:

- regional representation; and
- primary activity or focus of the organization.

Our intent was to solicit the input of groups representing different regional perspectives as well as different subsectors of the nonprofit and voluntary sector, such as those working in the areas of arts and heritage, sports and recreation, and so on.

Initially, we had planned to conduct five regional groups – in British Columbia/ Alberta; Saskatchewan/ Manitoba; Ontario; Quebec; the Atlantic provinces – as well as one group in Ottawa for nationally based organizations. Through the process, we decided to hold additional groups, including a consultation with visible minority and immigrant organizations. We also decided to exclude Manitoba and British Columbia as possible focus group sites. In Manitoba, the Manitoba Voluntary Sector Initiative was already conducting their own focus groups and fielding a survey of 4,000 organizations, so we felt that their views would be ably represented in this work. In British Columbia, significant cuts to nonprofit and voluntary groups were announced in the spring 2001 budget. On the advice of others, we concluded that the experiences of British Columbia groups, while enormously important, would skew our small sample. It would be hard to ask a group about funding trends when they didn't know whether they would be able to keep their doors open next month.

The rationale for focusing on the primary activity or main focus of an organization was twofold. First, as one would expect, there are significant differences across the diverse range of groups that make up Canada's nonprofit and voluntary sector. Certainly the funding landscape varies between arts groups that depend on ticket sales and social service agencies reliant upon purchase of service agreements with governments. As well, adopting the criteria of primary economic activity is consistent with other major research projects on the nonprofit and voluntary sector, both here in Canada and abroad. The National Survey of Nonprofit and Voluntary Organizations (NSNVO) and the Satellite Account of Nonprofit Institutions and Volunteering at Statistics Canada, both sponsored by the Voluntary Sector Initiative, draw on the International Classification of Nonprofit Organizations (ICNPO) developed by the Johns Hopkins Comparative Nonprofit Sector Study. The broad categories of the ICNPO include the following:

- culture and recreation
- education and research
- health
- social services
- environment

- development and housing
- law, advocacy and politics
- philanthropic intermediaries and voluntarism promotion
- international activities
- religion
- business and professional associations, unions
- other.

Similarly, the Panel on Accountability and Governance in the Voluntary Sector and the Joint Tables report used a typology based on these broad categories in their survey work. (The Canadian Customs and Revenue Agency employs a different typology to gather information on registered charities. We chose to use the broader voluntary sector classification schemes which capture both charities and non-charities outlined above.)

Our final classification system included the following subcategories:

- health
- social services
- public policy and research (e.g., poverty, seniors)
- recreation and sport
- arts, culture and heritage
- environment
- international development
- ethnocultural communities
- equality and human rights
- literacy and education
- community benefit organization (e.g., social planning councils, volunteer centres)
- economic development, employment, housing
- other.

In order to capture the range of groups in the nonprofit and voluntary sector, we approached potential host organizations across Canada that are noted for their knowledge of specific subsectors of the nonprofit and voluntary sector. Given the limited size of our study, we wanted to ensure that we were able to talk to representatives from the largest groups in the sector in order to get the broadest coverage possible. Therefore, we approached potential hosts working in recreation and sport, arts and culture, social services, and economic development, employment and housing. The focus group sites and subsector focus are noted below.

Region	Subsector		Date
Atlantic <ul style="list-style-type: none"> • Saint John, NB • Coldbrook, NS 	cross sector cross sector	(CS-NB) (CS-NS)	March 18 April 8
Quebec <ul style="list-style-type: none"> • Montreal • Montreal 	cross sector ethnocultural associations (2 groups)	(CS-Q) (EA-Q)	April 12 May 16
Ontario <ul style="list-style-type: none"> • Toronto • Toronto • Ottawa 	social services/ employment recreation/ sport environment	(SS/E) (RS) (E)	March 5 May 9 March 26
West <ul style="list-style-type: none"> • Edmonton, AB 	arts/ culture/ heritage	(A)	March 21
National/ Federal <ul style="list-style-type: none"> • Ottawa 	cross sector (2 groups)	(CS-N)	April 30 May 2

We asked the host organizations to organize the sessions and recruit focus group participants through their own networks, basing the final selection on the criteria provided. As noted above, our main participant selection criteria was the “primary activity” of the organizations. In addition, we asked our host organizations to consider the following criteria in developing their invitation lists for the focus groups:

- primary funding source
- single/ multiple funding mechanism(s)
- size of budgets and staff
- charitable status
- longevity
- staff composition (paid or volunteer).

Each group was comprised of five to 15 organizational representatives. Two groups were conducted in French. In all, we interviewed approximately 100 representatives from nonprofit and voluntary organizations across the country.

The groups followed a semi-structured format. One researcher presented an overview of the project and outlined the provisions regarding confidentiality, then the facilitator took over the session, following a common agenda. Each session lasted roughly three hours. Participants were asked to detail their sources and mechanisms of funding, then discuss funding trends and the impact of these trends on their organizations. Audio recordings were prepared of most sessions; in addition, the

researchers assisted the facilitator in charting group responses and taking notes. At the end of the sessions, the project questionnaire and a self-addressed envelope were handed out, and participants were asked to mail back the completed survey within four weeks. Participants were also asked to complete a short focus group feedback form.

Survey on Funding Sources and Mechanisms

Through the focus groups, we distributed a mail-in survey to 104 nonprofit and voluntary sector groups asking questions about funding sources and mechanisms. Each group received a reminder notice about the survey. Fifty-one completed questionnaires were returned, for a response rate of 49%.

The method to identify focus group participants and potential questionnaire respondents – described above – is a nonprobability sampling method. Given the time frame of the project and size of our budget, we determined that a purposive or judgmental sampling method was the best approach to reveal funding trends and their impacts on a broad range of nonprofit and voluntary sector groups. A purposive sampling method is a type of nonprobability sampling method in which the researcher uses his or her own judgement in the selection of sample members (Babbie, 1995). As noted above, we contacted organizations from various subsectors of the nonprofit and voluntary sector to host our focus groups, and each host was asked to invite a cross-section of groups, based on our established criteria.

Findings from studies using a nonprobability sampling method are not as broadly representative of a subject nor as reliable as those from surveys which employ a probability sampling method. However, our survey findings, in conjunction with the findings from our focus groups and case studies, *do* provide persuasive evidence on key funding trends among nonprofit and voluntary sector organizations in Canada.

Case Studies

In the latter part of Phase II, we conducted “drill-down” case studies. Through case studies, we hoped to learn something of the day-to-day realities of nonprofit and voluntary to supplement the primary and secondary data collected through the literature review and focus groups. The resulting organizational profiles made is possible to illustrate how different funding sources and mechanisms influenced the ability of nonprofit and voluntary sector organizations to meet their missions and secure sustainability.

The goals of these drill-down case studies were the following:

- establish the financial trajectories of these organizations over time;
- explore their relationships with various funders and funding mechanisms;
- document in detail how changing trends in funding policy, legislation and practices have bolstered or threatened the sustainability of the organization;
- determine the capacity of the organizations to respond to funding reforms; and
- determine what would enhance their ability to achieve their stated organizational goals over time.

Based on the database of organizations generated through our focus groups and the extensive voluntary networks of the CCSD and NVO, we identified a pool of potential case studies. Again, we used a purposive sample; specifically, we used two criteria to guide the final selection of the five case studies:

- primary activity or focus of the organization; and
- different types of funding reliance.

To identify organizations with particular types of funding composition, we used data on total revenues and the proportion from major funding sources. We limited the choice to established organizations with paid staff. While there would have been great value in looking at organizations which rely exclusively on volunteer labour to meet their missions, given the purpose of the study, we felt it necessary to explore in further depth those nonprofit and voluntary sector groups which relied on diverse funding sources.

The research team carried out on-site interviews over the course of one day using a common discussion guide prepared for this purpose. We interviewed key informants of the organization, including the executive director, fund development officer and/or finance and administration officer where available, and board members, if possible. All discussions were taped and the researchers took detailed notes. In addition, selected organizations were asked to provide the following information:

Last five years

- financial statements and/or audited reports
- relevant board minutes and/or reports related to funding and fundraising
- program and fiscal reports for this period.

Last fiscal year

- examples of proposals for funding and signed contracts.

The following chart provides details regarding our case study sample.

Subsector	Funding Reliance	Date
Social Service Group, National (SSGN)	earned income, private giving	February 27, 28
Environment Group (EG)	government, private giving	June 18
Social Service Group, Local (SSGL)	government	July 4
Advocacy Group, Quebec (AGQ)	government, private giving	August 23
Arts Group (AG)	earned income, private giving, government	July 3

Phase III

In the last phase of this project, we analyzed the primary and secondary data. Completed questionnaires and supplementary materials were coded and analyzed using bi-variate and multi-variate analyses, as the samples warranted. The quantitative analysis was supplemented by qualitative inquiry, relying on techniques such as content analysis of the literature and discussion transcripts/summaries of the focus groups and case studies. A draft report was prepared. The draft report was submitted to our Advisory Group and to selected experts for comment. With input from these groups, the final report and report summary were prepared, including supporting documentation, in both French and English.