

Chapter 6: The Project Funding Roller Coaster

One part of the research for this study involved in-depth case studies of nonprofit and voluntary organizations. Their stories reveal the complexities of doing business in today's turbulent funding environment. Below, we present one story which highlights the evolution of an environmental group, from its voluntary roots to an organization today engaged in project work. It clearly reveals many of the challenges that nonprofit and voluntary organizations experience in their pursuit of mission, many of which stem from the sources and mechanisms of available funding.

Early History

EG is a small environmental group based in a rural community. It was formed in 1989 by a local science teacher. The teacher was inspired to take action after attending a conference sponsored by the David Suzuki Foundation. The key message he took away from that conference was that it wasn't enough to simply look to government to make environmental change. We all have to look to ourselves and our communities to start the process.

The first meeting of EG was held on Halloween night. A number of community residents came together to discuss environmental action for their town. The focus of their early work was waste reduction. Like many other small communities, the town where EG is based did not have a "blue box" program. EG members came together to discuss ways of diverting waste and educating the public about the importance of such an initiative. To this end, they went to their municipality to discuss the possibility of organizing two trucks to collect materials for recycling. Working through local churches and service clubs, they solicited donations and volunteers to assist with collection. This work progressed; at the point when the town launched its own program, EG coordinated six dumpsters and had set up a reuse centre which is still in operation today.

Organizational Structure and Governance

Like many small nonprofit and voluntary groups, the group evolved, drawing on the passion of a number of individuals. EG became incorporated in 1990 and set up a charitable foundation for fundraising purposes that same year. The group is run by a volunteer board of directors, all of whom are directly involved in the organization's activities – project development, proposal writing, fundraising, public education, and so forth. EG's members (numbering 105 in 2002) elect the board of directors, but the membership base is not particularly active, nor seen as the driving force behind the organization. Rather, the direction comes from a core of volunteers, specifically those serving as board members.

Early Years of the Organization, 1989–1998

The mission of EG is "to protect, preserve and enhance our environment for the use and enjoyment of present and future generations through advocacy, education, recognition and projects." As such, the group is involved in a number of activities, all of which promote a change of individual behaviour towards the natural environment. As noted, the early work of EG centred around waste reduction. The group organized summer day camps, composting promotions, business waste reduction campaigns, a garbage hotline, a Christmas tree chipping service, recycling dumpsters, and

a reuse centre for residents. EG also established an annual environmental award to recognize environmentally friendly businesses, individuals, and schools. In 1994, the group expanded its focus to include wetland awareness, water conservation, and shoreline preservation.

In its early years, EG relied on a mix of income sources to support its work, the most critical of which was the federal Environmental Youth Corps (EYC) program. In total, the EYC provided roughly \$90,000 to cover the salaries of students employed by EG to run the summer camps between 1990 and 1995. EG charged a fee for its summer camps and workshops, and sold items such as coffee mugs and canvass bags. It collected membership fees from a small base of individuals and businesses, and solicited individual and corporate donations through promotions at local malls, concerts, auctions and garage sales. These monies were set aside in their environmental trust and drawn upon to carry out the public education work. However, the scale of activities was small. The annual income of the group and trust was roughly \$3,000 per year.

In 1995, EG took the first step towards expanding the scope of its activities and generating higher revenues by developing and submitting an application for project funding. Specifically, EG applied to the provincial Ministry of Energy to develop and implement a Green Home Visit program for local residents and businesses. The decision to pursue project funding represented an effort to move beyond a strictly voluntary base and structure – characteristic of up to half of all nonprofit and voluntary groups in Canada – to enhance its capacity to meet mission. EG decided that if it was really going to make an impact on fostering environmental change in the community, it needed to undertake project work with paid staff and develop its organizational infrastructure.

The request for funds was denied in 1995 – a great disappointment for the group, which had built a network of interested partners supportive of the plans – and it came at a time when the group’s energy was waning. EG had just decided to stop applying for summer students because they could not meet the supervisory requirements of the program. Human and financial resources were stretched thin. It wasn’t until 1997, with the arrival of a new member to the group, that activity stepped up again. The new volunteer at EG offered to identify projects and raise the necessary funds, in conjunction with long-time members. The very flexibility of EG and its broad mandate allowed the efforts of this new member to expand the activities and reach of EG.

The Pursuit of Project Funding, 1998–2002

In 1998, EG submitted another proposal to initiate Green Home Visits as a part of a green community action plan for the larger region, this time, to Environment Canada’s EcoAction 2000 Fund. Part of the motivation behind this new focus was the desire to become a “Green Community.” Green Communities are non-profit community enterprises “in the business of selling environmental action,” i.e., behavioural changes and the uptake of green products and services. The core service of each Green Community is a Green Home Visit, where trained assessors visit individual homes to identify ways to save money, improve home comfort, and help the environment. A set of recommendations is provided for each homeowner.

In addition to the Green Home Visits, Green Communities also offer other environmental services and programs, depending on local needs. These include naturalization, revegetation and restoration projects, water quality activities, promotion of ecology gardens, the operation of public resource

centres, and services such as ultra-low-flow toilet replacement, pre-purchase home inspections, indoor air-quality assessments, composter and rain barrel sales and installation, and tree planting.

Each Green Community operates independently. The umbrella organization, the Green Community Association (GCA), works with the members to develop new programs and services, and establish joint agreements with partners and suppliers of conservation products, as well as provide a forum for information exchanges. For example, the Green Community Association might negotiate to provide an environmental service with a provincial government. Local Green Communities can then undertake to provide this service in their own community, under contract to the umbrella group.

The decision to become a Green Community was an important one for EG. It helped focus the group's energies again on issues around energy efficiency. Moreover, the group saw the Green Home Visit as a very useful tool for encouraging environmental change on a number of fronts. The program would be of great practical value to their community and had the potential to stimulate the development of other environmental supports and services not currently available in that area.

As importantly, the decision to seek membership status with the Green Community Association was a decision to diversify their funding base. Up until 1997-98, EG had relied on donations, both cash and in-kind, and on federal job creation programs. With the application to the provincial government in 1995 and to the federal government in 1998 to launch a residential energy efficiency program, the group sought to substantially expand its activities and funding base. Specifically, they were committed to expand project income – largely from government – and earned income revenues through the sales of goods and services. This decision marked a turning point for the group, as it became necessary to adopt more institutionalized structures and processes.

In 1998, the proposal to EcoAction 2000 was accepted. From that point forward, EG has made annual applications to various funders for project funds, most often in partnership with other organizations. EG has moved ahead with various Green Community Association projects. In 1999, for example, EG undertook a three-month pilot project to help people upgrade to “clean-burning” woodstoves. At the same time, EG members participated in the development of a pesticide-free program. EG had been promoting pesticide-free practices and naturalization since the early 1990s. Along with other GCs conducting similar programs, they brought the idea to the Green Community Association who, in turn, applied to a public foundation for project development funds. “Pesticide Free Naturally” kits were produced, along with other promotional and workshop materials. In 2001, EG, wearing its Green Community hat, applied for funding to launch its own campaign. The group sought funding from a private foundation (to distribute the action kits and hold “Get Your Lawn Off Drugs” workshops) and to HRDC for staffing support. In 2002, EG was successful in securing a contribution from the EcoAction Community Funding program at Environment Canada – the successor to the EcoAction 2000 Fund – to expand the campaign, in addition to again negotiating access to staff through the EI job creation fund. As well, EG received additional resources to launch a Green Garden Visit program in conjunction with their work on the Pesticide Free Naturally campaign.

While EG was working to develop the Pesticide Free Naturally campaign through 1999-2000, the group was also involved in preparing two other funding applications to a public foundation concerned with environmental issues. The first application EG submitted on its own behalf was

successful. Three new programs were launched in 2000 under this grant, one of which was the creation of a new park dedicated to the memory of Veterans, Peacekeepers and Heroes. The park featured native plants and provided information on the importance of planting trees to act as carbon dioxide sinks. (The bulk of funds for this initiative was raised largely through private donations and fundraising efforts.)

The second application was submitted by a consortium of environmental concerns, which had been involved over a three-year period in a biodiversity study of a local river. At the end of the period of study, the consortium, named the River Roundtable, produced a report. The question then became, how to take action on the report findings. Consortium members – including EG – decided to apply for foundation funding to develop and implement an action plan. EG was named the administrative lead in the proposal, because it was the only consortium member with the administrative capacity to administer the grant and it had the appropriate geographic boundaries for this particular funder. In 2001, the River Roundtable received a two-year grant of \$135,000. While EG receives a small sum for its participation, it is not the lead partner, yet it retains primary responsibility for the project deliverables and the administration of funds.

More recently, EG has secured funding to launch a river stewardship program in conjunction with the River Roundtable. With funding from Environment Canada, this new one-year initiative is designed to reduce the impact of human activities on ground and surface waters in the regional watershed. Two staff have been hired on contract, and they are currently conducting water protection and natural landscaping clinics and other public education activities.

This overview of EG's activities is a necessary backdrop to understanding the financial trajectory of the group. The group has continued to raise funds through membership and fundraising. These monies support their ongoing activities, such as the composting promotions, the operation of the reuse centre, community awards and so forth. This source of income has been important in covering the costs of their operation, including insurance, fundraising expenses, and volunteer expenses. However, it was clear that the group would not have expanded its capacity to meet mission without additional sources of revenue from government, private donors, and from earned income opportunities.

Trends in Funding Sources and Mechanisms

Looking at the last five years, EG has experienced a huge increase in its operating budget. Table 6.1 presents a financial summary for EG over the past five years, identifying revenues by source of income. Revenues jumped from \$6,500 in 1997-98, to roughly \$170,000 by 2001-02. By any measure, this is spectacular growth: organizational revenues grew 25-fold. Looking at year-over-year changes, we see that revenues jumped from \$6,500 in 1997-98, to \$67,000 the next year (coinciding with the first successful application to EcoAction 2000), then fell the next year, rose again in 2000-01 to approximately \$67,000, then jumped to \$170,000 in 2001-02. Even if the River Roundtable funding is excluded because it is largely “flow through,” revenues in 2001-02 were still significantly higher, at roughly \$90,000, than they had been five years earlier. To further fill out the financial picture, EG has no debt at present and has assets in the form of office equipment and furniture, valued at \$3,000.

Table 6.1**EG - Financial Summary by Source of Income, 1997-2002**

	2001-02	2000-01	1999-2000	1998-99	1997-98
Sources	Revenues (\$)	Revenues (\$)	Revenues (\$)	Revenues (\$)	Revenues (\$)
Government*	\$ 143,400	\$ 31,900	\$ 5,500	\$ 57,000	\$ -
Private giving	\$ 21,670	\$ 29,000	\$ 2,635	\$ 10,000	\$ 6,500
Earnings	\$ 4,020	\$ 5,775	\$ 2,050	\$ -	\$ -
Total	\$ 169,090	\$ 66,675	\$ 10,185	\$ 67,000	\$ 6,500

* Public foundations included under government source

Source: Project Survey

If we look at the funding profile of EG, we see a shift from its reliance on private giving through its initial phase (1989-98), to its more recent reliance on government sources of income. In 2001-02, using our typology of funding profiles developed in this paper, EG is highly concentrated on a single source of income – in this case, government. It had a greater diversity of income sources in 2000-01, but this was the result of an intensive fundraising campaign that EG spearheaded with town officials, veterans groups and so forth to develop a commemorative park. As such, we see a one-time spike in private giving.

The changes in revenue obviously follow their successful applications for funding from two principal sources: Environment Canada and a provincial public foundation that has identified environmental concerns as one of its priority areas for funding. While the number of income sources for the organization increased over the last five years, the real drivers in the budget at this point are project monies from these two government sources. While EG continues to rely on revenues from local fundraising and membership dues, and they intend to reform their membership and fee structure, they have not had great success to date in increasing funds from these sources. Similarly, individual and corporate donations have been flat through the past decade. In particular, the group noted the difficulty in approaching corporate donors in their town and surrounding area, stating that most local businesses are inundated with requests, and consequently, competition is fierce. As we have also seen, their efforts to generate more earned income through participation in Green Community Association projects have been limited. Revenues from this source have increased, but they make up a small portion of the group's global budget.

What is not evident in Table 6.1 is the extent to which EG has relied on access to HRDC's job creation fund to staff its projects. In 2002, at the time the case study was being conducted, EG had two full-time staff working on the River Roundtable stewardship project and another staff person who had been hired to conduct the Pesticide Free Naturally workshops. These three positions were funded through HRDC's Job Creation Program for limited terms. One member of the group was also working on contract to manage the projects on a part-time basis. Her salary was cobbled together from different project budgets and again, was time-limited. Indeed, the compensation that

she received did not begin to cover the time that she had spent and continues to invest in the project work of EG.

EG does not directly apply for or manage job creation grants. It has an arrangement with another nonprofit and voluntary sector organization which places a number of EI-eligible job recipients in designated employment fields. Environmental work has been one of the priority areas for placement at HRDC. EG negotiates for a number of “person weeks” per year to carry out its project work, and this arrangement has worked fairly well. EG members have been struck by the high quality of many of the candidates who come to work for them, many of whom have been laid off by government and have extensive experience in the environmental field or relevant educational experience. But because EG is effectively piggy-backing onto a job creation grant of another organization, they may or may not get the people they need because the host organization has first call on eligible candidates. In addition, each year they are subject to the availability of eligible candidates, a problem which EG faced again in 2002.

The other thing that is not immediately evident from these financial statements is the degree to which EG still relies on volunteer labour and in-kind contributions to deliver on its projects and meet its mission. What we see with this group is that the diversification of income sources and the concomitant rise in revenues has not resulted in greater financial security for the organization. While it is certainly true that the scope of their activities has increased greatly along with the revenues, it has not decreased demands on volunteers to take on project work. EG still does not have an office in which to conduct its activities nor even one permanent staff person. The very nature of the group’s funding arrangements has worked to both enhance and undercut their capacity to meet mission. EG is now running on a project-funding treadmill.

EG reported that their level of financial uncertainty has been “very high” over the past five years. Their sources of funding are “absolutely not” stable; the group is not certain of their renewal each year, because they are now largely reliant on project funding.

“Virtually all of our funds come via applications for project-specific, performance contracts, i.e., we don’t get the money unless we produce the results. Also, project funding is not ‘repeatable’ ... We function in a region of small towns and rural municipalities (approximately 25 in all) which don’t have the dollars to contribute to supporting an organization such as ours. That’s why our budget can go from \$170,000 to \$3,000 in one year.” (EG member)

The group does not have “core funding,” that is, funds received on an ongoing basis to cover, among other things, basic organizational or administrative costs. The only money that could be said to be core funding is the money raised by the group each year through its own fundraising efforts on behalf of its Environmental Trust – less than 5% of its budget. While the group has recently signed two contribution agreements that span a two-year period, most of the project funding they have secured in the past has been short-term – up to one year in duration.

The absence of core funding and its impact on this group is illustrated by the fact that even with revenues of \$170,000 in 2001-02, EG still needed EI-eligible job creation candidates to staff its 2001-02 projects, and they still don’t have an office. This has less to do with the level and source of

funding, and more to do with the structure of project competitions and restrictive conditions attached to funding mechanisms, conditions which reinforce and produce financial and organizational insecurity and ultimately, undermine the ability of an organization to achieve its mission. The shift from private donations and memberships to project funding has certainly affected the scale of their activities, but not their level of financial security.

The World of Matching Funding Grants

The experience of two different projects illustrates the difficulties that EG continues to experience in meeting its mission, and both examples touch on many of the themes raised in this report. The defining feature of both projects is that they are funded through matching contribution agreements, the first with the federal EcoAction 2000 Fund, forerunner to the current EcoAction Community Funding Program, and the second with the Green Communities Association.

1) EcoAction 2000 Fund: Home Comfort Service, 1998

In 1998, the members of EG applied for funding to launch a Green Home Visit. As noted above, the group applied to the Environment Canada EcoAction 2000 Fund to support its efforts to become a Green Community. The group believed that this new business line would be the ideal way to expand its reach and impact to the broader region. These new activities would also serve as an important source of earned income, in conjunction with project funds.

The 1998 Green Home Visit project was their first experience with the EcoAction 2000 Fund. This program – like the current funding program for community-based groups – provides financial support to nonprofit groups for projects that have “measurable, positive impacts on the environment.” In funding community groups, the government’s stated intent is to protect, rehabilitate or enhance the natural environment and build the capacity of communities to sustain these activities. Project funding of \$100,000 is available over a maximum of two years; most projects are funded at much lower levels.

EcoAction requires that all applicants secure matching funds or in-kind support for their projects from other funders or sponsors. Indeed, at least half the total value of the project must come from sources other than the federal government. In-kind support can include equipment, materials or office space, volunteer time for project activities or professional services, expert consultation, or discounts offered on purchased items.

Parameters of the funding program expressly state that no funding is available for regular organizational activities such as operational expenses, human resources, or administration. Any capital expenditures made to complete project activities must be liquidated at the end of the project, unless the equipment is necessary to sustain the project over time and a prior agreement has been struck with the project officer. Commitments from other funders and project partners in the form of letters confirming their contributions must be secured before the approval of any application and the release of funds.

In the applications for funding, all projects must also demonstrate how the work will lead to positive, measurable environmental results. Project results can span a number of areas, ranging from

socio-economic benefits to selected environmental objectives such as clean air. Each applicant must indicate which indicators they plan to track and the measures they are going to use.

Members of EG worked for over a year to put together an application for EcoAction 2000. While many of the contacts with the community and local businesses had been made in preparing the 1995 application to the provincial government, it still took a considerable amount of time to put in place the necessary in-kind and cash contributions. In the end, the level of funding awarded under EcoAction 2000 was only one-quarter of the amount that EG had applied for in 1995. There were also different conditions attached to the federal funding, conditions which contributed to problems the group experienced trying to deliver on their mission through this project.

With federal funding and matching contributions in hand, EG hired three people and a manager to conduct 700 home visits and carry out a variety of related public education activities, including establishing a storefront office to provide advice on environmental practices and opportunities in the community. Initially, EG charged a fee of \$25 per visit, but because of resistance from potential clients, the group changed its strategy and asked instead for a contribution of \$25 to offset their costs. Despite this change, EG carried out only 300 home visits.

Other components of the project were much more successful. The storefront environmental centre got a great deal of traffic, and staff were able to directly interact with a large number of people, to show them “how being environmental made good sense.” The project did not cover ongoing staffing of the storefront, however, so the group had to increasingly rely on volunteer labour to meet demand.

Because of the structure of the funding program, the group could not modify their workplan or budget. The failure to deliver on the most demonstrable indicator of success – the number of home visits – spurred the regional office to cut back funding levels midway through the project. EG was then forced to lay off the three staff and retain the manager on a part-time basis only for the duration of the project. The storefront was closed and other activities scaled back. Indeed, the volunteer labour required to keep the project going increased exponentially as the federal funding was cut back, and the other sponsors certainly did not offset the costs of running the program.

In hindsight, members of EG felt they had been overly ambitious about the success of a home visit program. While governments, businesses and other community groups were keen about this type of initiative, there were no real demands from actual “consumers.” More needed to be done to build the public appetite for alternative environmental services. In the words of one EG member, the community was “a tough nut to crack.”

Funding levels were also inadequate to the task. No provisions were made to develop the group’s capacity to undertake this work, despite the program’s stated intent to develop the “capacity of communities” to sustain future environmental activities. Indeed, any global administrative functions were forbidden under the terms of the contribution agreement. Even when groups such as EG are trying to generate earned income through their activities in order to gain greater self-sufficiency, the funder requires that these monies be used to reduce or offset the funder’s contribution. As a result, the very structure of these funding mechanisms reinforces the basic financial insecurity of the nonprofit and voluntary sector.

Similarly, there was no latitude in the funding formula to allow the project manager to capitalize on their successful initiatives, such as the storefront operation. The group was locked into a performance contract where success was measured against predetermined and untested criteria. EG had no real way of knowing beforehand that local demands would not generate 700 home visits, yet funding was tied to this measure.

Failing to meet performance targets – and the attendant threat of funding loss – constitutes a real barrier to building organizational capacity to meet mission over time. Certainly, EG learned a great deal from their experience and moved forward on their mission over the year. But *this* success was not captured in the final program assessment, and the personal toll on volunteers was very high. All in all, it was a rocky initiation into the world of project funding.

2) **Green Community Association: Pesticide Free Naturally, 2001**

EG's association with the Green Community Association (GCA) also operates in "partnership" model. In their second initiative with the GCA, EG participated in the development and delivery of a Pesticide Free Naturally campaign. The GCA took the lead in developing the materials and supporting interested Green Community members through information sharing on pesticide reduction and successful fundraising and implementation strategies. The GCA also trained one representative from each Green Community to coordinate the pesticide reduction campaign and coordinated performance and final financial reports to joint funders.

The GCA provided a contribution of \$4,000 to each local community to launch their campaigns. Individual Green Communities – EG in this case – were responsible for providing their own office space and related telephone, administrative and travel costs for outreach activities. In addition to the funds provided by the Green Community Association, each community was expected to raise a minimum of \$6,000 in cash or in-kind towards campaign expenses and to raise additional funds to cover the costs of producing 500 kits at a cost of \$3 each to reimburse the GCA. Participating communities were expected to report on all sources of local fundraising, including in-kind contributions and to provide progress reports on their local campaigns for the GCA and their local campaign funders. As well, local groups were required to conduct a follow-up survey of kit recipients.

In the case of EG, the group secured funding under HRDC's job creation program to staff the project (worth nearly \$12,000), and they were successful in getting funds from a private foundation to cover the costs of producing 1,000 kits and in raising another \$750. All of the project management time and administrative expenses were donated.

The campaign was very successful for EG. The 1,000 kits were distributed and many people participated in their workshops. The campaign highlighted the issue of pesticide run-off into waterways and as such, linked to other EG activities areas, including water quality conservation and its river stewardship program. But the success of the program has not resulted in greater security for the organization. Conditions attached to the matching funding – and the very complexity of these arrangements – worked against the group in its effort to achieve a secure organizational base for its work.

Assessing Matching Funding Arrangements

Participants in matching funding arrangements have likened the experience to building a house of cards. On the one hand, the requirement to build partnerships in support of a funding application is positive. These partnerships can foster community engagement in endeavours such as environmental preservation. Many smaller contributions can result in a project or program with far-reaching impact. From the funders' perspective, they see the positive value of spreading limited dollars across a broader range of groups and issues.

Yet like any house of cards, the structure is inherently fragile. If one card shifts or is removed, the house can come tumbling down. With matching funding, funders such as the federal government through programs like EcoAction require groups applying for support to have all of the developmental work done "up front," that is, all of the other contributions of cash, time or materials must be committed before the government will consider its own contribution. The burden on small groups like EG to line up partners, cash sponsors and in-kind donations is huge. In effect, this requirement works against the promise of matching funding arrangements: that is, the power of leveraging. While the promise of government funding may leverage project support, it can certainly not be considered a "sure thing." And the lead time required to develop the partnerships and contributions can be a real problem if, for instance, a corporate partner pulls out because of time delays. Yet without a firm commitment from a primary funder, it is difficult to get others to commit. There is a real sense, reported in many of the focus groups, that each funder wants to be "the last in" – an attitude not conducive to partnership building.

One of EG's project staff recalled an incident which captures this paradox perfectly. For many months, the project manager of the Pesticide Free Naturally campaign tried to hire someone through HRDC's job creation program to work on the campaign. As mentioned earlier, this was the only way that EG could staff its projects because there are usually no funds for salaries in matching fund agreements. In 2001-02, EG had difficulty finding an appropriate person – or any person at all – but finally they found someone and initiated the hiring process. The EG manager was then informed that there was a provincial freeze in effect for all hiring, meaning there were no funds available to subsidize this job placement.

This presented a huge problem for EG. They had no funds to hire someone to conduct their Pesticide Free Naturally campaign, and a larger funding crisis loomed. EG had secured support for this Green Community project through the EcoAction Community Funding program. Hiring personnel through HRDC's job creation program was considered to be part of EG's in-kind contribution under the terms of this matching contribution program. But without a job creation subsidy, EG could not meet its requirements for in-kind contributions, thus threatening funding for the whole project. The hiring freeze also threatened their new Rural Water Stewardship program.

EG looked into hiring the candidate through another nonprofit organization in a larger urban centre that had been contracted by HRDC to do job placements, but it would have added an additional \$2,600 to their budget – money that had not been accounted for in the \$20,000 project budget. In the words of the project coordinator:

“As you can imagine, all this simply adds to the hardships of doing what we are trying to do. I personally think it’s completely unfair. We, all of us, are already ‘subsidizing’ this work – with our time, our out-of-pocket expenses, our lower incomes, etc. Our passion is being exploited. A kick in the head like this hiring freeze makes you wonder if any of the powers-that-be really care. I know that sounds trite, but when you’re working for the common good, it would be nice to think that the manifestation of the common good – government – appreciates it in some way and doesn’t go out of its way to make it harder!” (EG member)

In sum, matching contribution agreements can provide an opportunity to encourage partnerships and community involvement. But they can – and do – work to undermine the efforts of nonprofit and voluntary organizations such as EG. As a result of the structure of these funding programs, groups are not able to commit to continuing programs and services and they cannot provide consistency in staffing. A great deal of energy – largely unpaid labour – is diverted into building and maintaining the partnerships, rather than being channelled into the delivery of programs. As a result, “the organization exists for projects, not mission” (EG member).

Impacts for the Organization

The impact of these types of funding trends and practices is evident in reports about groups’ financial health, including that of EG. One of the main themes to emerge from the focus groups and surveys is that organizations are working harder to secure funding to meet mission. The “cost” of acquiring or maintaining income – everything from donations, to grants and contributions, and competitive contracts – has increased over the last five years, in terms of both the human and financial resources required.

EG reports that they are working harder to fund their projects in an increasingly competitive environment, particularly for project funds, volunteers and members, as well as for public support. For example, the group worked for over a year on one application to a public foundation, going back and forth with the project officer, trying to fit their ideas into the language and mission of the funder. The application was eventually approved, but many group members found the process “very frustrating” and “discouraging.” While the group is used to marketing their ideas to the community – in order to affect environmental change – they found the intensely complex nature of this grant process daunting. Having spent over a year on the proposal, they ended up scaling back their request for funds – and the scale of the project – because of the amount of time and complexity involved in applying for a larger amount and the time involved in the approval process.

In another example, EG made two applications for funding in 2001-02, one of which was turned down. The first application took two weeks to complete (over a two-month period), while the second application took six weeks to complete over a three-month period. With the successful application, it took another six months before EG was notified and a contract with the funder negotiated. The actual completion of the contract took place *one month after* the official start of the project. EG was expected to start the project, but they did not have any funds to do so. In essence, the group – like so many others – was expected to bankroll the project using its own funds – a huge saving for the funder. To add insult to injury, they were prohibited from claiming any financing costs incurred in fronting the projects costs, and they could not be reimbursed for any costs incurred before the contract was signed.

EG has also noticed other ways in which funding practices have changed. For example, there has been an increase in the number of conditions attached to the receipt and expenditure of funds from both government and non-government funders compared to five years ago. There are increasingly stringent reporting and compliance requirements, reflecting the overall trend among government funders in particular to more detailed and time-consuming project tracking. Most of the projects that EG is involved with require quarterly performance and financial reports, each of which uses distinctive reporting formats. EG has also noted an increased number of restrictions on the use and expenditure of project funds. Most funders typically will not cover an organization's capital needs, including computers. None of EG's funders will allow them to include any administrative costs in their project applications, such as for rent, phone, utilities, insurance, and the like. As a result, this group – like so many others – struggles to find creative ways to cover these core costs through project funds. (For example, if EG receives a contribution under the EcoAction program of more than \$25,000, the project must be audited. In completing the requirements for funding, EG is able to get their accountant to conduct an audit of the project and the Environmental Trust for the same cost.)

Consequently, EG has made little progress in enhancing its long-term capacity to meet mission. The group notes that it has experienced:

- cash flow problems;
- restrictions in their ability to fund operational functions;
- decreased flexibility in managing project funds;
- high staff turnover;
- greater demands on staff and volunteers in terms of time and resources;
- restrictions in their ability to meet community needs; and
- greater difficulties in remaining connected to their constituency and community.

Not all the changes over the past five years have been negative. Certainly, the group believes that moving into projects was the right step and that they have expanded the scope and impact of their work. The pressure to be more “business like” is seen as generally positive. Moreover, as a result of funding pressures and the quest to diversify funding sources, EG has expanded its focus to include more universal issues such as climate change and safe water, tying them to very practical local issues. The group believes that this focus will be more successful for them over time, rather than a focus on local, “naturalist” issues. While EG members believe that funding mechanisms like matching contributions ensure that the group is project driven, as opposed to mission driven, the group reports that it has not experienced mission drift per se. All of their work still falls within the admittedly broad, and deliberately expansive, mission of EG.

Moving Forward

In 2000, EG initiated a strategic planning process to develop a mission and planning process, 11 years after their first meeting in 1989. Many planning sessions were held. Specific strategic directions and actions were identified over the short and medium terms. EG reviewed a range of capacity issues including their governance structure, their membership structure and activities, their use of volunteers, internal and external communications, as well as administrative resources.

Members of the board identified new project areas to build on their current work in waste reduction, toxins, climate change and water issues, and looked at ways to improve their public education activities – a key component of their mandate. Finally, the group looked at their capacity to raise funds to meet mission.

While group members thought the exercise was positive, there was too little time to work through many of the issues raised and prioritize a select few for action. EG remains a fairly “loose” organization, with little in the way of formal processes and procedures. This informality remains one of its strongest features, according to board members, but it was also recognized as a problem as well. EG has been increasingly expanding the number of projects it is involved in, yet there are still no full-time or even part-time staff. EG continues to rely on the volunteer labour of its board members to oversee program development and management. Only now is the group able to pay for some of the expert advice that board members provide through projects. For example, one board member conducts naturalization workshops for rural landowners. Previously, the group was lucky if it could find funds to cover his travel to these events and workshop materials. Under the new Green Garden Visit program, EG can now pay for speakers at such events. Time and again, EG members stressed that they liked the informality of their group, because individual members had the ability to develop a project and run with it; indeed, they believed it was a key reason behind the group’s longevity. But they also recognized the real limitations of this model, especially as the scope and complexity of their activities grows.

The group concluded that to really move forward on their mission, they needed to consider hiring a “permanent” Executive Director and Assistant and developing the administrative infrastructure necessary to expand – including establishing an office. Moving in this direction would greatly assist them in expanding and mobilizing the membership, attracting, training and retaining volunteers, improving their internal and external communications – including an up-to-date website – and improving EG’s ability to develop and follow through on organizational activities. Creating a sound organizational base would also improve their financial management and fundraising capacity. On this last issue, one EG member said they had originally set up the Environmental Trust to solicit charitable donations for their work, but they had made almost no use of their ability to issue charitable receipts. For him, this was directly linked to the limited way in which the group attempts to raise funds from individuals and community businesses. Much more coordinated efforts are needed to fine tune their message and extend the group’s reach. Much more coordinated efforts are needed to market the organization to its own constituency, the broader community, potential project partners, and to existing and potential funders. And more coordinated activities are needed to expand the membership base, which has eroded over the last few years; it now stands at 105, down from 140 five years ago, and significantly down from 300, 10 years ago.

Just as importantly, hiring an Executive Director and support staff would also be the “right” thing to do. Certain volunteers have put innumerable hours into EG projects with no real compensation. Yet group members believe that stewardship of the environment is a critical public role and that people should be paid adequately for their labour. Like so many other environmental and nonprofit and voluntary groups, EG works to meet mission by drawing on the good will and labour of volunteers, many of whom sacrifice a great deal and live paycheque to paycheque. Volunteers participate because of their passion for these issues, yet it is also true that situations like this can be exploitative. Certainly, members of EG believe that governments are capitalizing on conditions in

the sector. The endemic financial uncertainty of many nonprofit and voluntary groups, including EG, not only undermines the effectiveness of the organization's work, it also exacts a high personal toll on the organization's volunteers and staff.

Creating a more "institutionalized" or "formal" structure, where there is greater distance between the board of directors and the activities of the organization, was identified as a key direction to pursue. Members complained that while EG had pursued great things in the community for over a decade, they had never been able to take advantage of their success in any systematic way. Membership was one example. Because they did not have any dedicated resources to take care of membership, or to keep track of the people and businesses who had attended their workshops or expressed interest in their work, their outreach had been limited. For example, they were not able to market new educational programs to previous clients, or mobilize existing and potential support for their advocacy work in the community around issues like water preservation.

These key problems with the structure of EG and its work were identified through the strategic planning process, but the group has not yet had the opportunity to return to their draft plan. Board members – by their own admission – are caught up in new projects and the issue has been pushed to the side. In the absence of a champion of organizational development, the demands of project work have easily pushed aside organizational reform, especially so in a group where none of its core functions are funded, and its contract staff are scattered over the 25 rural municipalities it serves.

Certainly, EG has attempted to diversify its funding base, generate greater revenues and reduce its expenditures. To this end, they have launched new programs. They have attempted to increase membership, they have approached corporate donors, held numerous fundraising events, sought in-kind support, and increased charges for selected workshops. Yet their success has been limited. Even with the increase in revenues, the group has been unable to amass the funding necessary "to make us more stable, to step off the treadmill ... to be self-sufficient" (EG member).

Conclusion

In the words of one EG member, in an ideal world "if you had any question about the environment in our area, you would phone EG. We want to support people to make change, but we can't commit to anyone. We never know if we will be around ... We would like to be proactive, to be moving forward, but we need consistent funding."

EG demonstrates the power and passion of nonprofit and voluntary groups across Canada. With limited resources, it has successfully promoted environmental change in its community and helped fuel the Canadian environmental movement. It is no wonder that a number of their board members have been recognized as community volunteers of distinction. At the same time, EG has run into obstacles in trying to move beyond its small base, undermined by the very funding opportunities that have been designed to assist the work of such groups. The contradictions are not lost on the members.