Viewpoint

United Way, Where Are You Leading Us?

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The United Way of Greater Toronto raised over $51 million in its 1995 campaign:[1] a new level of achievement. Other Canadian fund-raising campaigns may exceed the total raised but nothing approaches the United Way campaign as a successful annual event.

In addition, the United Way of Greater Toronto launched a capital endowment campaign in May 1995 as "The Tomorrow Fund". If its initial capital objective of $300 million is realized, it can provide an annual cash flow of $12 to $15 million.

The success achieved in this annual fund raising and capital endowment are a direct reflection of the outstanding reputation of the United Way. That reputation was earned through its role as the primary nongovernmental funding resource for the social service organizations of Greater Toronto.

That role, however, appears to be of diminishing importance to today's United Way. Instead, it is significantly enlarging and changing the focus of its involvement in the charities sector from operational funding of its member organizations to a generalized project and public service program. This change is taking place in an era of even greater change for its volunteer and financial supporters.

With the current emphasis on reductions in government funding, the public at large is being asked to respond throughout the year to an increasing number and intensity of charitable appeals. Individual members of the public are also being urged to respond to increasing numbers of requests for direct volunteer participation in charities work. The same influences are reflected in the rise of direct involvement by companies and unions in their own selected aspects of charitable support.

Under these circumstances, there is a long-term risk to the United Way in diminishing its unique role, so that it may eventually be perceived as merely one more among a vast number of worthy causes.

The Significance of Operational Funding

The predictability of cash flow is the essential element in the budgeting of any charity faced with continuing expenses, salaries and contractual commitments to carry out its work. This predictability can come from a core of regular contributors, fees for service, established commercial-style operations and committed funding. For many social service agencies the committed funding is provided by government grants. For many in Greater Toronto who are member agencies, it is provided by the United Way.

Operational funding must be contrasted with project funding. Project funding is normally unpredictable in amount, limited in duration and unavailable for operating expenses. Any reduction in operational funds has an immediate effect and can trigger cancellation of programs and services, discharge of staff, resignation of board members to avoid personal liability, and the possible termination of operations. On the other hand, failure to raise project funding merely leads to postponement of the project.

Project funding is the nature of the support available from corporations, charitable foundations and special appeals. As noted above, it is normally unpredictable in amount, limited in duration and appropriate for individual projects but a hazardous base for operational budgets. Project funding is important in the development of charities, but it plays a separate and distinct role from operational funding.

The Significance of the United Way

The United Way of today had its origins in a small number of charities which joined forces for fund raising. The significance to the member organizations then, as now, was the advantage of having their operational funding secured.

In contrast to the founding members, who were self-selected, the present member organizations have been selected by the United Way itself, using its own criteria. The members are subject to periodic review by the United Way to determine both their suitability for continued participation in the United Way and the size of their United Way allotments. At the present time, the importance of the allocations ranges from "critical" to merely "useful" in the core funding of the charities involved but, whatever the degree of support, the charity is spared the time, cost and effort that would be required for its own fund raising.

This benefit is offset for a member charity by a number of mandatory limitations on its own fund raising imposed by the United Way. These include the expectation that each member charity will participate fully in the United Way campaign and will avoid any fund raising of its own during the United Way public campaign each fall. The United Way also prohibits any direct mail to individuals at their place of work and any canvassing of a substantial list of businesses and firms.

The periodic review by the United Way is undoubtedly important in assuring the integrity of its funding and as reassurance for the general public who are asked to contribute. It can also provide valuable input to the charities involved. The total process, however, has potential dangers and difficulties for both sides.

As Charles I discovered in his dealing with Parliament—they who vote the money usually feel entitled to influence the way it is spent. Maintaining a membership role is a process that requires continuing goodwill and co-operation on both sides.

The Changing Nature of Public Involvement

Until the 20th century, philanthropy in Canada was primarily based on the churches. Church support still represents the largest single category of charitable giving by the general public but its share of the total has fallen significantly. During the 60-odd years of the United Way's existence, there has been a great increase in the number of charities and a substantial broadening in the focus of charities to include education, the arts, health and foreign relief in addition to the community social services provided by members of the United Way. This has also vastly increased the number of people who are, to a greater or lesser degree, involved or concerned with the separate organizations. The strong annual stimulus to charitable giving provided by the United Way is invaluable, but many members of the public prefer to direct their donations to the support of specific organizations.

This change has affected every United Way in Canada. The response that Metropolitan Toronto chose was to permit donors to designate a specific charity to receive their funds, whether or not the chosen charity was a member organization of the United Way. If the organization is not a member, the donation bypasses any qualifying review by the United Way. If it is a United Way member, it presumably bypasses the budgetary process of the United Way or, at least, that is the expectation of the donor.

There is an additional problem. Those who decide to designate a charity of choice may come to recognize that sending the donation directly to the charity avoids a possible discount of approximately 13 per cent to pay the overhead and operating expenses of the United Way.

This designation of grants appears to be a problem of increasing dimensions. In 1994, distributions controlled by the United Way amounted to $33,662,000 and designated contributions amounted to $5,456,000 or over 16 per cent. The comparable 1993 figures are $33,790,000 and $4,297,000 or over 12 per cent. The appropriate response by the United Way of Greater Toronto is certainly not obvious. Designated contributions significantly enhance the grand total collected in the year's campaign but at a possible cost to member organizations. They equally reduce the unique role of the United Way to that of cashier.

The Focus on Corporate Support

For many years the United Way included house-to-house canvassing as a major aspect of its fund-raising campaign. This was abandoned in 1982, when it was recognized that far more significant results were produced by focusing the canvassing on business and other organizations and their employees. The Fund's success over the years in attracting the active support of corporations has provided not only substantial donations in cash but also invaluable administrative and canvassing volunteers, "loaned executives", and significant contributions of products and publicity.

Retention of the support of the business community has been a major reason for the United Way's continuing success and the business community is a primary influence in the operation and policies of the fund.

At the same time, during these years the business community has become far more involved in direct support of public causes. During the past five years the IMAGINE campaign of The Canadian Centre for Philanthropy has been a further stimulus to the recognition by business organizations that the welfare of the community is a significant factor in their own success. It is a reasonable expectation that there will be a continuing development within corporations of donation policies and budgets, donation committees, employee charitable trust funds, matching gift programs for employee donations, and encouragement of employee participation in community work. There is equally a continuing risk that these developments will reduce companies' direct participation in the United Way with corresponding erosion in the United Way's unique "umbrella" role.

The New Era of Fund Raising

Fund raising in all its aspects is increasingly accepted as an area of philanthropy requiring training and skill. It is the subject of numerous conferences and finds a place in the curriculum of an increasing number of schools and colleges. It has led to the creation of a new profession with established standards and qualifications and new professional organizations. A host of ancillary support services has sprung up to provide computer programs, directories, mailing and telephone campaign assistance and organizational newsletters. The effective final pitch which produces the donation may still be the responsibility of the volunteer canvasser but any major campaign has almost certainly had professional advice and guidance leading up to that moment. The fact that the profession seems to be thriving is an indication that its fees and salaries are justified by success, but the cost can be significant.

The value and expertise of the professional are particularly important when the goal is raising money or capital endowments through what is popularly and accurately described as "deferred giving", since the donation may not be received for many years. It is currently generating a good deal of enthusiasm, based on the surmise that seniors and aging baby boomers have the resources, and will respond to the request for significant capital amounts if given long-term cultivation and education in the personal benefits available through annuity programs, charitable residual trusts, life insurance and bequests. There is doubtless some truth in the belief. The results may justify the fact that such organizational fund raisers can sometimes claim a higher salary than the charity's chief executive.

For various reasons then, the public is now subjected to charitable appeals vastly greater in number and scope than in the past. The United Way is increasingly challenged to retain its credibility as a single appeal providing unique and valuable support to the social service agencies of Metro Toronto.

The New United Way

The initial reason for what is now the United Way was to reduce the number of public appeals and concentrate efforts to provide an efficient method of raising operating funds for member social service agencies. Over the years, the scope of United Way activities has been enlarged beyond that of money raising. The present Vision Statement gives no indication of United Way's original purpose:

> The Mission of United Way of Greater Toronto (UWGT) is to meet urgent human needs and improve social conditions by mobilizing the community's volunteer and financial resources in a common cause of caring.

United Way now provides leadership in the community both on its own, and in co-operation with other organizations, in the identification and resolution of social problem areas. It provides or participates in support services for individual charities in the areas of management consulting, financial review and legal and operational guidance and has committed a further $237,000 to jointly funded Community and Neighbourhood Support services. It allocates significant funds as short-term grants to non-member organizations. These, although individually only in the $10,000 to $20,000 range, amounted in the aggregate to $611,566 in 1993/4. These grants provided a significant measure of support to the more than 3,000 social service agencies in Greater Toronto *but* the grants were made to assist *specific* projects rather than for the *operational funding* provided to the 130 member agencies.

The Tomorrow Fund

The extensions of activity noted previously can be seen as natural extensions of the role of the United Way. In May 1995, however, it publicly announced a massive commitment of time and resources to enter a separate and new area of philanthropy, a capital endowment called The Tomorrow Fund. The model used is the community foundation, and it will be authorized to accept funding for any charitable purpose, whether or not related to social services and whether or not specifically designated for a particular charity.

A community foundation is the antithesis of the United Way: it is funded through income from endowment rather than annual campaigns; it is focused on the donor rather than the operating charity; its role is to encourage the donor to recognize long-term charitable objectives by specific or general designation and to provide the organization to meet these objectives on behalf of the donor. The focus of the community foundation's charitable payments is specific projects and capital commitments and it does not normally fund annual operating expenses.

The United Way and a community foundation differ substantially in both concept and operation. They share the common objective of the advancement of charity and the wellbeing of the community but they have long been recognized as fulfilling separate and distinctive roles.[2]

The history of community foundations begins in the early 1900s and they are a continuing development across Canada. In contrast to Winnipeg, whose community foundation was founded in 1921 and has capital funds of $90 million, and the Vancouver Foundation, founded in 1943, with capital funds of $395 million, as well as community foundations in a number of other Canadian cities, the Community Foundation of Greater Toronto is a comparative newcomer. It was founded in 1981 and became operational in 1983 with capital funds of only $210,000. In the early days, the Community Foundation and the United Way enjoyed an excellent working relationship. For example, the chair of the Board of the United Way has always been a member of the nominating committee which prepares the slate for the board of directors of the Community Foundation of Greater Toronto and the United Way contributed $20,000 a year towards the operating costs of the Foundation for five years beginning in 1986.

When the United Way set up a separate committee to develop The Tomorrow Fund in late 1993 the Community Foundation of Greater Toronto was still virtually unknown to the general public. For anyone wishing to take over the market there was clearly a window of opportunity. The United Way had well-developed resources that could be called on for publicity, strong corporate connections, a substantial support staff and the financial resources to hire professional fund raisers. The Community Foundation of Greater Toronto seemed, in comparison, a ragged street urchin with cup in hand. It was not even approaching the $10-million-dollar strategic amount which is recognized as the "take off" point for public recognition and the generation of unsolicited contributions. Those who wished to take advantage of this relative weakness, must find it something of an embarrassment that the "unknown" foundation now has a capital fund of over $15 million.

It is understandable that the United Way should be tempted by the apparent measure of security that a capital endowment could provide for its primary role. It is not, however, understandable why The Tomorrow Fund should model itself so precisely upon the community foundation. It must anticipate that most of the donations it receives will be designated for organizations other than the social service agencies of Greater Toronto which make up the membership of the United Way.

The Tomorrow Fund can certainly anticipate financial success and has already received significant contributions and pledges. It holds out prospective long-term targets of $300 million and $500 million. The unfortunate fact is that, instead of mutual recognition of distinct roles and co-operative effort with the Community Foundation of Greater of Toronto, The Tomorrow Fund is diverting strengths and connections developed over the years for the annual United Way Campaign to what is essentially a substitute community foundation. The open question for many devoted supporters of the United Way is the cumulative effect this diversion of focus and resources will have on the annual campaign of the United Way and, in particular, its continuing significance for United Way's corporate and public support.

At this critical period when governments are cutting back on operational funding of social service agencies it is ironic that their second most significant support, the United Way, seems to be increasingly concerned with an undefined universal role described as "caring" rather than the daily operating needs of its members.

FOOTNOTES

1. The United Way statistics appearing in this article are taken from *Condensed Financial Statements of the United Way of Greater Toronto*, for the years ended December 31, 1994 and 1995.
2. For a more detailed review of these roles, see Monica Patten, and also Marjorie Sharpe, "Community Foundations and United Way: Getting From Competition to Collaboration" (1996), 13 *Philanthrop.* No. 2, pp. 21–26. [See also: Marjorie Sharpe, "The Community Foundation", (1991), 10 *Philanthrop.* No. 1, p. 26 and Joseph Wong, "Philanthropy in the 'New Canada'", (1991), 10 *Philanthrop.* No. 1, p. 18.]