

Collateral Damage of the Charitable Kind

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by PENELOPE BURK

The paper still hits the front door with a thud every morning at 6:45. But, since September 11th, the day history defined its new reference point, it has sat, unopened, on my coffee table until the next day's edition relegates yesterday's unread news to the blue box. I don't want to see the headlines and I'm in no frame of mind to digest another rehash of the events. I want the future to be predictable; I want to plan my course of action. When the paper hits the door tomorrow morning, I want it to be dated sometime in the future. I am a researcher and a strategist. Reliable data and time for reflective interpretation are crucial.

Looking ahead and imagining how much better things might become is a comforting exercise; imagining a worst-case scenario is a good business strategy. Part reality-based thinking, part planning strategy, a worst-case scenario lets you see how bad something could be down the road so you can develop an action plan to prevent it or a recovery strategy to overcome it *now* when you can still think clearly and objectively.

September 11th has affected every person, every business and every sector, including the charitable one. In the short term, it might mean a sudden fundraising bonanza for the Red Cross, Canadian Blood Services, the Salvation Army and a few NGOs, a temporary hardship for some, and business-as-usual for most other charities. But what about the long term? What if you bend down to pick up the paper from your front porch two years from today and see this...?

CANADIAN CHARITABLE SECTOR JUST ANOTHER VICTIM OF THE ONGOING CONFLICT: October 15, 2003

Canada's nonprofit sector, once the country's third largest industry, has shrunk to less than 40% of its former size, proving once again that war's victims reach well beyond the battlefield.

Prior to September 11th, 2001, the sector boasted almost 80,000 registered charities with a GDP of \$65 billion. Private fundraising was just beginning to come into its own with the increasing popularity of planned giving and a rising interest in philanthropy among Canadians under 40. *Revenue Canada* estimates that the current downward trend will continue indefinitely and that by the end of this year, 33,000 active charities will report income of about \$31 billion.

*At the outbreak of World War II, there were 909 registered charities in Canada. No record exists about what happened to those charities between 1939 and 1945. Even Samuel Martin's book, *An Essential Grace*, which charts the history of philanthropy in Canada, skips over this period.*

There was no early warning of the drastic change to come. For several months after 9/11, it seemed that almost all charities would benefit from the tidal wave of giving unleashed by the initial disaster. (There was more money raised in the U.S. in the first 60 days than would be required to rebuild downtown Manhattan twice over and more blood donated than would be required for three years' peacetime supply.) Canadian charities rode the wave of generosity along with the U.S. Not only were disaster relief agencies (Canadian Red Cross, Doctors without Borders and others) flooded with donations, but almost all charitable organizations enjoyed a fundraising chinook. But when the second tragedy broadened the war zone beyond Afghanistan, a siege mentality set in at home.

Within two weeks of September 11, 2001, Canada's contribution of humanitarian aid to Afghanistan and other countries affected by the conflict increased by 50%.

Fundraising experts point to two key factors that changed the face of philanthropy and, in turn, reshaped the charitable sector: first, donors began to concentrate their giving among a smaller group of charities. Relief agencies, especially the Red Cross, local hospitals and donors' places of worship, benefitted, but all other charities were seriously exposed.

Leaders lead ... away from giving

Canada's most generous donors reduced the number of charities they once supported from an average of 22 to only five. This had a huge financial impact, but it also signalled a change in direction to the rest of the giving community. In their final report on the status of giving, volunteering and participating in Canada, the *Canadian Centre for Philanthropy* noted that where the top 10% of donors in Canada goes, so goes charitable giving.

The price tag in Canada for WWII was an astronomical \$21.8 billion, or \$277.1 billion in today's dollars.

November 11, 2002, a date that now means so many things to every Canadian, took on a special meaning for the charitable sector when Bill C-31 became law. The Freedom Bonds Act, which was met by a resigned silence from the fundraising industry during its two-week debate, passed easily and set into motion a workplace giving program through payroll deduction that grew to encompass more than 90% of Canadian

businesses within only four months. Contributions have grown to an average of 15% of employees' net income per paycheque, an amount which in companies such as Bombardier is matched dollar for dollar. Led by Jon Dellandrea, former Vice President of the University of Toronto, and his hand-picked team of senior professional fundraisers, Freedom Bonds became the most successful fundraising program in Canadian history in less than six months.

\$8.8 billion was contributed by Canadians to Victory Bonds in WWII, equivalent to \$111.8 billion in today's dollars. This was raised in five years from a population base of only 11.5 million - about 37% of today's 31 million citizens. Taking population growth and GDP into account, Canadians could likely be persuaded to purchase \$302 Billion in "Freedom Bonds" over a 60-month period. Interestingly, this is almost exactly the same amount of money (public, private and earned) required to fund the entire charitable sector for the same eriod of time today.

Perhaps the saddest collateral damage in the charitable sector has been the crippling effect that the Freedom Bonds Campaign has had on the United Way. No fewer than 11 United Ways from Fredericton to Whitehorse have suspended their annual campaigns indefinitely; others in Toronto, Edmonton and Halifax have already issued warnings to recipient charities that allocations will be 'way down and some charities won't be funded at all.

Mack Truck Inc.'s President, C.T. Ruhf, noted in the company's 1944 Annual Report that 7,000 Mack employees had purchased \$2.16 million worth of War Bonds and War Savings Stamps that year, a figure equivalent to \$27.45 million today or an average monthly contribution of \$326.83 per employee in today's dollars.

Down in the nonprofit trenches ...

Social service agencies dependent upon United Way funding have, in turn, taken the most visible hit, with organizations either disappearing or reinventing themselves, some with an incredibly ironic twist. Yesterday, new legislation under the *War Measures Act* established Canada's Food Banks as the official distribution centres for rationing. "Their expertise gained in peace time as repositories and distribution centres for food and basic necessities makes them the perfect choice to handle this most essential service," said the official government press release.

A Food Bank Executive Director who declined to be named said he was relieved that jobs would now be secure for many staff supporting families. He added that his Board

was no longer wrestling with the ethical dilemma posed by the growing permanence of food banks. War, it seems, has given them legitimacy without shame.

Few organizations serving the homeless and the chronically poor survived the first year after 9/11. Experts say their chronic underfunding and lack of “deep pocket” donors left them vulnerable to any change in fundraising priorities. The not-so-silver lining, however, is that many of the underprivileged and homeless youth these organizations once served are no longer on the street. They’re on the front lines defending the future of democracy and free enterprise for those who’ve always profited by it. The pecking order of fortune remains intact; only the tin cup and the squeegee have disappeared.

Health and disease

Health and disease charities are all over the map. Those that focus a large part of their mandate and budget on programs that help people cope with their condition are floundering. What was deemed a worthwhile application of charitable dollars in good times is now seen as indulgent in times of crisis. The benchmark against which the Canadian public gauges its personal hardship has moved to a “higher” standard, if you can call it that. Those on the front lines command attention; the rest are expected to suck it up.

There has been a total collapse of environmental charities to match the total collapse of the environment. Still at the bottom rung of donors’ priorities on 9/11, it didn’t take much for environmental charities to disappear from our social radar screen. If we’re lucky, the worst of the chemical and biological degradation will happen “over there”; but the earth still turns and we all still breathe the same air. If they resurrect themselves when this is all over, they’ll find their mandate to be significantly altered.

NGOs sidelined

Many non-government organizations became both underfunded and under suspicion when Bill C-16 was passed in November, 2001. Third World countries not central to the conflict are in just as dire straits as they ever were, but the NGOs that attempt to ameliorate their condition have trouble getting the message out. While Canadians continue to pay lip service to the fact that terrorism is neither a product of, nor endorsed by, any religion, the concentration of charitable giving suggests their money is not where their mouth is.

In April, 1940, the Department of Munitions and Supply was established with C.D. Howe as Minister. In August of the same year, an amended Act gave the Minister almost dictatorial powers and under it Canada’s industrial effort

expanded vastly to include ships, escort vessels, cargo carriers, aircraft (especially Lancaster bombers) and more than 815,729 military vehicles.

University philanthropy has certainly changed. Government money flows like water for scientific research related to the war effort. Research professors, particularly in chemistry and biology, have become less accessible and their reporting lines have changed. Boards are now governed by the new majority of corporate executives from industries conducting that research.

Many major donors have tried to have controls placed on their unrestricted funds to prohibit their use for anything war-related. Several lawsuits have emerged and the general uneasiness and mistrust has affected all giving to higher education, even from staunch alumni. Of course, enrolment is starting to fall which, in turn, is affecting funding allocations from government.

Some universities are putting a lot of marketing effort into baby boomers and their continuing ed, though it's too soon to see whether they will respond. Forever defined as the generation for whom both their parents and their children went to war, a lot of boomers' considerable disposable income is being spent on seeking professional help; there may be little left for personal growth. University administrations are coping surprisingly well, though. Their early forays into corporate sponsorship helped grow the thicker skin they now need to make the financial decisions that affect their survival.

Not all news is bad news ...

Even war has its upside, and it is evident in the charitable sector. Several hospitals which closed during the '90s across Canada have quickly sprung to life again to piece together our heroes who come home broken but not fallen. Nurses, who had been waging their own fight inside the medical profession for "recognition and respect" have finally found that the doors have opened. The shortage of doctors, already serious prior to 9/11, is now much worse, while the need for care remains relentless. Without fanfare, nurses have stepped up to the plate and shown what they're capable of and the system is letting them do it. Charitable giving is up for hospitals but down for the large "disease charities". It seems donors have little patience these days for messages of hope in lieu of evidence of measurable results.

Canada's cultural contradiction

And then, there are the arts. Many of the arts institutions that operate substantial facilities – museums, galleries, arts centres like the NAC, have been hit very hard since 9/11. Quite quickly, all arts organizations seem to have fallen into two camps: those tied

to their performing or exhibiting venues and those without their own home, with the former group faring much worse than the latter.

Those 1967 birthday presents – the mausoleum-type galleries, museums and performing venues – which have systematically devoured operating budgets for 40 years, have become “the falling cement that broke the diva’s back.” Slowly but deliberately, Canadian art and artistic expression are crawling out from under the financial rubble and finally claiming their rightful place in the midst of Canadian life. Near-empty shopping centres are becoming home to art galleries which get free rent in exchange for driving traffic into the malls. Once little more than upscale storage lockers for art and artifacts rarely seen by anyone but the curator, galleries and museums have found that it can be pretty exciting to bring art to the public rather than force the public to come to them. Attendance has increased twenty-fold. Membership is thriving.

The regional theatre concept seems to be dying off completely. Selling season subscriptions, a tough job in the best of times, has become almost futile, with most theatres abandoning the concept altogether. Co-productions with regional theatres in other cities have also all but disappeared due to travel restrictions and diminishing partnership venues.

The National Film Board, a mere shadow of its once proud self, has been resuscitated and is now the celluloid arm of the war information machine. It came down to a simple choice – freedom of expression and death or compromise and survival.

The entire charitable sector could take a lesson from the arts, which teeter on the financial edge as a way of life. Though the buildings are dark, the art itself is alive, kicking and decidedly Canadian. Where once we could count on 12 adaptations of Twelfth Night by 12 theatre companies in a 12-month period, we are now seeing the very best that Canadian artists, writers, and composers have to offer.

Artists unbound

Stripped of their money-pit venues and safe playbills, and spurred on by the political landscape, Canadian artistic operations have finally found themselves. Never sweeter, the sound of a Canadian symphony swelling and cascading through Stanley Park; never more insightful the words of a Canadian poet in a coffee house in Waterloo; never more breathtaking the sculpture of a young Canadian artist in the front window of what used to be The Gap.

But an unusual trend has also emerged in Canadian philanthropy, one that has just about everyone puzzled. Donors aren’t talking about it; Canada’s major philanthropists don’t seem to be behind it; it just seems to have taken hold on its own.

In public libraries in towns and cities all over Canada, books are being returned with money inside them – a \$10 bill in one, a \$20 in another, a looney taped inside the cover of a third. At first it was sporadic, but now hardly a book comes back to the library without money tucked somewhere inside. A conference call meeting of the Canadian Library Association is scheduled for next week to try to figure out why this is happening and what they should do with the money. When asked for their opinion, the Association of Fundraising Professionals couldn't offer an explanation either. ~

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