Establishing a Relationship
With a Federated Campaign

The Benefits and Responsibilities of Becoming Part of a Federated Campaign
Launched in 1982 by Jim and Patty Rouse, The Enterprise Foundation is a national, nonprofit housing and community development organization dedicated to bringing lasting improvements to distressed communities.

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About This Manual

What is a federated campaign?

A federated campaign raises funds from a variety of sources and disperses funds broadly throughout the community. The best known federated campaign in most cities is the United Way. Other federated campaigns include the Combined Federal Campaign and the United Black Fund. For purposes of illustration and because of United Way’s broad acceptance throughout the country, we highlight the United Way in this manual.

Establishing a Relationship With a Federated Campaign designed for staff and board members of nonprofit community development organizations. Its purpose is to describe how federated campaigns operate, with a special focus on the United Way system. The manual covers the benefits, responsibilities and liabilities of being a United Way agency and other important information, including:

- Eligibility
- How to become a United Way agency
- Receiving funds from the United Way
- Examples of United Way support for community development organizations

This manual is part of the Fund Raising series within The Enterprise Foundation’s Community Development Library™. The series provides detailed information to:

- Familiarize yourself with the fund-raising process.
- Organize your office for successful fund raising.
- Plan special events.

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Introduction

The United Way is the most recognized federated campaign in the United States. Most people know of the United Way because of its annual fund-raising campaigns or its television commercials featuring professional football players praising the work of United Way agencies. Many have participated in its programs at Boys and Girls Clubs of America, YMCAs, Boy Scouts and Girl Scouts. These are just part of what the United Way offers. Its organizations support the greatest variety of health care and human services in the country.

The funds raised by United Way volunteers help millions of people with human services ranging from disaster relief, emergency food and shelter, and crisis intervention to day care, physical rehabilitation and youth development. By dispensing the funds through local agencies, it attempts to help people learn to help themselves and their communities.

By establishing a relationship with a federated campaign, organizations can gain access to a wealth of resources, including additional funding, volunteer support, and training and networking opportunities.

In almost all communities, United Way, like most federated campaigns, serves both a fund-raising and a fund-allocation role. Through an annual, community-wide campaign, local United Way volunteers raise significant funds to support local service providers. In 1995, for example, a total of $3.148 billion was raised through voluntary contributions to support approximately 45,000 agencies.

During United Way’s extensive annual citizen-review process, experienced local volunteers assess community needs and determine how to distribute funds so that they reach the people most in need. Additionally, in many communities, the United Way plays a leadership role in identifying community needs, communicating those needs, developing responses, and measuring changes over time.

Volunteers ensure that each group that receives funds operates as a nonprofit, tax-exempt charity governed by volunteers; submits to an annual, independent financial audit; provides services at a reasonable cost; and maintains a policy of non-discrimination.

Historically, the United Way and other federated campaigns have focused primarily on human and social service issues. In recent years, however, many have become involved with issues that are being addressed by community development organizations, such as affordable housing, neighborhood development, job creation, crime reduction and child care. To many of these organizations, the United Way and other federated campaigns can be a source of funding for programs and services in their city.
Benefits From a Relationship With a Federated Campaign

A federated campaign is built on the principle that united, we are stronger than we can ever be alone. This philosophy is very compatible with the missions of most community development organizations, whose work is done in partnership with residents, businesses and institutions in their communities. By establishing a relationship with a federated campaign, organizations can gain access to a wealth of resources, including additional funding, volunteer support, and training and networking opportunities.

FUNDING

For a nonprofit organization, access to federated campaign funding can mean a significant increase in operating support, as well as community support. The organization has a successful history of raising money to meet locally identified needs, and engaging the support of the established civic leadership in fund raising. It also provides accountability to the community that its dollars are being well spent.

This benefit comes with a caveat: Federated campaign funding, especially with United Way, may preclude other organizational fund raising. As explained later, nonprofits need to decide whether this funding (and other benefits) outweighs restrictions on other resource development.

For example, much of United Way’s fund-raising success is due to its ability to convince employers to let their employees make contributions during the year through payroll deductions. As one of the few organizations permitted this access, United Way is able to solicit contributions once a year during its annual campaign and receive small payments for that contribution automatically via bank transfer. This simplifies the process as contributors do not have to make a donation in one lump sum, and they never have to write a check to fulfill their obligation.

VOLUNTEERS

In large measure, the success that the United Way movement has gained over the years is due to its organizations’ ability to effectively engage and manage volunteers. While United Way organizations in most large cities have paid staff, a great deal of the work and decision-making is done by volunteers—the board of directors, fund-raising committees, allocation committees and other committees made up of local residents who volunteer their time to assist neighbors in need. Access to these volunteers can have a huge impact on local nonprofits. Other federated campaigns have learned from this experience and organized themselves similarly.

Volunteers are responsible for fund raising and fund distribution. They solicit donations from friends and colleagues in their workplace as well as corporate and sizable individual donations. Once the resources become available, they decide which agencies and programs will be awarded funding by monitoring human services that address the needs of their own communities. While each community chooses somewhat different mechanisms, allocations are generally based on a ranking of community needs prepared by a United Way volunteer committee.

Additionally, many corporate leaders participate as volunteers, or as committee or board members. Their participation can stimulate competition within and among businesses, resulting in more aggressive fund raising. Senior-level support and encouragement, as well as incentives, can increase both the number of contributors and the size of their contributions.
TECHNICAL ASSISTANCE AND TRAINING

United Way, like most federated campaigns, requires a high degree of accountability from member organizations. To ensure that funds are used and accounted for properly, it offers training in a wide range of areas that affect nonprofit organizations, including management and organizational issues. These sessions are taught by local professionals experienced in working with nonprofit groups and are generally offered at a low cost.

Through a vast network of corporate volunteers, many agencies are also able to obtain free technical assistance from professionals in accounting, human resources, fund raising and computer software.

NETWORKING OPPORTUNITIES

Most federated campaigns work in close partnership with private businesses, governments and nonprofits to pinpoint and address critical community needs. United Way boards of directors, for example, usually include the city’s senior corporate leadership. CEOs and company presidents too busy to participate in other civic activities often serve on the United Way board. As a result, discussions of your organization, program and community support will be heard at important levels.
Eligibility

Now that you know the benefits of becoming a federated campaign agency, it is time to see if your organization is likely to be eligible for membership in such programs.

Requirements vary by location, but in general, your organization is likely to be eligible to become a United Way member agency if it:

- Is located within and primarily serves the people of the local United Way service area
- Has been a nonprofit 501(c)(3) agency certified by the IRS for at least three years

You should be able to demonstrate that your agency:

- Is meeting a unique and significant need not satisfactorily filled by an agency in the same geographical area. You must verify the need for the program and demonstrate that it is filling a gap.
- Has a method to determine the effectiveness of your programs on the populations you serve. Internal or external evaluation reports should include performance standards, objectives and documented results.
- Has a qualified staff, and written job descriptions and personnel procedures.
- Has an affirmative action plan for staff and volunteers.
- Has operated as a nonprofit institution with a budget and has financial records for at least the prior three years that have been audited by an independent certified public accountant (CPA).
- Has a charter, bylaws or other governing instrument that clearly defines the agency’s purpose and its organization as well as the duties, authority and responsibilities of its governing body.
- Conducts fiscal activities in accordance with current generally accepted accounting principles, usually certified in an audit.

- Has a governing board whose members serve without compensation. The board must be representative of broad community interests and the constituency you serve. It should establish policy, employ an executive director, and be organized to ensure accountability and operating efficiency. To assure responsiveness to changing community needs, there should be written provisions for sufficient turnover in board membership.

You must also agree that if your agency is selected by United Way, you will:

- Cooperate with other governmental and voluntary agencies to prevent duplication of effort, promote economy and efficiency, and develop community social service programs.
- Secure approval by the United Way before soliciting or accepting any funds. Report the results of any such solicitations.
- Provide the current year-end audit (prepared by an independent CPA) and financial statements at intervals required by United Way.

To learn of the specific requirements for your area, contact your local United Way. Contact information is available at www.unitedway.org.
Responsibilities (and Liabilities) as a Federated Campaign Agency

Membership in a federated campaign brings responsibilities as well as benefits. As a United Way organization, for example, your primary responsibilities will be to take an active role in fund-raising campaigns and meet reporting requirements. This creates a liability that, for some organizations, outweighs the benefits of such membership.

FUND RAISING

Because a federated campaign like the United Way has a preeminent role in fund raising in many communities and unique access to the workplace, certain restrictions are usually placed on the fund-raising activities of member agencies. The primary restriction is a general prohibition on fund-raising activities during the annual United Way campaign (usually held in the fall). Fund-raising events and campaigns during this time of year are viewed as competing with the broad community campaign of the United Way. As a member, your organization is expected to promote the United Way during the campaign, since your agency is expected to benefit from the campaign’s success. In many cities, your agency can promote itself as well as the United Way during the annual campaign by advertising your services, marketing your successes and highlighting the issues you are addressing.

Some organizations may find that fund raising for a federated campaign conflicts with other organizational fund raising. This is most appropriate for nonprofits that use direct mail as a primary source of revenue, as many direct mail campaigns work best in the fall holiday season, the same period as most annual federated campaigns. Direct mail, in addition, targets individuals who may already be contributing through a federated campaign. Nonprofits in this situation should carefully evaluate the pros and cons of membership before deciding to apply for membership.

REPORTING

Federated campaign agencies have established reporting requirements, which can include submitting:

- A proposed budget that includes a revenues and expenses summary, revenue detail, funding scenarios, program information, a fund-raising report, a summary of board composition, and a certificate of insurance
- A revised budget with up-to-date revenue and expense projections for the current budget year

If your organization wants to become a federated campaign agency, your goal should be to develop a long-term partner, not a short-term donor.
Becoming a Federated Campaign Agency

If your organization wants to become a federated campaign agency, your goal should be to develop a long-term partner, not a short-term donor. Volunteering is a great way to learn more about the federated campaign system in your community. You can also meet other people active in the community who might be interested in your organization and your work, such as donors, social service providers and volunteers. As a volunteer, you can gain a greater understanding of how your local federated campaign organization works and be better prepared when your agency applies for membership.

INITIAL CONTACT

If you believe that your organization is likely to be eligible and wants to assume the responsibilities of becoming part of a federated campaign, you should contact your local campaign or United Way office. Write a letter and follow up with a phone call. Or, if you have a colleague who is a volunteer in a federated campaign, ask him or her to arrange for the introduction or help you set up the first meeting.

After the initial contact is made, try to reach the staff member responsible for the allocations process. The title of this position may vary (director or vice president for allocations, director of fund distribution, or director of agency relations). Essentially, you want to speak with the person directly responsible for working with the local federated campaign agencies.

Once you have reached the correct individual, arrange a meeting to discuss your organization and programs and how they relate to the federated campaign’s interests and priorities. If your local federated campaign, such as the United Way, has not funded community development in the past and does not appear to have community development as a priority, there may be little initial interest in your organization. Don’t give up! Advocate for community development and keep coming back.

If the federated campaign organization already supports community development organizations in your area, or if your organization is eligible under the local “donor choice” program, get the application process started now. Some federated campaign agencies have open application periods, certain times during the year in which they will accept and review new member applications. Others accept them throughout the year. Call to find out.

APPLICATION PROCESS

You have made a contact and established interest in your organization. Now you can proceed with the formal application process. The following information is usually required:

1. Organization and Background
   - Brief summary of your agency’s history and mission
   - Dates of prior requests for federated campaign or United Way admission

2. Needs Assessment and Program Data
   - The overall service activities to be provided, including staff and volunteer resources to be used
   - The nature and severity of the problems addressed by your agency and the approaches used for the problems, including demographic data that is characteristic of the client population and the number of people to be served
   - How your agency program is unique and the gap it is filling in the community. Compare your agency to others that are participating and those not participating in the campaign.
- Specific quantifiable program goals and objectives in measurable terms and what expected impact the objectives will have on the target population
- How your agency is engaged in any collaborative efforts with other agencies delivering similar programs in the same service area
- Your evaluation mechanisms, which clearly provide results-oriented data
- Program cost

The growth of donor choice presents nonprofits with new opportunities. You can now directly solicit contributions for your agency from participants in the United Way campaign.

3. Enclosures
- Agency’s total budget
- Articles of incorporation
- Bylaws
- Three most recent financial audits
- Most recent annual report
- Board of directors roster
- Agency staff, titles and qualifications
- Any program evaluation reports
Receiving Funds

Once your group has become a federated campaign agency, it can start requesting funding from the organization. Many United Ways, for example, provide multi-year funding and most fund programs in specific categories (HIV/AIDS, families, self-sufficiency) that have been identified through needs assessments and priority setting. The specific options vary by locality, so check with your local program.

At one time, volunteer committees allocated nearly all United Way-raised funds to agencies. Now, contributors desire to have more control over their donations, and communities want to raise larger amounts of money specifically to address their human and social service needs. As a result, a range of "donor choice" options have become available in most places.

For example, below are a few of the options for receiving funds from the United Way.

THE UNITED WAY VOLUNTEER ALLOCATION COMMITTEE PROCESS

In the most traditional way of receiving funding, a committee of volunteers evaluates your application against others within your category. The total pool of funds available is determined by the United Way board of directors based on the total dollars raised, total dollars designated by donors to your program area and the relative need of your program area.

After your funding application is reviewed by United Way staff and forwarded to the appropriate allocations committee, you usually have an opportunity to appear before the allocations committee to make the case for your group's program and answer questions. This lets you articulate your vision and demonstrate your competence in implementing programs to achieve success. In some cases, the committee makes site visits to see your work firsthand.

DONOR CHOICE

The goal of providing donors with a choice of where their money goes is to increase the total amount of funds raised to address community needs. The amount of choice given to donors varies among communities.

In some communities, the donor's entire contribution may be designated. In and around Washington, D.C., for example, a large number of agencies are available for donors to choose from, because most 501(c)(3) nonprofit organizations in the area are on the United Way list. In other cities, donors allocate their contributions to program areas, and volunteers select the specific agency and dollars awarded. Still other cities permit donors to designate a portion of their contribution to programs or agencies, while the remainder must be allocated through the committee process.

The growth of donor choice presents nonprofits with new opportunities. You can now directly solicit contributions for your agency from participants in the United Way campaign. This requires an active strategy to market your agency, its programs and their impact on the neighborhood. Everyone with a stake in the success of your group should be encouraged to participate in the United Way campaign and designate their donations to your agency. Prime targets of your fund-raising efforts should include:

- Board, staff and committee members of your group
- Your partners, such as bank employees, local government employees, insurance companies, local businesses and your vendors
- Residents of your neighborhood

In many cases, it may not cost your supporters any additional money to do this, as they already contribute to the United Way through the payroll deduction plan at their workplace. Now all they need to do is allocate donations directly to your group.
Donor choice also presents an opportunity to reach people in your city who do not know of your group. Since any campaign participant can designate your group, the more people who know of you, the greater the chance that you will be selected for their contribution. Effective strategies include:

- **Volunteering at a corporate United Way rally** — Many corporations hold kick-off rallies to encourage employees to contribute. These often include a presentation from a United Way agency like yours, extolling the value of United Way, emphasizing the importance of their contributions and highlighting the success your group has had in addressing community problems. The United Way is always looking for volunteers to assist businesses with their campaigns, so volunteering is a way of helping them while promoting your work. You could also contact your corporate sponsors and request a similar opportunity during their campaign.

- **Marketing your organization** — Large agencies have been effective in marketing their services and encouraging contributions through telephone solicitations and paid advertising, like billboards, posters and mailings. Smaller agencies have used public service announcements on television and radio and in newsletters. Several small agencies can combine resources to jointly market themselves. For example, a coalition of housing groups might lease a billboard to advertise their successful housing counseling program and seek donations to any of the participating organizations. For more information on marketing, see the *Communications* series of the Community Development Library.

**SPECIAL FUNDS**

Almost every United Way sets aside a small pool of funds to be used for special purposes, such as emergencies, emerging needs, special projects or new initiatives. Often, United Way staff or volunteers have the opportunity to play a role in a new community initiative or to suggest creative ideas for using the funds. For example, the special fund could be used to match funds for a national foundation grant to develop supportive housing, establish an employment training program for ex-offenders, or create a multi-agency home buyers’ club for first-time home buyers.

For community development organizations, special funds can create an entry point into the United Way system. As people have become increasingly aware of neighborhood issues and problems, they have begun to seek community-based solutions, often from nonprofit organizations. Many United Way agencies have begun to fund neighborhood centers, child care programs, job training and housing counseling — programs falling outside the traditional health and human services categories. When special funds become available, it is important for your CDC to be in a position to act — to know the procedures and people that can steer funding to your programs.
Examples of Federated Campaign Support for Community Development Organizations

Federated campaigns are increasingly supporting community development activities. The United Way, in particular, has expanded its support in this area dramatically. United Way’s participation has increased public awareness of local housing needs and has brought resources and credibility to issues that previously did not receive them. Following are examples of successful systematic efforts undertaken by the United Way to support the work of community development organizations.

Chicago, Illinois: Housing Initiatives Program

Throughout its history, United Way of Chicago (UWC) has been involved in supporting local nonprofit housing developers through a variety of special grant programs. During the late 1980s, UWC's chief executive and board leadership became interested in expanding their involvement in housing.

UWC sought to capitalize on the city’s extensive network of successful community development organizations, and to play a role in supporting and extending the impact of the Fund for Community Development, a five-year program to provide qualifying nonprofits with operating support, project financing and technical assistance. UWC’s Housing Initiatives Program developed an eight-year plan to link community development organizations and UWC through a variety of funding mechanisms. These included three-year priority grants used for operating support (available to both members and non-members of United Way), one-year venture grants (available to non-members) and standard membership allocations.

The Housing Initiatives Program had four objectives:

- Integrate housing as a regular, ongoing field of service for United Way funding and admit 12 community development organizations into UWC membership within eight years.
- Maintain existing decent affordable housing, especially through property management by community development organizations.
- Improve and expand the capacity of nonprofit organizations in lower-income communities to rehabilitate, construct and manage residential property.
- Promote conditions that foster an increase in the supply of affordable housing.

To implement the program, a steering committee was created to review requests for funding and make determinations on the basis of specific criteria. The steering committee consists of a cross section of representatives from key constituencies within the United Way and the housing and community development sector, but does not yet include representatives from the city of Chicago, major local corporations or conventional lending institutions.

An initial $100,000 grant has leveraged more than $3 million in allocations to support community development organizations. The funds have been awarded to 25 organizations to support housing development, management, counseling, loan packaging, organizing and advocacy activities. UWC has accepted housing as one of the 17 service areas it routinely funds, and the Housing Initiatives Program has made considerable progress assisting nonprofits in becoming UWC member organizations.
Houston, Texas: New Foundations

United Way of the Texas Gulf Coast began exploring the subject of affordable housing in 1988, following a community needs assessment that identified homelessness as a great concern. It discovered very few organizations involved in developing affordable housing. In fact, community-based housing development was a very new concept in Houston, and community development organizations lacked experience in this area.

Local United Way leadership decided to convene interested parties in the hopes of forming a partnership to seek financial support. In a series of working sessions, local United Way staff and volunteers focused on assessing available resources and the expressed willingness of various organizations and individuals to commit resources. As a result, New Foundations was formed — a partnership of United Way, the banking and real estate development sectors, local government, members of the Houston philanthropic sector and three community development organizations.

New Foundations’ programs were designed to respond to the lack of nonprofit capacity and the relatively undeveloped infrastructure supporting community-based nonprofit housing developers. The following objectives were adopted:

- To select, strengthen and increase the project output of the three most promising community development organizations in Houston.
- To increase and stabilize the operating support of these groups by:
  - Providing at least $40,000 in annual operating support for three years.
  - Persuading other private and public funders, particularly the city of Houston, to provide more operating support and technical assistance resources on a regular basis.
  - Working to secure United Way-affiliate designations for the community development organizations that complete the program successfully.
- To provide a minimum of $33,000 yearly in direct and in-kind technical assistance and training resources to each organization over three years to help:
  - Assess management, administrative and development capacity.
  - Identify and capitalize on strengths and overcome weaknesses.
  - Improve its planning process and develop short-, intermediate- and long-range strategic plans for operations and development.
  - Strengthen internal technical development skills in areas such as opportunity identification, market and feasibility analysis, project packaging and financing, and project implementation and management.
  - Increase its board’s involvement in operations and housing development.
  - Broaden neighborhood and citywide awareness and support of its operations and development production.
  - Reinforce its base of operating funds and access to management and project-related technical resources.

New Foundations has firmly established the importance of affordable housing as a priority community need and the legitimacy of community development organizations as a part of the solution. The pace of housing production has quickened. Its advisory committee has conducted self-evaluations and additional planning, resulting in a commitment to operate the partnership as a long-term endeavor. Over time, New Foundations hopes to provide an increasing number of organizations with operating support, project financing, technical assistance and organizational development assistance.
THE ENTERPRISE FOUNDATION
The Foundation’s mission is to see that all low-income people in the United States have access to fit and affordable housing and an opportunity to move out of poverty and into the mainstream of American life. To achieve that mission, we strive to:

- Build a national community revitalization movement.
- Demonstrate what is possible in low-income communities.
- Communicate and advocate what works in community development.

As the nation’s leader in community development, Enterprise cultivates, collects and disseminates expertise and resources to help communities across America successfully improve the quality of life for low-income people.

ACKNOWLEDGMENTS
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SPECIAL THANKS
Research and development of this manual was made possible by the National Community Development Initiative, which is a consortium of 15 major national corporations and foundations and the U.S. Department of Housing and Urban Development, and scores of public and private organizations. NCDI was created to support and sustain the efforts of community development organizations.

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