

EDITORIAL: United Way's two stars

A decision to tap reserves pulled its rating down

Published: **Tuesday, Apr 12, 2011 05:00AM**

Charity Navigator gives the United Way of Lane County two stars in its four-star rating system. A similarly rated movie or restaurant might best be avoided, and it's a big step down from the solid four stars the agency once boasted. But the downgrade came mainly as a result of a deliberate and defensible decision by the local United Way's board of directors. The many people who benefited from that decision would restore those lost stars in a heartbeat.

Charity Navigator is the nation's biggest evaluator of charities, providing useful ratings of more than 5,000 organizations that depend on donations from the public. It's a good idea to visit the organization's website (www.charitynavigator.org) before writing a check. But Charity Navigator's ratings by necessity distill a lot of information into a simple rating, and sometimes a group can be punished for doing the right thing.

United Way of Lane County depends on workplace donation drives and grants for the money it distributes to 61 programs in 44 local agencies. Both sources of income have declined. The United Way used to raise more than \$6 million a year. The total is now less than \$5 million, reflecting Lane County's loss of employment and the high level of economic anxiety among those workers who still have jobs. Charity Navigator sees a decline in revenue as a bad sign.

An even worse sign, by Charity Navigator's standards, is dwindling reserves. United Way of Lane County began spending its reserves as the Great Recession took hold, so that it had only two months' worth of capital on hand in 2007. To Charity Navigator, an organization with slumping revenue and shrinking reserves is an organization in distress.

But the decision to draw down its reserves was both rational and humane. During a recession, greater numbers of people have more urgent needs for the services supported by the United Way. A recession is not the time to be sitting on a plump cushion of reserves — not when people are desperate for the food, health care and family support services provided by United Way-funded agencies. Declining revenues meant that United Way's allocations to many of its agencies had to be reduced, but tapping the reserves helped soften the effects of those reductions.

The United Way doesn't have a cash-flow problem, and has never borrowed to meet its commitments. The reserves were replenished somewhat last year, though they remain relatively lean. Charity Navigator gives United Way of Lane County a single star for its organizational capacity — growth in primary revenues and expenses, and its working capital ratio.

For organizational efficiency, however, the agency gets three stars. This category matters most to donors and beneficiaries alike, because it measures how much of a charity's income is absorbed by administrative and fundraising expenses. The two categories combined result in the two-star

rating. An upgrade might come when Charity Navigator begins including measures of transparency and accountability in its ratings, because the United Way scores well on both counts.

The decline in revenue remains worrisome, but probably won't be reversed until a solid economic recovery takes hold. The United Way is also swimming against a trend toward direct donations to individual charities, a trend that could be countered by a broader appreciation of United Way's ability to screen local service providers for effectiveness and its role in coordinating the work of a wide variety of charitable enterprises.

The United Way might have a higher rating if it had kept more money in the bank. But the agency's board understood that its savings were meant to be used, and that the services it supports are more important than stars.

Copyright © 2011 — The Register-Guard, Eugene, Oregon, USA