



The Power Of Rural Philanthropy



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A Report Commissioned by New Ventures in Philanthropy, an initiative of the Forum of Regional Associations of Grantmakers.



Executive Summary

Two women of Pointe Coupée, Louisiana mobilize their neighbors, rich and poor, to start a new community fund.

African-American neighbors in rural Virginia pool their resources to permanently support community change for the long-term.

Leaders in Shickley, Nebraska, generate 150 local gifts for their new community fund endowment, all from a town of only 379 people.

Across America, rural communities face big challenges as economies change, populations shift, and government resources and subsidies dramatically decline. In urban areas the philanthropic sector, with substantial assets, is looked to in times of great need. Not so in rural places. Until now.

This report looks at recent trends in rural philanthropy-building and examines the inclusive and innovative ways that rural communities are taking philanthropy into their own hands. Their goal is simple: to generate resources from *within* their rural communities to effect community change, now and into the future.

Rural community leaders, business people, volunteer “sparkplugs,” youth, and retirees across the nation are harnessing and investing philanthropic assets in rural and remote places. They are conducting research, applying new ways of thinking, and partnering with community foundations and regional institutions to overcome barriers that have prevented the growth of rural philanthropy in the past. They are building new, permanent philanthropic endowments in places that have never had them before -- endowments that, over time, promise to grow exponentially.

The trends are powerful.

- New data from the Aspen Institute demonstrate the rapid rise of rural philanthropy: in the past six years the number of geographic funds affiliated with community foundations has increased by 132%, and there are an estimated 2,000 of these funds nationwide with at least \$1.5 billion in endowed assets in rural areas alone;
- Innovative tools such as the Nebraska Community Foundation's *Transfer of Wealth* framework and *The Philanthropy Index for Small Towns and Rural Communities*, jointly developed by the Southern Rural Development Initiative, the Southeastern Council of Foundations, and the Foundation for the Mid South, offer new ways of thinking about the assets and potential of rural areas;
- Rural communities build philanthropy in necessarily inclusive ways; they transcend race and class, and acknowledge that *everyone is a prospective donor, and everyone is a beneficiary*;
- Based on endowment growth, the costs of investing in rural areas are worth it. The Arkansas Community Foundation's Affiliate program raised more than \$4 million in new endowment assets and distributed more than \$200,000 in grants last year alone;
- Endowment assets held by geographic funds represent a growing proportion, currently estimated at 14%, of total community foundation assets,

Emerging rural philanthropy is democratic and visionary. It counters the discouragement that can infect rural areas by marshalling local resources for long-term change. It changes the language of these communities from a focus on what the community lacks – deficits to what the community has – assets. And it generates new, permanent resources in places where they did not exist before. Rural philanthropy is proving to be a powerful tool, and one that is here to stay.

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Rural places face a long list of challenges. Declines in agricultural and manufacturing industries have devastated some rural economies. Young people continue to migrate elsewhere to pursue jobs, education, or greater social opportunities. Meanwhile, many empty-nesters and retirees who move back home to rural places live on fixed incomes. Rural places are becoming increasingly diverse, yet wealth and income disparities are widening across race and class. And across rural America there are gaps in basic services and infrastructure, such as quality medical care, high-speed communication, and even grocery stores – the kinds of everyday amenities that most places take for granted.

These challenges are difficult, but they are not insurmountable. People are recognizing the visible assets and discovering the hidden opportunities in rural places, among them talented people, money and land, extraordinary willpower, and deeply-held charitable values. When they view themselves as places of abundance rather than places of deficit, rural communities can tip the scale away from crisis and toward real change. Many are discovering how to make this happen through the process of building local endowments and other philanthropic assets.

Who Benefits from Rural Philanthropy?

For starters, parents and children. Elders and caretakers. Teachers, counselors, coaches, and PTA leaders. Farmers, farmworkers, and entrepreneurs. Preachers and parishioners. Veterans. People who struggle and people who don't but who care about people who do.

The truth is, we all benefit from rural philanthropy whether we live in a rural place or not. What affects one small, rural place can spill over to help -- or hurt -- an entire region. When a farmworker in Kansas benefits from better health care, so do the farmer, the miller, the baker, the trucker, and the child, many miles away, who carries the sandwich to school. Whether we care about our water supply, the environment, education, business development, or just about anything else, urban and rural places are tied together.

Because rural philanthropy-building happens largely from the ground up, it can enable whole communities to come together, articulate their dreams, and build a positive future. It creates special opportunities for rural leaders, community foundations, philanthropic associations, and national and

regional foundations to address challenges in new and different ways. It stimulates community-building and economic development strategies that build on the inherent assets in rural communities, and are therefore particularly suited for them.

So why has building rural philanthropy been so difficult before now?

Challenges for Rural Philanthropy

The traditional model of philanthropy starts with an *endowment* – a permanent capital fund that is invested, generating a stream of income that can be donated to charitable causes according to the donors’ priorities. Most endowments are managed by and for people living in urban places – the traditional centers of business and industry – even when these funds were derived from rural-based resources such as oil, timber, coal, agricultural products, or real estate.

According to a 2004 study by the Southern Rural Development Initiative (SRDI), more than 7,500 endowed foundations are located in rural America, but their assets represent only 3% of all foundation assets nationwide, or just \$15.1 billion. These assets are highly concentrated: 27% are held within ten relatively wealthy counties, and 53% are spread out over just 50 counties. A full two-thirds of all rural counties have fewer than \$1 million in philanthropic assets, if they have any at all.

The inequities in philanthropic resources mirror other economic trends in rural areas. Philanthropic assets are overwhelmingly located in predominantly white counties; counties with high populations of non-white residents have 75% fewer philanthropic assets. Not surprisingly, philanthropic assets are lacking or limited where poverty – particularly among people of color – is highest.

Traditional individual philanthropists and foundations face real and perceived barriers to giving in rural areas.

The traditional wealthy donor living in a rural community generally has few local options in which to invest her philanthropic dollars: perhaps a private school, a religious institution, or an historic theatre. Says one rural leader, “In urban areas, there is a wealth of institutions, but in rural areas, the infrastructure isn’t there.” Rural areas often lack a range of institutions that can manage planned giving or absorb large bequests. If a donor does not feel confident about her options, she is not likely to leave her resources in her community when she makes decisions about her legacy.

Private and community foundations, most of which are based in urban areas, rarely believe their dollars will create real change in small communities. They doubt that rural people and organizations have the capacity to improve their communities effectively, particularly when they apply the same expectations as they might for city centers. And managing a set of grants for

a rural area from an urban center may seem untenable to foundation staff and boards.

Given the barriers, is building rural philanthropy really too much trouble?

Numbers Tell the Story: Rural Philanthropy is Growing

It's not too much trouble. In fact it's exciting. Successful. *Growing*. Philanthropy building in rural places is well underway, as evidenced by the rising number of *geographic affiliate funds* – grantmaking funds that serve a specific geographic area, most often a town or county outside a primary metropolitan center -- that are held by community foundations.¹

In a 2004 survey of the entire U.S. community foundation field conducted by the Aspen Institute's Community Strategies Group (CSG) and its Rural Development Philanthropy Learning Network, nearly two-thirds of the 241 responding foundations reported having at least one affiliate fund, for a total of 1,079 local community-focused funds with \$1.2 billion in assets. Based on this data, and projecting their results to the nearly 700 community foundations in the U.S., the Aspen Institute estimates that there are at least 2,000 geographic funds affiliated with community foundations, and quite possibly more nationwide – with at least \$1.5 billion in rural endowed assets. What is even more striking is that most community foundations in the survey had established their first fund within the past ten years. In the past six years alone the number of these funds increased by an impressive 132%.

While not all geographic funds are rural, the Aspen Institute data suggest that 75% cover primarily rural places. Moreover, community foundations that include at least some rural areas within their reach are more likely to use geographic funds as one means to serve them.

This relatively recent momentum promises to continue as more foundations share their success stories, strategies, and measurable impacts with the field. In fact, nearly 60% of community foundations surveyed plan to start their first funds in the near future, and a whopping 70% of those with funds already plan to establish more in the near-term. Much of this growth will continue to be centered in rural places.

So How Are They Doing It?

Bold initiatives in a number of regions have demonstrated that combining assets and hidden resources in rural places is indeed possible. While approaches vary from community to community, what is common to the

¹ Community foundations use the term *affiliate fund* in different ways. For simplicity, in this report *affiliate fund* refers to endowments that are held by community foundations and are restricted for use (all or in part) in a rural community or geographic area, regardless of the formal administrative structure under which they are managed.

most successful efforts is that organizers are changing the negative language of *deficits* into a positive language of *assets*. They are using an inclusive framework, acknowledging that *everyone is a prospective donor, and everyone is a beneficiary*. Both tactics are leading to big outcomes:

- In Nebraska, efforts to empower communities and ramp-up the assets of affiliate funds have led to a 95% endowment growth in the past three years and confirmed planned gifts have nearly tripled.
- In rural Virginia, African-American neighbors are discovering new power as donors, organizing a giving circle to pool their money and make social change.
- A Kiwanis Club in Southern Louisiana has generated a \$500,000 endowment for a local public high school and 500 alumni donors are engaged in making decisions on the first round of grants.

When the process is intentional and inclusive, rural philanthropy-building can become the project *of* a whole community rather than of a financially-able elite building an asset *for* a community. Rural communities represent a unique opportunity to apply inclusive principles and bring people together around key issues. Says Peter Pennekamp, Executive Director of the Humboldt Area Foundation in northern California, “Big cities have big donors, but they are largely separate from their communities. Our average rural donor is a school teacher, a cabinet maker -- professional or working class. They are people who are integrally involved in their communities and want to give back.” Carla Roberts of the Arizona Community Foundation agrees, “In rural communities, there’s less segmentation. Everyone shops at the same grocery store, whether rich or poor. Wealthy donors are likely to be less distanced from community issues than in a typical urban area.” Also, broad-based philanthropy-building keeps the few donors with substantial wealth from being singled out. Most do not want to be the lone “town philanthropist” in a small community.

Not only can it be uniquely inclusive, but rural community-based philanthropy can be connected to strategic and long-term visions, driven by economically and racially diverse groups of residents. This can be a facilitation challenge for community foundations built on traditional urban approaches to donor development, board structure, and giving priorities. But models are now spreading that work better in rural places, aided by new tools that prove the assets are there for the giving.

Innovative Tools Spark Trends in Rural Philanthropy

Two particularly useful tools have emerged that demonstrate philanthropic potential in rural places and help guide organizers seeking to harness and invest it wisely.

Intergenerational Transfer of Wealth Tool: Using the seminal research of John Havens and Paul Schervish at Boston College regarding the nation's projected intergenerational transfer of wealth, the Nebraska Community Foundation pioneered the use of an analytical tool that estimates the amount of wealth that will transfer between generations over the coming 50 years, down to the county level. By examining transfer of wealth estimates, rural communities have a concrete basis on which to build community will, set goals and strategy, and ultimately capture planned giving commitments that might otherwise be given to interests outside the rural community.

In Nebraska, where transfers are estimated at \$5.2 billion annually, the opportunity to build permanent philanthropic capacity was so compelling that the state legislature recently passed LB 28, a bill that provides a significant tax incentive to promote endowed philanthropy statewide. Montana passed similar legislation more than five years ago and already has seen an increase in endowments of more than \$74 million. In Michigan, where a tax credit was implemented in 1989, more than 265,900 individuals and 7,300 companies made donations to community foundation endowments over a 14 year period and received more than \$32 million in tax credits in return.

The Philanthropy Index: In the South, SRDI, the Southeastern Council of Foundations, and the Foundation for the Mid South jointly developed *The Philanthropy Index for Small Towns and Rural Communities (Index)*, which introduces 12 indicators of philanthropic potential to help communities identify assets in individual rural counties. Index data is paired with an inclusive community dialogue to encourage optimism and stimulate vision and action around building community-based philanthropy.

The Index has been used in more than 30 communities and has sparked dramatic results. Inspired by the Index framework, Penny Franklin and members of The Community Group are creating a new giving circle in rural Virginia, pooling the resources of African-Americans to meet critical needs in their community. Members are discovering a new sense of ownership as donors, placing themselves on equal footing with wealthier white residents who are usually considered the “go-to” members of the community.

These are just two of many tools that prove philanthropy can succeed in rural areas, whether initiated by rural residents, by innovative community foundations, or by large private foundations seeking to kick-start economic development and social change efforts in rural communities.

Rural Residents Take Action

Rural residents are finding out that building community-based philanthropy from scratch organizes a community around its assets and connects long-term vision to concrete action. While community-based philanthropy is only one component of systemic social and economic change, it can be the lead component -- the spark that ignites a community around positive dialogue and financial investment toward a common vision of the future.

To be most effective, community-based philanthropy requires a ***sparkplug*** – one or more highly-motivated members of the community who jump-start the process and help carry it through. Sparkplugs can be mayors, mothers, doctors, teens, teachers, donors, preachers, or business owners -- anyone in a position to mobilize money and people by transcending race, class, and other socio-economic lines towards an inclusive goal.

Sparkplugs mobilize resources in various ways. Some mobilize their own. George McLean, a newspaper publisher in Tupelo, Mississippi, fundamentally changed Lee County and surrounding areas when he turned over ownership of his *Northeast Mississippi Daily Journal* to the CREATE Foundation, a visionary anchor for community development in the region. CREATE, a community foundation covering a 16-county region, has since sparked rural county affiliates across northeast Mississippi, proving that philanthropy initiated by rural sparkplugs can be at once independent, community-based, and exponentially influential.

Rural Philanthropy Helps Rural Residents

- Organize their whole community around common goals
- Change community self-perception from *deficit and need* to *assets and opportunity*
- Provide a new local giving choice for both wealthy and modest donors
- Leverage new resources from outside the community
- Bridge racial and class divides
- Create a permanent community asset for generations to come

Elouise Cobell mobilized cultural assets on the Blackfeet Reservation in Montana to start one of the only reservation-based community foundations in the nation. By organizing Indian artists and their work for a benefit auction and Harvest Moon Ball, she helped recruit art lovers, local business people, resort lodge owners, and others living near Glacier National Park and converted valuable cultural assets to seed a permanent, endowed community resource.

Other sparkplugs are mobilizing donations large and small and pairing them with the management resources of larger foundations to create particularly innovative partnerships. Using the *Philanthropy Index* as an organizing tool

with technical support provided by the Louisiana Association of Nonprofit Organizations, Joanna Wurtele and Gail Hurst gathered their friends and neighbors to start the Pointe Coupée Enrichment Fund in rural Louisiana, an effort that has been a catalyst for bi-racial cooperation in a poor but proud parish. Says Wurtele, “Coming together on this project has given us a safe place to experiment with loving each other and making dreams come true.” After serious negotiations (Pointe Coupée is a fiercely independent place), the Enrichment Fund now operates as a component of the Baton Rouge Area Foundation (BRAAF). BRAAF manages the Fund’s assets, provides administrative services, and advises Wurtele, Hurst and friends about fundraising and grantmaking.

The Promise of Endowment

Whether independent or linked to a community foundation, community-based philanthropy creates an unusual sense of community ownership based on the promise of future returns. If the fund is built as an endowment, it represents a generational project that will leave permanent capacity for investing in the community. As one community leader in rural Virginia says, “When my granddaughter is old enough to sit at the table, the assets will still be here. They’re permanent, and they belong to the community.”

Building endowment assets takes patience and a different way of working. As one affiliate organizer says, “Many rural communities are accustomed to fundraising. They know how to do that. Building an endowment is the real challenge. Forever means forever; it means more than selling a banquet ticket every year.” Nonetheless, the fundraising know-how that is common in rural areas can be central to an endowment-raising strategy.

When done effectively, community-based philanthropy can leverage other funds from traditional foundations, government, and the business sector. When the community itself is its own “lead investor”, outside resources will follow with confidence.

Community Foundations Take the Lead

As institutions that harness individual assets, community foundations are positioned to change the landscape of rural philanthropy. Just like the passionate individuals who serve as rural sparkplugs, community foundations can be effective change-makers, mobilizing resources and encouraging community-based philanthropy in inclusive, innovative ways.

But community foundations also face legitimate issues of capacity and cost. They worry that turning attention to rural philanthropic development will strain limited staff, require financial resources they don’t have, or overwhelm their board members who lack the regional vision necessary to commit to rural work. Says one statewide foundation leader, “When it’s hard to keep

staffing low and maintain good systems, the question becomes what happens when you actually get going in rural communities?”

Despite these concerns, many community foundations are leading and making waves in rural philanthropy.

The Humboldt Area Foundation (HAF) in northern California found that it needed to play a nontraditional role to grow philanthropy in its rural counties. HAF serves a part of northern California that is the size of several small states. County populations are small, separated by wilderness, and there are few roads and no interstates linking towns together. “Rural,” says Executive Director Peter Pennekamp, “doesn’t really describe it.” The distance and the geography are obvious barriers when it comes to community problem-solving. “One town needs something another town has, but it’s too far away, and there’s no connection or easy way for them to work together,” he comments.

Instead of sitting back on its heels, this unusual community foundation set out to change the scenario and create a new context for dialogue, cooperation, and accountability to the community. In 1996, it began a process of convening key economic development players and the business community, which was particularly frustrated by what it saw as a lack of coherent economic strategy across the region.

After three years of skilled facilitation, relationship-building, and gentle prodding, the foundation and community leadership launched what is now known as *Prosperity*, a set of economic development goals for the region that agencies and nonprofits that formerly worked separately are now pursuing cooperatively. “Silo funding rips people apart. It forces them to be accountable to regulators, not the community. We were able to help people overcome this force and work together,” says Pennekamp.

The foundation made this critical economic development intermediary role core to its mission, stimulating cooperation and, as Pennekamp says, “doing the work that needs doing.” But where does philanthropy fit in? Isn’t a community foundation about raising donations and making grants?

Pennekamp says yes, of course. But for the Humboldt Area Foundation, donations and endowment-building play a secondary role to the programmatic work. Donors are inseparable from the whole work of the community; they *are* the community, not a separate class. Donors come to the foundation not just to write a check, but also to participate in non-profit and leadership training, to learn how to be more effective volunteers, and to educate each other about their issues and work. In this way, donor activities – not their money -- lead the foundation’s work. “They come here because they have some hope they will leave more powerful,” says Pennekamp, “and be able to get the work they want to do *done*.”

The Greater New Orleans Foundation (GNOF) discovered that by reaching well into rural areas, it can carry out its inherent regional mission without fundamentally distracting from endowment building. “We’re not urban. We’re not rural. *Regional* is the language connector,” says President and CEO Ben Johnson, “and economic development is the programmatic connector. We try to convince people that any one parish is as good as the weakest. That motivates the conversation.”

Using that economic development connector, GNOF partnered with the regional Economic Institute to more closely link rural growers, fishers, and craftspeople with eager central-city markets. The foundation has also brought together urban and rural pastors in a capacity-building initiative for faith-based institutions, facilitated by Southern New Hampshire University’s School of Community Economic Development.

These are just two of the many ways that GNOF has engaged rural and urban non-profit and community leaders in conversations about community-based philanthropy, becoming a more visible force regionally. It has seen some unusual rewards. Impressed with the foundation’s economic development focus, Shell Oil created a \$5 million endowment at GNOF, targeted to community economic development efforts in one small town of 4,000 residents. In one parish, two wealthy brothers who sold their rural telephone company learned about the foundation through their financial planner. Without its regional scope and a growing “relational web,” the foundation would never have attracted these new endowment funds.

Rural Philanthropy Helps Community Foundations...

- Build the capacity for regional problem-solving
- Link rural and urban leaders, breaking down political and economic divisions
- Strengthen their endowments
- Enhance their profile
- Improve the scale, scope and impact of grantmaking
- Build social capital, community support, and trust

Beyond grantmaking, GNOF has created a regional leadership program that encourages rural and urban leaders to get to know each other and the skills they have to offer. The group meets in a different parish each month. “They now understand the resources available around them,” says Ben Johnson, “where before they thought none existed.” Now in its seventh class, the program has helped 300 leaders develop new skills and networks regionwide.

Statewide community foundations have unique opportunities -- and mandates -- to help rural communities build on their assets and create more sustainable futures. The Arizona Community Foundation developed a very successful affiliate strategy that makes sure it carries out its statewide mission faithfully. It’s a good thing, too. Carla Roberts, vice president for affiliates, says that Arizona is on such a steep growth track that “some

affiliates that started out in rural areas are no longer considered rural.” The Foundation laid the groundwork for these funds to meet the challenges -- and take advantage of -- community transitions, growth, and change.

The Nebraska Community Foundation has devoted its energies toward creating and supporting community funds. Unlike most statewide community foundations, “We never intend to be a grantmaker,” says Jeff Yost, president of the Nebraska Community Foundation. Instead, the foundation seeks to encourage local independence by cultivating endowment-building and grantmaking activities through a network of 165 independent but affiliated funds, 90 of which are community funds. Together, foundation affiliates have distributed more than \$50 million in grants since 1993 -- \$35 million in the last five years alone.

Instead of competing for endowment funds, the Nebraska Community Foundation sees its central mission as disseminating tools and frameworks that communities need to stabilize their populations and rebuild declining economies. Ten of its affiliate funds are participating in the Foundation’s hallmark Hometown Competitiveness initiative (HTC), which has brought national attention to the state.

Using the intergenerational transfer of wealth data discussed earlier, HTC affiliates are better able to understand the asset flows within their community, including assets that threaten to leave when landowners die and heirs move away. By focusing on four pillars of reversing economic decline -- building leadership and community capacity, engaging young people, fostering local philanthropy, and supporting entrepreneurship -- HTC communities have the comprehensive framework they need to consider a range of competitive solutions to population and economic decline. As one of the four pillars, endowment building is key to the process. Says Yost, “We are empowering community leaders. When they own their own decisions and process, they are more motivated to have donor conversations.”

An interesting by-product, says Yost, is that “communities become intentional about individuals: donors, entrepreneurs, young people. They know their future is not just about attracting business from the outside. It has to be about Joe and Suzie.” Yost believes community foundations can be true community-building institutions. “We are a community development institution using philanthropy as a tool. It’s about the psychology of a whole place, not just the money.”

This connection between community economic development and rural philanthropy is a common characteristic of emerging international models. The Center for Rural Strategies (CRS) Community Philanthropy Initiative has produced a video and companion book that vividly illustrates the similarities between the East Tennessee Foundation and those of the Kenya Community Development Foundation as they go about the work of organizing their communities and their assets. While serving as Representative for the Ford Foundation in East Africa, Katharine Pearson Criss, now vice president of

CRS, initiated the Africa Philanthropy Initiative and the East Africa Foundations Learning Group, working with a variety of local foundations and trusts to increase their capacity and ability to raise, manage, and grant funds. “A lot of local foundations abroad are applying the best ideas of community foundations in the U.S.,” she says, “and they have taken to heart that development should be at the core of using homegrown philanthropy. Aggregating and intentionally-managing community resources is integrally linked to a development agenda, and is proving to be among the most successful strategies people can use to effect change.”

Private Foundations Leverage Change

Several large-scale initiatives by private foundations have worked to stimulate rural philanthropy-building. Among the most visible has been a national initiative by the Ford Foundation to connect dozens of community foundations to rural community development and endowment building. An outgrowth of this effort is the Rural Development Philanthropy Learning Network, coordinated by the Aspen Institute’s Community Strategies Group. More than one hundred rural-focused community foundations, including many mentioned in this report, participate in intensive peer-learning and exchange opportunities. As a result, bold leaders and innovations are emerging, spurred by the peer-pressure and advice offered to staff and board members. Other national examples include an initiative by the W.K. Kellogg Foundation to build community foundations across Michigan and an intensive and well-resourced initiative of the Lilly Endowment to grow community foundations across Indiana.

It is not just large foundations that show an interest in this work; local and regional private foundations are increasingly giving to or partnering with rural funds, foundations, and community residents to develop rural community assets.

In Alaska, the Rasmuson Foundation recently gave \$50,000 to the Homer Foundation, a small, \$620,000 community foundation made up of 25 charitable funds, to support its mission to better the lives of community residents. The Foundation also committed a five-year, \$400,000 capacity-building grant to aid the endowment-building activities of the Alaska

Rural Philanthropy Helps Private Foundations...

- Seed permanent assets in poor regions
- Bridge philanthropy and community-based development
- Create democratic and inclusive philanthropy
- Influence communities to engage people of color and young people
- Introduce change-oriented objectives into rural non-profits
- Maximize their funding resources via matching grants or endowment funds

Community Foundation. A portion of the grant took the form of a one-to-one challenge, matching new endowment funds as the community foundation raises them. The community foundation can use the remaining funds for technology, communications, and donor engagement. With only one and a half staff people, the Alaska Community Foundation needs the help. It has grown from just more than \$1 million in assets to over \$11 million in less than five years, and the Rasmuson Foundation grant will help it build the statewide infrastructure it needs.

In California, The James Irvine Foundation's estimated \$10 million Community Foundations Initiative II (CFI II) will target emerging community foundations located in rural and mostly inland parts of the state. Over a five-year period, grants will be tailored to the needs of participating foundations, and coupled with technical assistance, will help them connect with and develop new philanthropic resources. CFI II is intended to raise the profiles of small and rural community foundations, broaden their donor bases, increase endowment assets, and help participants become strong leaders in and for their communities.

For the Mary Reynolds Babcock Foundation based in North Carolina, helping to build rural philanthropic assets is a mission-based endeavor, introducing social-change objectives into rural community-based non-profits. The Foundation recently invested in the West Virginia Grantmakers Association to nurture community-based philanthropy in four rural counties. In doing this, the Babcock Foundation seeks not only to help the counties to build philanthropic assets, but also, explicitly, to strengthen the voice of the less powerful in determining the future of their communities. The Foundation sees community-based philanthropy as a way to bring the poor and the powerful together to create positive change.

Babcock's targeted strategy is a complement to the Claude W. Benedum Foundation's "Promotion of Philanthropy Initiative," a long-term program to build both urban and rural community foundations in West Virginia and Southwestern Pennsylvania. Benedum sees the building of community-based philanthropy as a way to return power to local people. Their 2002 annual report states, "...a foundation embedded in the community, which encourages both the giving and participation of local citizens, can do an unparalleled job at effectively prioritizing local needs and identifying the most appropriate local responses to those needs."

Partnerships are another way to tap into technical assistance and funding resources, and to explore and/or implement new rural philanthropy-building ideas. The Arizona Community Foundation (ACF) participates in the Border Philanthropy Partnership, an effort funded by a consortium of foundations that links 21 community foundations from Mexico and U.S. border communities. The Partnership enables ACF to deepen its relationships in diverse communities, and while the Partnership is currently providing programmatic dollars to encourage local endowment building, Carla Roberts

of ACF believes one can lead the other: “Programs are the place to engage the community first,” she says.

Private philanthropy can influence the process of philanthropic engagement in ways that ensure inclusiveness, innovation and longevity. Working with community foundations in Michigan, the W.K. Kellogg Foundation has helped to engage youth and people of color in the early stages of building community-based philanthropy. Another major national initiative is the Ford Foundation’s program to promote racial equity through philanthropy building. One of Ford’s major grants supports the new Black Belt Community Foundation, a primarily African American led effort to build endowed philanthropy in a deeply rural swath of Alabama.

In the mid-South, the Arkansas Community Foundation (ARCF) owes a great deal of its affiliate program success to the PARTNERS program, funded by the Walton Family Charitable Support Foundation. The Foundation gave a \$19 million, 10-year grant to directly match endowment funds raised by the 24 ARCF Affiliates, the majority of which are in rural areas. ARCF was able to use a portion of the funding to hire new staff, administer the Affiliate program, and provide essential training to educate communities and the Affiliate leaders about endowments and community foundations.

The Winthrop Rockefeller Foundation has taken a slightly different approach in Arkansas. Instead of granting matching funds directly, it created a \$2.5 million endowment fund at ARCF and proceeds are divided among Affiliates who successfully meet the challenges in the PARTNERS program. The endowment directly benefits rural communities and indirectly bolsters the statewide community foundation.

Both programs have led to big payoffs. “Our Affiliates made more than \$200,000 in grants to charitable causes in their communities and developed almost \$4 million in new endowment assets last fiscal year,” says Sheryl Colclough, who directs ARCF’s Affiliate program. “And with so many new endowments, these grants will continue forever.”

A Word about Structure

Some community foundations reach into rural areas through a regional strategy, serving urban, suburban, and rural counties with a single board drawn from the whole area. They raise endowment funds regionally, and grantmaking is a centralized process. In contrast, the affiliate fund structure more strongly emphasizes local control, from endowment-building to grantmaking decisions.

Whether expanding their grantmaking regionally or engaging in a strategy to build geographic affiliate funds, community foundations in particular are concerned about structure and costs. These are legitimate concerns that can be addressed by building rural strategies around a community foundation’s unique culture, comfort level, capacity, and endowment-building goals.

Conventional wisdom might suggest that only large community foundations - those with tens of millions of dollars - can generate enough income to cover the costs of administering geographic affiliate funds. But asset size should not be discouraging for those who take the long-term approach to building rural philanthropy: up-front investment may seem costly now but it will lead to big pay-offs later. Rural affiliate funds can grow even faster when community foundations partner with private foundations to contribute endowment grants, underwrite development costs, or contribute matching grants to help leverage new donor commitments.

Staffing structures and time commitments are concerns echoed by many community foundation leaders, particularly given wide distances between rural places or the intensive technical assistance required by new philanthropy-building initiatives. These concerns can be mitigated and managed. For example, the North Carolina Community Foundation and the Arizona Community Foundation have decentralized staffing structures: “Almost no one drives more than two hours to help an affiliate,” says Carla Roberts of ACF. At the Nebraska Community Foundation, affiliate funds are required to contribute a flat fee each year regardless of size, providing an economic incentive for funds to grow more quickly to get to sustainable levels. In all cases, community foundations have found that the best way to limit staffing costs is to deliver “stepped” technical assistance to community fund organizers based on achieving clear progress benchmarks.

Assets raised for rural communities or regions can be in one unrestricted fund, fed by multiple donors, and distributed within the entire geographic area to meet changing needs and opportunities. They can also be designated for particular issues, organizations or purposes, or be donor-advised, whereby individual donors can make recommendations for the distribution of their contributions. According to the Aspen Institute, about half of its surveyed community foundations hold both these types of funds; the other half hold one or the other. Supporting both enables the same level of options traditionally offered to urban donors, while encouraging a broad cross-section of donors to participate collectively in building their local philanthropy.

Whatever the structure, a rural affiliate fund strategy can lead to significant endowment growth for lead foundations. The Aspen Institute has found that assets held by geographic funds total nearly 14% of the combined asset base of community foundations in its survey. These funds are more likely to be a source of unrestricted endowment than other kinds of funds, which is critical for meeting the multiple and varied needs of rural communities.

Recommendations for Rural Endowment-Building

Whether through a grassroots effort, a geographic affiliate fund, or a large regional or statewide community foundation, it takes a different approach to capture rural-based assets. It requires authentic engagement, inclusive community buy-in, mutual trust, and patience. But when these elements are applied, the pay-off is well worth the effort.

Here's what various rural stakeholders can do to ramp-up philanthropic assets in rural communities:

Rural sparkplugs can engage a diverse set of community residents and philanthropic partners to brainstorm endowment-raising opportunities, adapting tools like Nebraska's *Transfer of Wealth* and the *Philanthropy Index* to build optimism about philanthropic potential and start the conversation.

Community foundations can make their expertise, organizational structure, and financial resources available to rural places through regional or affiliate fund strategies. They can encourage broad participation, adapt their endowment building strategies to the needs and assets of rural donors, and use local philanthropy as a key building block in rural development. Finally, they can connect rural communities to outside resources to match endowment gifts or underwrite organizational development costs.

Private, corporate and family foundations can help build the capacity of communities and community foundations, using operating support, matching grants, technical assistance, and endowment funds as tools to encourage rural philanthropy strategies.

Whatever the role each actor plays, rural philanthropy development is here to stay. Its power comes from the deep philanthropic spirit of rural people and their vision of a positive rural future. These new philanthropists are not simply replicating what they have seen in urban community philanthropy – they are innovating. In the process, they are challenging the entire field to be more inclusive and connected to long-term community building strategies.

Resources for Residents and Practitioners:

- Forum of Regional Associations of Grantmakers Rural Philanthropy Knowledge Center: www.givingforum.org/rural
- Center for Rural Strategies Community Philanthropy Initiative www.ruralstrategies.org/projects/cpi.html
- The Philanthropy Index www.philanthropyindex.org
- Aspen Institute Community Strategies Group / Rural Development Philanthropy Learning Network: www.aspencsg.org/rdp

Organizations mentioned in or that contributed to this report:

Alaska Community Foundation www.alaskacf.org
Arizona Community Foundation www.azfoundation.org
Arkansas Community Foundation www.arcf.org
Mary Reynolds Babcock Foundation www.mrbf.org
Baton Rouge Area Foundation www.braf.org
Black Belt Community Foundation (no website 334-874-1126)
Council of Michigan Foundations www.cmif.org
CREATE Foundation www.createfoundation.com
East Tennessee Foundation www.etf.org
The Ford Foundation www.fordfound.org
Foundation for the Mid South www.fndmidsouth.org
Greater New Orleans Foundation www.gnof.org
Homer Foundation www.homerfund.org
Humboldt Area Foundation www.hafoundation.org
The James Irvine Foundation www.irvine.org
W.K. Kellogg Foundation www.wkkf.org
Kenya Community Development Foundation www.kcdfoundation.org
Lilly Endowment, Inc. www.lillyendowment.org
Louisiana Association of Nonprofit Organizations www.givevoice.org
Nebraska Community Foundation www.nebcommfound.org
North Carolina Community Foundation www.nccommunityfoundation.org
Rasmuson Foundation www.rasmuson.org
Winthrop Rockefeller Foundation www.wrfoundation.org
Southeastern Council of Foundations www.secf.org
Southern Rural Development Initiative www.srdi.org
Walton Family Charitable Support Foundation

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Topolsky, Janet, Survey Findings, Growing Local Philanthropy: The Role and Reach of Community Foundations, Aspen Institute, 2004.

Philanthropic Assets in Rural America, A Briefing to the Stand Up for Rural America Forum, SRDI, May, 2004.

For additional resources and research, please visit the Forum of Regional Associations of Grantmakers Rural Philanthropy Knowledge Center at www.givingforum.org/rural

About Us

The Forum of Regional Associations of Grantmakers is a national philanthropic leader and a network of 32 regional associations of grantmakers. It supports philanthropy by strengthening the ability of all regional associations of fulfill their missions; these associations promote the growth and effectiveness of philanthropy in order to improve life in their communities.

The Forum organizes its activities and applies its resources against six priorities:

STRENGTHEN: We value effective and efficient geographic associations and provide support and services to them.

CONNECT: We value leveraging the assets of our network.

EXPAND: We value greater participation in geographic associations.

KNOWLEDGE: We value shared knowledge and informed practice.

VOICE: We value clear representation of philanthropy's impact and interests.

CHANNELS: We value partnerships based on beneficial exchange.

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Authors

Alan McGregor, Director of Philanthropic Programs, Southern Rural Development Initiative

Bethany Chaney, Consultant, Southern Rural Development Initiative

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1111 19th Street, NW, Suite 650, Washington, DC 20036
P 202-467-1120 F 202-467-0055
www.givingforum.org