

STEP 1:

Know yourself

First, know your current self. Sound familiar? Whether you consult ancient philosophers or Shakespeare or the latest self-help guru, it is clear that self-knowledge is the first step toward positive growth and change. The same is true for endowment building, whether rural, urban or cosmic.

Self-knowledge for community foundations must go deeper than simple and usual vital statistics—age, assets, staff size—although those are on the list too. To move toward building *engines* for rural endowments, you'll want to learn as much as you can about your foundation's history, talents, current donors, current fund mix, current board members, organizational culture and capacity, and a host of other qualities and traits. But, don't worry: it need not be painful and it need not be cumbersome!

Why bother with this Step? We have gathered some prompting questions to help you think beyond the obvious and draw a more accurate picture of your community foundation. If your team sits down to answer these questions, you will have a pretty clear picture of your position at the starting gate. Getting real about what your current record and capacities *are right now* will help you set realistic goals, choose doable tactics and figure out what new resources or capacities you might need to succeed in your effort. If you don't know what you've got at the start, you might choose a goal or tactic that is too ambitious for your current organization, or you may not realize that you need to add new staff or a computer system to make it work—in other words, you may set yourself up for failure or (perhaps worse) dribbling mediocrity!

Plus, a clear picture can sometimes motivate board members to find the resources you need to make something work. When a staff and board team of the Nebraska Community Foundation constructed a spreadsheet projection last year to show their board how far they could get in setting up rural community area funds across the state using just their current operations and capacities, the board “saw” that they were lacking enough resources at the starting gate and pledged to raise \$300,000 more to hire field staff. Those two staff were in the field by the end of 2002! So painting this current status picture can be worth doing.

Who should help with this Step? To get the most accurate and comprehensive information and ensure that it is shared throughout the foundation, you may want to augment your Core Team with an *ad hoc* committee made up of a few staff, your board chair, a donor or two, a few current or former board members and any other willing soul who knows you well and is willing to pitch in to help. But your chief financial officer (or

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whomever has this responsibility) should *definitely* be on the team that answers these questions.

How do we do it? Here is one way to go at it:

1. Determine who will be in your ad hoc group, and set a few hours aside to get together over a large table.
2. Hand the questions out to team members ahead of time, so that those with a specialty (like your financial officer or development staff) can prepare a few details in advance.
3. Sit down with your group and go at these questions over a few hours.
4. If there is anything you need to research further, assign it and set a deadline! If there is something you have no way of figuring out, set a plan to gather information on it in the future.
5. Have the Core Team take this information and move to Step 2!

Exercise: Know yourself first

Ages and stages. Your foundation's age is just a number—pretty easy, right? Well, not so fast. Use this set of questions to assess where your foundation is in its overall development. Regardless of chronological age, your foundation may be have limped along from year to year and is now experiencing its first real growth spurt, or it may be a mature foundation looking to liven things up with a new rural mission and vision, or it may be moving along just fine and ready to rumble some more. No matter, when it comes to working with new rural communities and rural donors, even the most experienced and well-respected foundation may find itself suddenly back on training wheels. So think a bit about where you start as a rural endowment staging ground.

- How long has your foundation been in operation?
- How was it founded: Were you born with a silver spoon in your mouth (established through the transfer of another foundation, hospital conversion, etc.), created by a visionary individual or small group, established by another non-profit, designed to meet a specific urgent community need?
- Identify the primary eras or stages of your foundation's existence, and give each a name.
- Has rural been a significant part of your initial impetus or ensuing eras, or is it an emerging area?

Assets. No, size isn't everything, but it is important, in terms of what you are able to accomplish, where your future growth may likely be, and how you are perceived. Including, but also going beyond "how big," consider the following questions:

- What size *is* your total permanent endowment?
- How much is unrestricted endowment? (percent and dollars)
- How much endowment is restricted to rural areas, interests or organizations? (percent and dollars)
- What size is your total non-endowed (non-permanent, pass-through)?
- How much of your non-endowed total is restricted to rural areas, interests or organizations? (percent and dollars)
- Do you hold any planned gifts (charitable remainder trusts, annuities, etc.)? If yes, how many and in what amounts?
- How about non-monetary assets, such as free rent, donated equipment, car, loaned staff, etc.?
- Which of these assets are primarily from rural donors/sources? Urban donors/sources?

Operating budget. This is what keeps everyone awake at night. Today's markets, the accompanying decrease in private grants, and a shaky economy are forcing many community foundations to tighten already tight belts. Taking a hard look at your own operations, consider these questions:

- Has your operating budget increased or decreased over the past three years? Think about the most important factors of why, where and how.
- What is the difference between last year's income and expenses and this year's?
- What percentage of fees on funds paid for operations last year? This year?
- Do you have an annual campaign for operations? How successful is it?
- What percentage of operating contributions comes from rural donors/sources?
- Are you a membership organization? What percentage of members are rural donors?
- Does every board member contribute to the operating fund?
- Does your board understand and fulfill their responsibility to raise these funds?
- Do you maintain a cash reserve? In what amount?
- Do you have an endowment for operations? If yes, what size is it?
- Is there a development plan specifically for operations? Does the plan include rural donors/sources?

Staff capacity. The number and basic roles of your staff will be a key indicator of overall capacity to build an *engine* for rural endowments—versus establishing a few funds here and there. Beyond number and role, the following questions will help the community foundation map the staff’s abilities, background and unique talents:

- How many staff members do you have?
- What are their titles and roles?
- What are their most significant talents? (These aren’t always part of their official duties.)
- Do any staff members have rural background, experience interest or connections? Remember, some may not be so obvious. For example, “our financial manager comes from Chicago, but spent every summer on her grandfather’s farm.”
- What staff skills or roles are you lacking? Are there ways current staff could assume different or combined duties?
- What is your staff DNA or culture? For example, is it an entrepreneurial group with lots of ideas where everybody pitches in, no task too large or too small, or are roles clearly delineated within lines of authority?
- Who currently has contact with donors? What percentage of time does each staff member spend in significant contact with donors?

Board make-up and capacity. A crackerjack executive director and staff perform the essential functions in any successful foundation, but the policy-making, strategic planning, credibility, leadership, recognition and “public face” of the foundation must emerge from the board and the people who serve on it. Certain skills and talents are ideal for an effective board, but which combination is right often depends on the organization as well as the organization’s culture, age, aspirations, and so forth. Generally, boards include a mix of age, professions, interests, race, gender, ethnicity, economic status and geographic location, as well as specific skills in finance, marketing, fundraising, community development and so on.

There are a variety of tools and exercises that help organizations map the make-up, skills and diversity of board members. So if you don’t already keep one, you might want to start by creating a grid listing your current board members against a list of skills and desirable criteria you want reflected on the board. That in itself may reveal some interesting insights.

Next, as you think about your board, try to envision its personality while reflecting on its greatest accomplishments. To do so, start with the following questions, keeping in mind how each might have implications for how well you have (or have not) constructed and maintained rural endowment-building engines.

- Is your board an entrepreneurial group, whose members step in to take on both major and minor responsibilities and tasks? Or....
- Does the board tend to be more traditional, focusing on directing policy while leaving day-to-day implementation to staff?
- Do you have job descriptions for your board members? Sometimes board members are selected because of relationships with other board members or their service on other boards, but this does not necessarily ensure their effectiveness for your board. Are you expecting enough of your board?
- Does your board review the specific roles and talents needed to accomplish your current goals?
- Do you have an active, on-going nominations committee and process, with a mentoring and education program for new members?
- Do you have on-going board training for your board members to keep them current with philanthropic trends and your region's challenges (often most effectively led by board officers or members with specific knowledge and skills)?
- Do you have an Alumni Council or otherwise utilize former board members in ongoing or special projects?
- How often does your board meet? Is it always in the same place? How much time does it take board members from different places to attend the meeting, including travel?
- Each board has its own particular DNA or culture. Sometimes it aligns with staff DNA and other times, it does not. How well do staff and board work together? Who leads and who follows? Can you point to specific instances when staff and board either did or did not work well together?
- How do your board members get along with each other? Is there a collegial, friendly atmosphere? Do you coordinate meals or social events with board meetings or at other times? Do you have FUN together?
- Do you think your community views the board as pretty exclusive or more inclusive? Do they see its members as the usual leaders from the area's power structure or a more diverse group reflecting different aspects of the community?
- As unfounded as it may seem, boards sometimes perceive rural areas as "taking" resources from urban areas. Is this a perception among your board members? How does your board view rural—as a "giver" or a "taker" or both?
- How many of your board members have background, experience, interest, or connection in rural areas/issues? Again, just as with staff, this is not always

immediately apparent. What percentage of your board has rural connections compared to what percentage of your region is rural?

- Have you made explicit efforts to make your board more diverse or inclusive of rural (and other underrepresented) areas and interests?
- Does the foundation create opportunities that mix community leaders, elected officials, the general public, grantees with the board?

Mix of endowment funds. The community foundation's current number and mix of funds can help illuminate the type of endowment-building success you have had. Moreover, it can give you some important insight into the current work of the foundation and whether any of these funds support rural community or economic development. For example, if the majority of your endowments are donor-advised funds, the majority of your staff time is likely spent working with these donors and managing these relationships. Alternatively, if the majority of your funds are unrestricted, your time is probably spent designing grant programs and working in the community. What you learn from these questions can help you analyze what types of funds the community foundation most likely will—or would like to—add to its assets. First, though, you must get a clear sense of the types and relative numbers and sizes of funds you currently manage.

- First, list the type, number, dollar amount and percentage for the funds you hold, permanent and nonpermanent, and whether they are focused primarily on urban or rural areas or purposes. To help, you could fill in a table that looks something like this:

	Urban-Focused		Rural-Focused		Total	
	Dollars/%	# of Funds	Dollars/%	# of Funds	Dollars	# of Funds
Unrestricted	na	na	na	na	\$1 million	1
Field of Interest						
Area						
Donor-Advised						
Designated Agency						
Scholarship						
(Other_____)						
(Other_____)						

- Now, look at this table and discuss it. What insights or conclusions can you draw about your current status related to:
 - How “rural” is your endowment right now? Are any of your funds specifically directed to rural issues or the rural area? How does your percentage of rural endowment dollars or funds compare to the proportion of your region that is rural?

Over the last three years.....

PAST RURAL DONOR TARGETS AND GIVERS

What types of donors have we targeted for rural endowment?		What has been our level of effort with each type of donor?			What's been our level of return?			To what types of fund have these donors tended to give?
		None at all	Sporadic	Serious targeted effort	Zero	So-So	A Real Engine	
Current full-time rural residents	High-wealth individuals:	_____						
	General public:	_____						
Part-time/former residents	High-wealth individuals/families:	Second-home owners Snow-sunbirds: Folks who "winter" or "summer" elsewhere Regular vacationers (who don't own homes there)						
	Alumni (community/regional):	Relatives who grew up there but moved away Former residents who "raised their families" there Retirees who have moved away permanently Urban residents who care about the region						
Businesses	Locally owned businesses	Resource-based (agriculture, timber, travel) Manufacturers Service (local professionals, banks, etc.) Moms & pops						
	Absentee businesses:	Major companies that have regional "distributors" in rural areas Companies that were once headquartered or started up there but moved away (and still feel the ties) Major companies with a factory, branch or store in the area						
	Stakeholder businesses:	Major industry players who buy locally produced materials and process them into finished products Major industry players who manufacture tools and equipment that locals use Companies that care about rural values and/or issues						
Organizations/agencies	Non-Government:	Service organizations/nonprofits Membership organizations/nonprofits Churches Schools						
	Government:	Federal State Local						
Foundations	Nat'l/regional foundations:	Issue-focused Location-focused						
	Family foundations:	Issue-focused Location-focused Home-focused						
	Corporate foundations:	Issue-focused Location-focused Home-focused						

- Which fund types have produced the most rural endowment (dollars or percentage) to date? Why?
- Could funds that are not specifically “rural” be expanded to include rural areas? These might include field of interest and donor-advised funds.
- Do you have any “problem funds”? Do some funds require high staff maintenance for relatively small return? What have you learned about those funds that might help you avoid them or better service them in the future?
- Are there any significant *non-endowed* funds we have obtained and distributed for rural purposes, people or areas? If yes, what, how much, and for what purpose?

Past rural donor targets and givers. What do you know about your current rural donor base? Think about the endowment listed above that is devoted to rural. Who are the major donor groups you have targeted to raise that endowment? Individuals, businesses, other foundations? What level of effort have you given to each? How well have you succeeded? When they *have* given to rural endowment, what type of fund have they tended to build?

- To help you organize this into something you can analyze, try to fill out the chart “Past Rural Donor Targets and Givers” on the preceding page.
- Now, look at this table and discuss it. What insights or conclusions can you draw about your current status related to:
 - What, if any, three categories of donors are you currently targeting with your greatest rural endowment building efforts? How well are those efforts paying off?
 - Are there any donor categories that are paying off where you are placing relatively little effort? Why? Is it a fluke? Could you put more effort there?
 - What types of funds seem to be attracting rural endowment so far? Why? Is it because of your intentional effort, donor preference or a fluke?
 - Are there some donor categories you haven’t even tapped? Which ones?
 - Do you have any “problem donor types”? Do some donor categories require high staff maintenance for relatively small return? What have you learned about those donors that might help you avoid them or better service them in the future?
 - Have you obtained any significant *non-endowed* funds from any of these sources devoted to rural purposes, people or areas? If yes, what, how much, and for what purpose? Is there any potential to convert these folks to rural endowment donors?

Past rural endowment building successes/failures. You have a sense of what type of rural endowment you have, and what donors have produced that endowment

with what level of effort from you. So what have you done that works—or does not work?

We know that sometimes the most carefully planned and executed endowment building effort falls flat on its face while a smaller, impromptu effort garners great results. Thinking overall about your endowment building, both rural and urban, try your hand at filling out the table “Past Rural Endowment Building Successes/Failures” on the next page and answering a few questions along the way. It may help to involve both current and former staff and board members to get the scoop from those who actually planned and participated in these activities. As always, the goal of this process is *to learn*, not to punish and not to congratulate. An honest analysis is preferable to rose-colored glasses.

■ What kinds of rural endowment building efforts have you even tried? On the left side of the table, we list the primary tactics that are used to build endowment (you’ll see these in detail later in this *Framework*). They are:

- Educate professional advisors
- Exclusive events
- Community events
- Cultivate one-on-one relationships (with specific types of rural donors)
- Provide match incentive
- Pitch via direct mail
- Reach out to local media
- Ensure high-quality “basic” donor services
- Offer menu of “high touch” donor services
- Emphasize donor-advised funds
- Emphasize community and/or area funds
- Emphasize issue-oriented and/or unrestricted funds
- Emphasize agency endowments and scholarship funds
- Emphasize foundation’s leadership and program delivery

Consider what your community foundation has done in the past to build rural-focused and general endowment—both successes and not-quite-successes. Place a checkmark in the columns where they belong. (Of course, do add any tactic you have tried that is missing.)

- Now, for the tactics you have tried, what has worked the most effectively? What was not so effective? (Check the appropriate box.) List one or two key factors that you think made it a success—or not.
- Finally, check any of the tactics that you have used that have been particularly successful in building your overall (non-rural) endowments.

PAST RURAL ENDOWMENT BUILDING SUCCESSES/FAILURES

TACTIC	Have we tried it to build rural-focused endowment?			If we've tried it, how well has it worked to build rural-focused endowment?			Have we succeeded with this tactic in any non-rural endowment effort?
	Lead tactic	Occasional tactic	Never tried it	Pretty well	Not very well	Key factors (in either case)	
Educate professional advisors							
Exclusive events							
Community events							
Cultivate one-on-one relationships							
Provide match incentive							
Pitch via direct mail							
Reach out to local media							
Ensure high-quality "basic" donor services							
Offer menu of "high touch" donor services							
Emphasize donor-advised funds							
Emphasize community and/or area funds							
Emphasize issue-oriented and/or unrestricted funds							
Emphasize agency endowments and scholarship funds							
Emphasize foundation's leadership and program delivery							
Other: _____							
Other: _____							
Other: _____							

- Thinking more about what you see in the table and what you know about your current capacities and experience from this Step 1, reflect together and record:
 - What are the one or two most important lessons you've learned from any unsuccessful effort?
 - Which most unexpected success would you hope to duplicate?
 - Which tactic that you have used successfully for overall endowment building do you think would most easily transfer to rural?