

A single community foundation whose *primary mission* is to help establish, build and service local geographic component

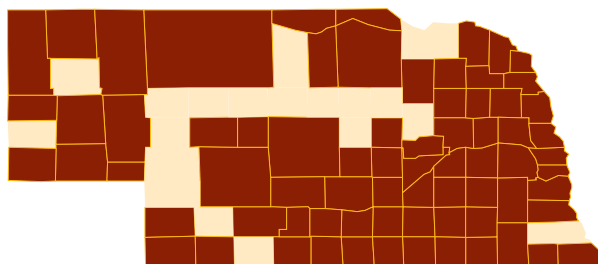
funds across its territory. The Service Bureau community foundation conducts little or no endowment building or grantmaking activity focused on the region as a whole; the vast majority of the foundation's grantmaking and endowment building is conducted by the local funds in and for their sub-regions.

Division of labor and focus of effort distinguishes the Service Bureau from the Federation and Area Fund model. In this case, the lead foundation sees its principal job as developing the local funds and providing them excellent "back-office" functions—administration, finance, accounting, investment, board training, staffing and coordination. It is the local funds that generate programs, grantmaking, donor services, and endowment building.

Nebraska Community Foundation

Facts and figures

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ESTABLISHED: 1993

MISSION: NCF exists to help concerned citizens mobilize charitable giving in support of the betterment of Nebraska communities and organizations.

ASSETS: \$18.6 million

STAFF SIZE: 8

BOARD SIZE: 21

NUMBER OF FUNDS: 165

2004 DOLLARS GRANTED: \$7.1 million

AVERAGE GRANT SIZE: n/a

Overview

The Nebraska Community Foundation (NCF) counts 2002 as a turning-point year both for the foundation *and* for the most rural communities of Nebraska. For nearly a decade, NCF staff, most of them longtime leaders in rural and community economic development but relatively new to the promotion of philanthropy, had been toiling away with their visionary board to build grassroots philanthropy across the deeply rural state. Rather than follow the typical community foundation path, they started pioneering a homegrown “service model” approach in which they targeted community-based funds as their primary endowment-building strategy.

In 2001, NCF completed an analysis of the imminent massive “transfer of wealth” that would take place in every county in the state over the next 50 years, and publicized it widely across the state. They even made

Sunday front-page, above-the-fold headlines in the state’s major newspaper, garnering equal news placement with the always-riveting reports of Nebraska’s Big Red Saturday football exploits. This created a buzz, and fomented new interest in capturing a portion of that wealth transfer for Nebraska’s communities, rather than letting it *all* flow to family or charitable causes outside the state. (See “*Grantmaking and endowment building.*”)

By 2002, NCF’s skeleton staff was hard-pressed to meet the far-flung demand for help in setting up local funds, and their budget simply could afford no more personnel. But with no more staff to help establish community funds, the chance to capture this transfer would be lost forever. NCF’s board responded to this challenge. Realizing that the opportunity was *now*, they committed to raise enough operating funds to invest in the additional field staff and operations upgrades that the fees on

“IN SHICKLEY, where it’s nearly impossible not to know your neighbors...the local foundation created years ago was in something of a rut.

From 1991 to 2001, the town’s foundation handed out \$9,000 in grants.

They were looking for more, so they met with Nebraska Community Foundation staff, who gave them some pointers, shared ideas, made suggestions. Among those was doing a legacy challenge, a program in which a community seeks a \$100,000 grant and agrees to match it with local donations over three years.

The Shickley board made up a list of possible names and got on the phone. It took one call. The Wilkins family, which owns Geneva State Bank and has a branch in Shickley, gave \$105,000.

In the next 30 days, volunteers picked up telephones and got pledges worth \$39,500.”

— MARGARET REIST, “FOUNDATION LAYS GROUNDWORK,” LINCOLN JOURNAL STAR, OCTOBER 5, 2003

their existing minimal endowment could not cover. Sensing potential and the chance to test a unique model of rural endowment building, individual donors, board members and a handful of local and national foundations responded to the NCF ask for operating funds. With new operating resources in hand, in fall 2002, NCF hired two terrific new field staff to work specific areas of the state. Slowly at first, but rapidly building steam, more and more local donors began contributing to local endowments through bequests and outright gifts.

In late 2004—just two years later—NCF has 165 affiliated funds serving 170 Nebraska communities in 72 of Nebraska’s 93 counties. Over half those funds—85—are community funds; the remainder are donor-advised or organization funds. NCF holds \$18.6 million in assets (\$11 million of it endowed) and anticipates a whopping \$20.4 million in confirmed expectancies. Of those totals, \$7.1 million of the endowment and \$15.1 million of the expectancies are in the community funds. And many of these funds are setting their sites on great expectations: Four new expectancies for Burwell (pop. 1,278) alone will likely total at least \$1,000,000. And this largesse is not confined to the “better-off” communities, three expectancies totaling more than \$1,000,000 have been confirmed that will endow a community fund for Spencer (pop. 541), a town located in Boyd County, 46% of whose 2,438 residents are classified as low income—nearly double the Nebraska average.

According to Jeff Yost, NCF’s President: “These expectancies truly confirm the power of grassroots community-based fundraising and the probability of moving these efforts toward long-term endowment building.”

Building toward an even better future, in 2004, NCF joined with the Center for Rural Entrepreneurship and the Heartland Center

for Leadership Development to develop a Hometown Competitiveness approach to revitalize Nebraska’s rural communities, marrying community endowment building with youth development, rural entrepreneurship and leadership development efforts. In July 2004 this collaborative received the Innovative Program Award from the International Community Development Society. Indeed, hard work, tenacity and leadership—and a commitment to building its statewide board’s involvement and capacity—have successfully united a community development and endowment building mission in a way that uniquely characterizes NCF.

About the state

Nebraska is a large, midwestern state covering 77,000 square miles, with a population density of just 22 people per square mile. At just over 1.7 million total, Nebraska’s population is almost evenly split between metro and non-metro residents—924,000 live in metro and 805,000 in non-metro communities. But Nebraska defines the heart of what “heartland” rural means: 90% of Nebraska’s communities have populations below 2,500; 65% have fewer than 500 residents. It *is* small town America.

Nebraska’s people are employed in an economy based in agriculture, manufacturing, finance and services. As in many other breadbasket states, agriculture has been in significant transition over the past decades, and family farming has suffered in the process, seriously contributing to the drain of young people and resources from the state’s communities. While Nebraska is not commonly known for its poverty, almost 10 percent of Nebraskans live in poverty, and 10 of its counties suffer a poverty rate above 14%—well in excess of national rate of 12.4%. According to the 2000 census,



just over 10 percent of Nebraskans identify themselves as non-white, but as in other parts of rural America, diversity is growing, particularly through the immigration of refugees and the phenomenon of Latino families settling down.

NCF's structure and key values

The Nebraska Community Foundation's **Service Bureau Model** epitomizes the foundation's values as well as its fiscal and geographic realities. NCF was founded in 1993 by a governmental/private sector partnership that initially focused on strengthening *program* endeavors critical to building stronger, more viable and economically secure rural communities throughout Nebraska. While endowment building was a key element in NCF's vision for a stronger Nebraska, efforts to help communities implement community economic development programs and increase social capital were also highly valued. Overall, what NCF valued most was empowering *local* leadership to lead community reinvestment efforts.

As a statewide foundation serving an expansive, sparsely populated state, NCF sought a way to deliver high quality endowment building and donor services to the entire state, especially in rural communities that lack access to philanthropic capital. After a few years of experimentation with different approaches, NCF leaders simply felt they did

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not have the operating funds or the staff to support large statewide endowment building and grantmaking initiatives *and at the same time* spark local grantmaking and endowment building in such a large state, especially when the major urban centers clustered in a non-central location. It was one or the other. The focus on building *community* endowments unifies NCF's commitment to raising permanent funds with its emphasis on grass-roots community development. Moreover, the Service Bureau Model offers a pragmatic method for serving the widespread regions of the state, and takes advantage of the state's "hometown giving" ethic.

How does the service bureau model work?

Operations

Similar in concept to area funds and federated divisions, NCF's **Service Bureau** model of covering rural territory nurtures locally raised and controlled endowment funds and grantmaking. It does so by providing a non-profit umbrella for its geographically designated "community funds," and by providing these funds with a full range of "back office" services and significant organizing and training assistance from circuit-riding field staff.

For NCF, the structure offers a means to build philanthropic resources on the local level while, *over time*, providing the central "back office" with revenue generated from community fund (and other component

fund) fees. The statewide foundation does initiate a limited number of externally funded statewide programs, and it holds a number of organization endowments and donor-advised funds, *but at its core*, NCF is in the business of establishing and providing services to locally controlled community funds. This is what distinguishes it from the **Area Fund** and **Federation** models—each of them places a greater (or at least an equal) emphasis on building endowments and conducting grantmaking *statewide* (or *regionwide*) as it does on building affiliates.

To drive this point home, consider this fact: The statewide board of the Nebraska Community Foundation does not have a program or grantmaking or “distribution” (call it what you will) committee—*because there are no statewide grants to make!*

NCF’s community funds are established by volunteers and/or donors who propose an idea, gather a few resources and display their philanthropic ambition to NCF. With technical assistance, hand-holding and “stepped” challenges and goal-setting encouragement from NCF’s field staff, as well as NCF’s back office support, each community fund focuses on raising its own mix of local endowments—some restricted, some unrestricted—and determining its own grantmaking priorities. At its own discretion, each NCF community fund may choose to hold a range of community foundation fund options (scholarships, designated, organization, unrestricted and advised) as sub-accounts of its fund, or it can maintain one single unrestricted area fund.

Of course, all community fund assets are held by NCF and included in the foundation’s overall assets. NCF allows each fund to choose from three investment options for their fund, based on their level of risk—

moderately conservative, moderate, or moderately aggressive—much as people with retirement funds can often choose how aggressively their own money is invested. Community fund assets also can be reinvested in local banks at the request of fund advisory committees.

Overall, the community funds benefit from the economies of scale offered by NCF’s centralized financial management and tax-exempt status and from NCF staff’s community-building and endowment-building expertise. NCF benefits from the affiliated funds’ contribution of fees (ranging from .75% to 3.5%, depending on the size of the fund, and whether it is endowed or pass-through), local knowledge and commitment to a shared mission of building statewide and rural philanthropy.

Staffing and governance

NCF devotes two full-time field staff and portions of several other specialized staff to helping build and grow community funds across the state. The two field staff roughly split their focus between the eastern and western sides of the state. Each works in their region to introduce the foundation and philanthropy to community leaders, to help community fund advisory boards organize, to coach them as they grow their funds and begin grantmaking, and to meet with the region’s professional financial planners. Other staff—especially the current president, the immediate past president, and a planned giving specialist—also visit or advise community funds when the need arises for special assistance or motivation, often in regions or communities with which they have a strong connection.

The NCF central office staff provides all financial management (deposits, receipting, disbursements, reporting, audits and invest-

ments) for the community funds. It also provides technical assistance on the intricacies of tax treatment of charitable giving, establishing bylaws, and developing tailored marketing brochures. In addition, to raise awareness of philanthropy, NCF central promotes stories of **Nebraska Legacy Legends**—people who have given to their communities—extensively in the media throughout the state. (See: www.nebcommfound.org/legacy/legends/legendp.htm.) Beyond its central office in Lincoln, NCF maintains no regional offices or physical structure, although the western field staff member generally works out of home.

Operating the Service Bureau Model is staff-intensive—particularly during the start-up phase of any community fund, which typically involves multiple convenings and one-on-one meetings in the community. Eventually, each community fund forms a **Fund Advisory Committee**, which takes responsibility for governing and growing the fund, and for making its grantmaking decisions. Establishing and maintaining relationships as well as quality control among these

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rural funds is a serious undertaking, which can take months (and sometimes longer) at the outset, and must constantly be renewed, as local leadership turns over. As the affiliated funds mature, however, NCF anticipates the role of its staff will become less hands-on...only time will tell!

NCF is governed by a statewide, board of directors, currently numbering 21. The NCF board, drawn from across the state, includes both rural and urban leaders, many of whom grew up in rural towns. The board meets in person every quarter, and rotates those

meetings around the state in towns large and small. All committee work is done via conference call, usually quarterly and sometimes monthly. The board conducts regular strategic planning, and reviews performance measures related to the community fund development at every board meeting. A majority of the statewide board members (urban and rural) are individually involved in building a rural community fund—or four!

Grantmaking and endowment building

In late 2004, amongst NCF's 85 community funds, 63 are actively building endowments. Twenty of those are making discretionary grants; almost all are making grants designated for specific purposes or organizations. Community Fund Advisory Committees set their own grantmaking priorities for any unrestricted funds. Community funds can also contain donor advised fund sub-accounts, which award grants through either the local Advisory Committees or the individual donor, or designated organization fund sub-accounts, which are quite popular in some communities.

To start with, local grants from these young funds have tended to support compelling community interests—the restoration of

a historic Opera House, or scholarships for non-traditional students trying to upgrade their workforce skills. NCF emphasizes with its start-up funds that the focus and quality of their grantmaking will affect their success with endowment building. Recently, leaders of their more developed community funds have participated in the Hometown Competitiveness training (see "Overview"), which challenges them with the question, "Endowment for *what?*" and pushes them to be more strategic in their grantmaking, focusing on

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rural entrepreneurship, youth development and leadership capacity.

When it comes to endowment building, the staff and board provide technical assistance and tangible encouragement. First, they use the results of the NCF *Nebraska Transfer of Wealth* study’s county projections as a tool to help communities reflect on how much wealth rests in their community, and to set an endowment goal. Ideally, those goals target at least five percent of the projected wealth transfer over the next 10 years, which translates to a goal of \$1 million-10 million per community. Already, several community funds have set and exceeded such goals. Second, NCF encourages community fund leaders to seek a local or “alumni” donor (someone who has moved away and made good) who will provide an initial Legacy Challenge—a significant endowment contribution that will go to the community if other local donors match it. Matches are met through a variety of means, ranging from small-dollar grassroots fundraising, to community events, to direct mail campaigns, to significant planned giving. Once the funds get going, local leaders take the lead in advancing the endowment building, with NCF providing help on call.

Two new efforts are helping community funds move forward with endowment and grantmaking efforts. To help meet its new demand and standardize the community fund development process, NCF has now developed what it informally calls its “stair-stepping” process for community funds. This toolkit includes a series of benchmarks, timelines and checklists for community leaders

who are starting a fund. These and most materials a community affiliate might need to start a fund are all easily accessed on NCF’s webpage: www.nebcommfound.org. In addition, NCF is now regularly convening Fund Advisory Committees in regions across the state to learn best practices from their neighboring funds—and inspire each other!

A key to success

As in any endeavor, the success of NCF’s **Service Bureau Model** can and should be measured in incremental stages. In its early stage, NCF focused on building philanthropic awareness and a *structure* for keeping philanthropic capital in rural Nebraska. In fact, one of the key goals of Nebraska’s service model is “to retain a significant percentage of estimated transfer of wealth in communities where that wealth was generated.” It is NCF’s adaptation of the “transfer of wealth” phenomenon that has given its community endowment-building efforts specific, dramatic and quantifiable goals.

In 2001, NCF conducted an analysis of the intergenerational transfer of wealth likely to occur in Nebraska’s over the next 50 years. Based on a nationwide 1999 study conducted by Boston College researchers, this Nebraska-specific analysis used out-migration, actuary tables, statistics on aging, and other county-specific data to plot the peak wealth transfer in each of Nebraska’s 93 counties alongside state and national averages. NCF’s research revealed that the

transfer of Nebraska's rural wealth (estimated at about \$94 billion) will occur sooner than the state or national average, with the bulk of it in the next 20 years. This analysis identifies a unique and possibly one-time opportunity for community leaders to engage charitable giving as a community development and reinvestment strategy. While these are large numbers and long-term horizons, the analysis rings true in Nebraska, where the farming culture has a long-term vision and a keen understanding of what it means to be *"land rich and cash poor."*

NCF staff and board have spent the last few years traveling throughout rural Nebraska to illustrate the level of wealth that will be transferred from rural counties *to somewhere else* over the next fifty years. Armed with both reliable data and undeniable passion, NCF has created optimism that *endowments can be raised* even in small rural places, and that *now is the time* to build these funds, before this wealth has been transferred out of state or to the federal government. While the numbers can *seem* overwhelming, the research and awareness campaign fostered a sense of urgency among rural Nebraskans. The transfer of wealth analysis has helped "market" NCF's ability to manage locally controlled endowments and has spawned the tremendous growth of community funds within its NCF's Service Bureau Model. *For more on the transfer of wealth study, see www.nebcommfound.org/wealthanalyses.htm*

Lessons learned

Biggest challenges

- It takes constant effort to locate, motivate and manage local volunteer leadership.
- Vision and goals for community funds vary widely, and each takes time to evolve.

- Many community fund endowments capitalize slowly.

Biggest rewards

- The model ensures control and, therefore, local buy-in. It builds leadership.
- It builds on and enhances long-term, trusting relationships with communities.
- Ultimately it will be a stable financial model—sustained through fee income.

Advice

- Keep staff focused on building strong, empathetic relationships with local leaders.
- Establish enough financial stability to assure a stated level of quality service.
- This model can work for statewide or regional foundations that lack significant up-front funding—the structure allows for funds to be raised slowly and encourages local buy-in to a statewide or regional vision.



To learn more about the Nebraska Community Foundation and their use of the Service Bureau Model, visit the NCF website at www.nebcommfound.org or contact NCF's RDP Lead Contact, President and CEO Jeff Yost at jeffyost@nebcommfound.org or 402-323-7332.