

A single community foundation with one or more geographic divisions that act as mini-community foundations. Both the central "lead" foundation and each division perform most or all standard community foundation functions, and all benefit from a well-structured affiliation with one another.

In a Federation, each division manages the entire range of funds that the central "lead" foundation does. Both the lead foundation and each of its geographic divisions have governing boards and perform most or all standard community foundation functions—the division for its specific geographic sub-area, and the lead foundation generally (but not exclusively) for the foundation's territory as a whole. As with all models, fiduciary and legal responsibility for all activities rests with the lead foundation.

New Hampshire Charitable Foundation

Facts and figures

LOCATION: 37 Pleasant Street
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ESTABLISHED: 1962

MISSION: The purpose of the New Hampshire Charitable Foundation is to improve the quality of life in New Hampshire. The Foundation achieves its purpose by encouraging the dedication of assets for charitable purposes of all kinds in New Hampshire, by making grants and loans from funds contributed by individuals, organizations and corporations, to meet changing needs in the state, and by exercising leadership in the efforts of New Hampshire residents and public and private institutions to address emerging issues. The New Hampshire Charitable Foundation is at its best when, through its energy, resources and leadership, it can match the interests of donors with a community need or problem, and turn them all into opportunities for effective social action.

SERVICE AREA: NHCF serves the entire state of New Hampshire as well as southern York County, Maine, and the Upper Valley region of Vermont. NHCF has seven regional divisions with regionally designated assets accounting for over \$110 million of NHCF's total assets of \$288 million.

TOTAL ASSETS (2003): \$288 million

STAFF SIZE: 28 FT/10 PT

BOARD SIZE: 10

NUMBER OF FUNDS: 1,200

DOLLARS GRANTED (2003): \$17 million

AVERAGE GRANT SIZE: \$10,000



- Northern New Hampshire Foundation
- Lakes Region Charitable Foundation
- Upper Valley Community Foundation
- Monadnock Community Foundation
- Greater Piscataqua Community Foundation
- Manchester Regional Community Foundation
- Greater Nashua Division

Overview

Since the New Hampshire Charitable Foundation (NHCF) was founded in Concord, New Hampshire in 1962—as the country’s first *statewide* community foundation—NHCF has continued to blaze its own trail.

In 1983, NHCF created its first regional division to serve the donors and communities of the Seacoast Region. Seven regional divisions have emerged since, representing distinct geopolitical areas of the state: Northern New Hampshire, the Lakes Region, Upper Valley, Monadnock, Greater Piscataqua, Manchester, and the Greater Nashua area (*see map on first page*). The final regional division—the Capital Region, serving the region around Concord—will be developed over the next few years. The Seacoast Region—now called the Greater Piscataqua Community Foundation—is perhaps the most mature, based on its asset size, its recognizable presence in the region somewhat independent of the statewide foundation, and its history of community leadership activities.

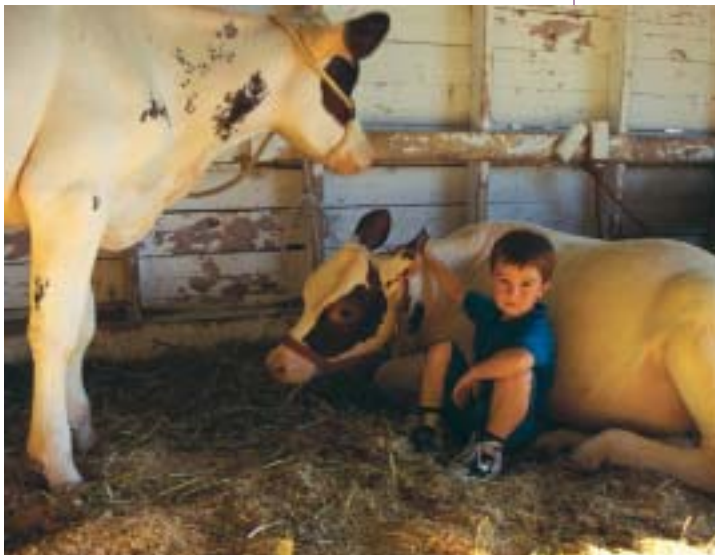
In establishing regional divisions, the Foundation has been intentional and explicit

in balancing the needs and contributions of the regional divisions with the reach and power of a statewide organization. NHCF’s governance system is designed to extract all the advantages of being locally rooted, without losing the opportunity to work across regions and statewide.

In fact, NHCF believes its best work actually emanates from the tensions between local, regional and statewide interests. Developing leaders who have internalized and actually enjoy living with this tension has been a key to NHCF’s ability to avoid competition among divisions and the statewide foundation, or “secession” from the statewide foundation. To maintain this cooperative spirit, NHCF must be specific about which part of the organization does what—who advises and who decides, which functions are provided centrally and which are best accomplished locally. NHCF must also continually demonstrate the value of statewide affiliation to local divisions. This means attracting national resources and attention to local issues—for example, improving sectoral employment, measuring and increasing social capital or drawing attention to rural mill closings. While divisions are not always happy with every decision made by NHCF, the foundation’s

commitment to open communication and consensus have helped convince the divisions that they are stronger together than apart.

There is a price to be paid for maintaining such a complex Federation organizational structure. This price includes the time it takes to orient new



“I’ve heard of the Northern New Hampshire Foundation, but what is the New Hampshire Charitable Foundation?”

directors, donors and staff, as well as the confusing face that NHCF sometimes presents to the public. (A typical question: "I've heard of the Northern New Hampshire Foundation, but what is the New Hampshire Charitable Foundation?") This price also includes the time it takes to achieve consensus throughout the system. Finally, it includes the extensive management and staffing required to hold the system together.

Despite the high operational costs, the rewards have proven priceless. When a large pulp and paper mill closed in the northern New Hampshire town of Berlin in 2002, the local economy was wounded and unemployment soared over 12%. Already home base for 23 of the state's poorest 32 towns, the Northern New Hampshire Community Foundation was facing a serious community and organizational crisis. With no prodding from the statewide foundation, the six other regional divisions stepped forward with pass-through grantmaking and operating dollars for their northern-most peer.

This and countless other selfless gestures among divisions for each other and the state as a whole have affirmed NHCF's now decades-old decision to pioneer the Federation model and stick with it through dicey reexaminations and adjustments. This commitment has both balanced local and statewide constituencies, and built them into a Granite State philanthropic powerhouse.

About the region

NHCF serves the entire state of New Hampshire—a population approaching 1.3 million—as well as southern York County, Maine, and the Upper Valley region shared with Vermont. NHCF has seven regional divisions; these locally designated assets account for more than \$110 million of NHCF's total assets of \$288 million.

New Hampshire is a fiscally conservative state, perhaps best illustrated by its policy of collecting neither income nor sales taxes. New Hampshire is predominantly white (95%); its largest minority group is Hispanic/Latino at 1.7%. New Hampshire's 2000 census poverty rate of 6.5% was well below the national average, 12.4%, but that rate masks pockets of severe poverty and widening economic disparity between who is doing well and who is not. The state's economy is based upon small-scale manufacturing, natural resource-based production and tourism.

Much of New Hampshire is rural by any standard, but southern New Hampshire, especially north of Boston, has undergone dramatic population growth, bordering on suburbanization, during the last two decades. Today, most of the state's population is located in the southern region of the state near Concord and Manchester. A growing number of second homeowners or seasonal residents also inhabit the state.

NHCF's structure and key values

Live free or die. This New Hampshire state motto, emblazoned on every license plate from coastal Portsmouth in the south to Stewartsville on the border of Canada, succinctly conveys one of the state's most enduring values. From the start, NHCF has understood the importance of local control and freedom for its constituents. Despite the state's demographic homogeneity, regional differences in New Hampshire's economy and culture—from the seacoast to the north woods—present real challenges to a statewide foundation. This, along with the recognition that rural donors are more likely to give to a local entity than "to send their money to Concord," helped NHCF conclude

that regional divisions would be the best structure for its circumstances.

NHCF also recognized that its statewide endowment building and program efforts could offer the state great benefit. It can address issues that cross regional boundaries, and it can attract national resources and influence public policy in ways that than seven or eight distinct, local community foundations simply cannot. Further, the economies of scale that a statewide “umbrella” foundation can offer each division in investment, fund management and administrative services appeals to the state’s fiscal conservatism. In short, NHCF’s Federation system set out to delicately balance a set of equally important values—local control, statewide clout and good-old-fashioned New England thrift.

How does the Federation model work?

Operations and governance

NHCF is one single legal entity—a nonprofit 501(c)(3) organization—governed by a ten-person board of directors, which is elected and supported by a group of more than 100 “incorporators.” Incorporators are unique to NHCF. They are community leaders from around the state who advise members of the Board and the Foundation staff about the resources, needs, issues, conditions, activities and contacts in their regions. Incorporators serve as ambassadors for the Foundation, explain the mission and operation of the Foundation to others, seek to promote its growth, encourage application to the Foundation’s grant programs by nonprofit organizations worthy of consideration, and help provide for the operations and programs of the Foundation through annual financial sup-

port. Incorporators offer the community another voice within the foundation. Each regional division also has its own board of directors and subgroup of incorporators.

Of course, full legal, financial, policy and administrative authority for all activities of the foundation and its divisions rests with the NHCF Board. At ten members, the Board is relatively small for a statewide foundation. Surprisingly, regional divisions do not have formal representation on the NHCF Board. Instead, NHCF has made the divisions responsible for much more than simple representation, by establishing a permanent Nominating Committee for the statewide board composed of the chairs of all seven regional divisions, plus the Foundation’s President and Board Chair. The result is that the regions come to the table not looking for “My Turn!” or to wrangle with the other regions. Instead, they are all interested in creating the strongest statewide board possible, filled with people who understand the critical importance of strong regions but show no favoritism, and who are most concerned with the welfare of the state—and the foundation—as a whole.

Likewise, the Foundation has a Fiscal Policy Committee that sets the Foundation’s operating budget, which includes one person from each region, usually a member of the regional division board. This offers a great opportunity for constructive competition: As former Executive Vice President and Chief Operating Officer Patricia Vasbinder put it to the regions when the committee was established: “We want the smartest financial heads we can get from the region on this committee!” Regional pride set in, and that’s what they got. This is critical in a structure as elaborate as NHCF’s [Federation model](#); read on to find out why!

The NHCF Federation System model requires that *early on* each division agree to a written

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“Social Compact.” When NHCF’s board approves a new division, the statewide foundation agrees to underwrite the division’s expenses for three years, but the division must agree to sustain itself by year three. As one might expect, as each of NHCF’s divisions traverses its unique stages of development, it receives varying degrees of assistance from the statewide foundation. A division’s growth and relative autonomy is the result of many factors, from levels of staffing to its acquisition of funds (or underwriting by NHCF), to its local corporate and individual donors, to the depth of community leadership and volunteerism in the region. On a day-to-day basis, each division operates independently, but a high level of accountability exists between each division and the statewide foundation.

Regional divisions maintain their own operating budgets. Budgets are submitted to the statewide organization for approval. As a rule of thumb, operating budgets for regional divisions tend to fall between 1.1-1.5% of their total assets, including costs shared among the divisions and with the statewide foundation. Divisions publish their own newsletters, annual reports and other communications including their individual webpage on the NHCF website. All the divisions remain part of NHCF, with their assets included and managed as part of the total assets of the statewide organization.

Over time, each regional division covers all its direct expenses *plus* a share of the statewide expenses incurred to operate the



federation. In return for signing the Social Compact and affiliating with NHCF, the foundation offers a turn-key support operation, statewide and national recognition and reputation, and statewide grantmaking, program and leadership development activities sponsored and carried out by NHCF, as well as top-flight audit, finance, investment, legal and technology services.

As income for the entire Federation system, NHCF charges each division fees of between .6% and 1.5% on its funds managed by the Foundation. Each division’s fees are attributed back to the division to cover the statewide office costs dedicated to that division (for example, staff) as well as a relative percentage of shared costs (like the state office telephone bill) that support the shared system. If a division’s fees do not cover its share of the operating budget, the division raises funds to make up the difference, generally from their directors or incorporators. Divisions keep any surplus income to cover any expenses it incurs for special initiatives or events.

Staffing

NHCF’s regional divisions are, with a few exceptions, staffed by the lead foundation and located in the statewide Concord headquarters. All staff are ultimately hired by and report to the NHCF President or his

designee. Staff assigned to a regional division may serve more than one division, or may serve the division as well as the NHCF system as a whole. For example, a development staff member may serve as the development officer for one or more regional divisions, or a program staffer may help more than one regional division with its grantmaking. Alternatively, a staff member may serve one regional division, and also head up a statewide initiative on behalf of NHCF as a whole.

In 2003, the direct staff full time equivalent (FTE) assigned to each regional division ranged from 1.35 to 2.4 FTE, encompassing the following functions—lead staff/ development: .6-.8 FTE; program: .25-1.0 FTE; administration: .4-.8 FTE. In addition to direct staff, the statewide organization supports the regional divisions by providing accounting, legal, audit, investment management, personnel, program back-up and expertise, technology support and development, marketing and communications, student aid administration, new product

of the local office, they have that option. Today, two regional divisions have offices in their regions, one of which was a donated facility. Even so, all staff members work in the Concord headquarters on Tuesday of each week, in order to participate in staff meetings, and to be available for consultation and collaboration with colleagues.

Grantmaking and endowment building

NHCF's statewide grantmaking program supports projects that are statewide in scope or projects that fall outside geographic areas served by a regional division. To strengthen the region-state connection, each division *as well as* the statewide foundation also contributes 10% of its unrestricted funds into a *shared* statewide grant pool. As with the Operating Budget Committee and the statewide board Nominating Committee, grants from this special shared statewide pool are allocated by a committee composed of one member from each division board, plus one member of the statewide foundation board. Since the state foundation's unrestricted fund balance is so much larger, their contribution comprises

about 75% of this special fund; but again, they show their commitment to the divisions by offering them decisionmaking power on the best use of these grants.

Each NHCF division designs and carries out its own grantmaking programs, while also serving as a local "entry point" to NHCF's statewide grant and scholarship programs. Divisions determine their own grantmaking goals, schedule and criteria, but employ a common grant application cover sheet to make the grant process as simple as possible for applicants. Since each region covered by a division has its

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development for donors and nonprofits, gift processing and acknowledgement, and fund establishment. Some regional divisions employ consultants to assist with special initiatives.

The Foundation has not encouraged the proliferation of regional division offices, because it is more cost effective to have staff work from the Concord office—or from home offices when travel time is an issue. However, if the directors of a regional division believe that a local office is essential to the growth of the regional division, and the regional division has sufficient operating funds to cover the costs

own culture, politics and priorities, occasionally grants are made in one place that another division would not approve. In these cases, the system has instituted an informal checking system: Any division about to make a grant on a volatile issue must inform the other divisions in advance; the other divisions cannot veto the grant, but they have ample time to prepare so that any media or controversy does not hurt them.

NHCF as a whole has a spending policy of 5.5% of endowed assets, including administrative expenses. This spending rate is reviewed annually by the Board and the Investment Committee. Depending on its age and growth, each division has its own grantmaking budget. For example, in 2000, Greater Piscataqua, NHCF's oldest regional division, awarded over \$1.6 million in grants, while the younger Monadnock Community Foundation distributed about \$500,000.

NHCF's development and fundraising practices flow from the principle that people give most readily to local institutions to address local issues. The regional divisions of the Foundation have become these local institutions. That said, issues surface that the Foundation and divisions must address in how donor relations are handled. The Social Compact of the Foundation specifies, "There will not be price competition among the parts for donors, assets or program opportunities." The regional division boundaries are soft, not hard and fast, so the Foundation enables donors to define their own interest in aligning with one or more regional divisions. It is not unusual for donors to establish funds in one or more regions, or in one region as well as in the statewide organization.

The development staff meets regularly to discuss strategies to meet the needs of donors and prospective donors. These dis-

cussions settle which staff member is in the best position to establish an effective working relationship with donors or prospective donors, and whether to approach prospects for a statewide or regional division gift. But on both issues, donor preference always prevails.

Keys to success

NHCF's Social Compact is the cornerstone of its Federation system. The Social Compact specifies how work will be conducted and outlines the financial obligations agreed upon by all parties. The Social Compact makes plain that each division must be a local philanthropic champion. This *requires* division board members to advise the central foundation on policy matters and to help increase and extol philanthropy within each region.

NHCF admittedly learned the value of the Social Compact through trial and error—especially as its first three divisions were becoming established. Over time, NHCF has learned that the most effective way to sustain a regional division is to state the requirements of the divisional structure early, clearly and often. And the most effective way to sustain the system is to keep its parts talking to each other and acting together.

In the end, however, no governance structure, rules of the road, or social compact can, by itself, hold the statewide Foundation together. It takes a *continuous* investment in people, reiterating the values of the Foundation and encouraging collaboration rather than competition within the Foundation. It takes volunteers and staff who share a vision of improving the quality of life in New Hampshire, and are willing to now and then defer personal and regional preferences to be a partner in the great philanthropic venture that is the New

Hampshire Charitable Foundation. It takes a leadership commitment from the top, and anyone in the NHCF system will tell you that long-time NHCF President Lew Feldstein and other staff leadership have been pivotal in keeping the system growing and together.

The key, again, is not necessarily the details of NHCF's Social Compact—although NHCF's might be a good one to examine. Instead, *the process* of articulating and enforcing expectations on both sides—and the leadership commitment to stick with the true and truthful exchange that effective collaboration requires—have proven key to the model's success.

Lessons learned

Biggest challenges

- Continually developing trust and maintaining communications among divisions and statewide entity
- Labor- and staff-intensive coverage strategy
- Balance of autonomy and affiliation among the divisions
- Turnover in volunteer leadership at all levels

Biggest rewards

- Endowments from regional divisions have reached more than \$110 million (of \$288 million NHCF total in 2003).
- Hundreds of rural champions and ambassadors for philanthropy are spread throughout New Hampshire.
- NHCF is no longer inventing the wheel...the model and process has become increasingly fine-tuned.
- The regions, because they make decisions together about the statewide system, have often stepped up and acted collaboratively

and selflessly when one division or some statewide operation is facing tough times.

Best advice

- The federation model is neither efficient nor inexpensive; but is worth the costs if the model is conceived as a means for achieving a foundation's community-building mission.
- Because of the expense, try this model only if you are quite sure that there is "gold in them 'thar hills."
- Be prepared to staff this model incrementally—but excessively.
- Make roles and rules (as in the Social Compact) explicit as you develop and grow—especially when new leaders come onto the scene.
- If you give your divisions the opportunity and responsibility to make decisions for the foundation as a whole, they will step up and act on the best interest of the whole. If you don't, they will generally revert to their own self-interest, and you may jeopardize the viability of the system.



To learn more about the New Hampshire Charitable Foundation and their use of the Federation model for Covering Rural Territory, visit the NHCF website at www.nhcf.org or contact Helen Goodman, Chief Operating Officer and Vice President at hg@nhcf.org or 603-225-6641, ext. 250