

# Advanced Practice Institute

## How Philanthropy Can Help Rural Communities Build Their Own Assets & Resources

Funders who focus some or all of their activity on rural communities are deeply aware of the difficulties those communities face, including an insufficiency of public, private and philanthropic resources needed to thrive as inclusive, family-supporting places. These funders often play an important part in promoting increased investments from outside these areas. But some foundations are beginning to reach beyond this customary role to respond to an intriguing challenge and opportunity: helping to build the capacity of local communities themselves to grow their own resources as a precursor to attracting external support.

At all levels -- national, regional, state, and local -- philanthropy is adopting creative approaches to help communities retain and expand home-grown assets. For example:

- Statewide and regional community foundations are spearheading the development of new ways to create endowments for small rural towns and communities. The Montana Community Foundation, for instance, helped secure a special tax credit for contributions to the endowments of nonprofit organizations in the state. In Nebraska, the statewide community foundation is using a public information campaign and new giving vehicles to capture some portion of the anticipated potential intergenerational wealth transfer for long-term community endowments.
- Private and family foundations are helping to spread throughout the states and regions they serve innovative programs and approaches developed by local communities. Excellent examples are the leadership development programs supported by the Ford Family Foundation in Oregon and the Blandin Foundation in Minnesota.
- Foundations are encouraging citizen-driven efforts to develop solutions and frame public policies that address critical issues facing rural communities and regions. The New Hampshire Charitable Foundation, for instance, has helped convene citizen interests around state-level policy on public schools, transportation, health care, and other matters. Where good public policy exists, foundations also are helping to assure its success, as does the Annie E. Casey Foundation in its promotion of the Earned Income Tax Credit as a wealth-creation strategy for low-income working families.
- Foundations are using innovative non-grantmaking approaches, investing in triple bottom line approaches designed to move families

and communities out of poverty, build on the human and social capital of an area, and conserve natural resources. Program related investments (PRIs) that support socially-motivated purposes while providing an acceptable rate of return are central to the work of the F.B. Heron Foundation and the Calvert Social Investment Foundation, for instance. Similarly, the McCune Charitable Foundation in New Mexico and the Mary Reynolds Babcock Foundation make long-term investments in major revitalization and social enterprise projects.

Certainly, even the most successful self-help efforts will not be enough to eliminate the need for outside support. But they are an important way to increase available resources, with the added benefit that the local community is free to define its own priorities for the use of those resources. Money also tends to beget money. Locally-grown dollars can demonstrate that a community is a good place for investment and may serve as seed money that in time can attract more dollars.

At this Advanced Practice Institute, funders will explore how philanthropy might build on the successful and creative work that already is underway to advance this idea. The Institute also will provide a rare chance for funders investing in and concerned about rural communities to share other examples of their work, insights they have gained, questions on which their colleagues may have thoughts, and plans for future work.

#### Conveners

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#### Designers

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# **New Catalysts for Community Development**

## **MDC, Inc.'s Work with Non-Traditional Institutions**

### **Overview**

Many distressed rural communities have only a thin institutional infrastructure, with nothing that looks like a traditional community development entity. In situations like that, MDC, Inc. is demonstrating that viable alternatives to lead economic development can be found in some unusual organizations. Institutions that are stable, have the capacity to manage resources, and are trusted by the community are stretching successfully to take on new roles that can make a significant difference in the economic well-being of their communities.

In the 1990's, MDC and the Ford Foundation concluded that the dual challenge in rural areas was to develop people so that they could increase their income and build assets and to develop the region's economy so that there would be opportunities for these people. Facing a dearth of organizations that could take on the latter part of the agenda, the Foundation engaged MDC to design and manage a Rural Community College Initiative. Community colleges, which serve and are trusted by both business and low-wealth people, seemed the ideal place to test the idea that non-traditional institutions could become community development catalysts. About a decade later, with support from the Duke Endowment, MDC undertook a five-year project to test the same proposition with rural churches.

While these programs met with mixed success, there have been enough instances of institutional transformation and improvement in people's economic circumstances, that MDC is committed to continuing its efforts. Its work includes extended hands-on involvement: helping to build an effective local leadership team that is broadly representative of the community; teaching economic development and asset-building principles and strategies; coaching through the inevitable obstacles; forming peer networks among sites for reassurance and knowledge-sharing; and connecting these new agents of change to economic development opportunities.

### **Impact**

A notable success in institutional transformation is Southeast Community College in Kentucky, which has come to view itself as a community development agent. The college now is a designated Community Development Financial Institution that has started making loans, and it is spurring a host of new activities throughout the surrounding region. Graduates of its leadership development program have been elected to public office.

Even more remarkable in some respects is an African-American church in South Carolina that, with MDC encouragement, reached across congregational and racial lines to form a leadership team that succeeded in bringing a Certified Nursing Assistant training program to its area. By first recruiting participants and then linking employed graduates to EITC and an IDA program, the endeavor has helped hundreds of women who previously had no income begin to move out of poverty.

### **Replicability**

MDC measures success both by new economic activity that adds measurable income and wealth to an area and in the transformation in self-perception and roles played by the targeted institutions. Persistence in the effort over a decade or more also is an important indicator, since deep organizational and community change takes time.

By these measures, MDC has realized success with enough institutions to affirm that these concepts and methods are transferable. At the same time, MDC President David Dodson acknowledges that they have seen “some good results, some mixed results, and some noble failures.” Part of the task ahead is to refine the understanding of what constitutes readiness on the part of institutions, in order to make better predictions about promising places for patient investment of money and assistance.

While making good choices among institutions is important for successful replication, at least as significant is the presence of an intermediary like MDC that is deeply familiar with the area and able to provide the necessary inspiration and guidance. Unfortunately, at this point, such entities are rare.

### **The Role of Philanthropy**

A foundation itself could choose to play the role of intermediary, but this can carry significant risks and place extraordinary demands. Generally, a better option would be to support organizations skilled at this work. Where none exist, philanthropy may need to help create them.

These relatively small but critical investments in intermediary organizations must be sustained over time. The South Carolina church realized its initial success in only about three years, but it can easily take a dozen years of support to help a non-traditional institution scale up from opportunity to opportunity to become a sophisticated regional development actor like Southeast Community College.

Beyond assuring the structural capacity to pursue this agenda, foundations can take the lead in opening people’s eyes to new possibilities, for example exposing non-traditional institutions to transformed counterparts. Foundations also can invest in enterprises developed by non-traditional institutions, helping both to secure their success and to create models that inspire others.

# **“You Have To Do It Yourself, But You Can’t Do It Alone”**

## **Overview**

The Blandin Foundation’s Community Leadership Program (BCLP) was started in 1985 in response to major changes taking place in the rural Minnesota economy. Recognizing that it would never have enough money to solve all the related problems, Blandin saw the nurturing of local leadership as way to stimulate and support residents’ own efforts to develop and sustain a healthy community. The foundation defines a “healthy community” as “a place where all people can meet their economic, social, physical, cultural and spiritual needs, work together for the common good and participate in creating their future.”

The core BCLP program takes a community team through a series of residential and in-community sessions ranging from five days to one day, interspersed with breaks of several months that include homework. The curriculum helps participants develop key leadership competencies: deciding what needs to be done and how to do it; developing relationships across differences that allow people to work together and to share resources for common purposes; and mobilizing and sustaining action to achieve desired outcomes.

A team consists of about twenty-four people who are drawn from and have credibility within the various parts of the community. To help assure diversity and inclusiveness, the complementary Partners in Leadership Program works with people from new immigrant populations and populations of color, so that they are comfortable and prepared to join others with more education and experience.

The Blandin Foundation operates the leadership programs itself. This takes considerable time and staff effort, but also fosters better integration of this component with the grantmaking and public policy aspects of its work. The foundation spends nearly \$900,000 a year on the programs, which are free to participants.

## **Impact**

To date, teams including more than 5,200 people from 310 communities throughout Minnesota have participated in BCLP. Many of these communities have seen sufficient value that they have sent multiple teams through the program, and a number have created leadership programs of their own.

There is tangible evidence of BCLP’s value as well. A team formed from a cluster of small, struggling communities from the Great North Woods helped create a shared marketing identity as Edge of the Wilderness to foster

business development, and the area now has a thriving arts center, community center, and hospital. In Austin (MN), program alumni created a Welcoming Center that has become a national model for helping new immigrants and an impacted community. Elsewhere, the school superintendent, mayor, and city administrator, all BCLP alumni, worked together to secure bond levies to build a new City Hall, community center, high school, and hockey arena. All of these efforts have contributed to the economic vitality and viability of their communities.

### **Replicability**

Because of Minnesota's size and diversity, BCLP has been road-tested in a variety of communities, demonstrating its wide applicability and potential for replication.

The Ford Family Foundation in Washington State and the Center for Vital Community in Wyoming have adopted the model.

### **The Role for Philanthropy**

Foundations bring several advantages to leadership development work:

- They can afford to take social and financial risks to promote understanding of and commitment to broader concepts of a healthy community and how to deal with diversity and disparities among residents;
- They have the financial wherewithal to support participation by the economically disadvantaged while creating a program that also is appealing to those with greater resources and opportunity; and
- Because they are not subject to constantly changing "funding fads," they can sustain over time the notion that leadership is important, necessary and possible, giving efforts time to prove themselves and become part of the culture.

# Restoring Hope and Retaining Community Assets

## The Nebraska Community Foundation's Transfer of Wealth Strategy

### Overview

A 1999 study by researchers at Boston College estimated that, in the United States, \$41 trillion will transfer from one generation to the next in the coming fifty years. For rural communities where out-migration is a severe problem, it is increasingly likely that the heirs will live somewhere else and so, without intervention, the assets of these communities are destined to leave as the population has.

The Nebraska Community Foundation (NCF) saw in the wealth-transfer projections a “once in a lifetime opportunity” to bring a unique focus and tangible resources to efforts it already had underway to mobilize the talent and energy of local community leaders. The Foundation modified the original study's approach to create wealth transfer estimates for the State of Nebraska, each county, and the rural portion of the state. The transfer estimate for Nebraska's 750,000 rural residents was \$94 billion, with the peak activity projected to take place between about 2015 and 2020. To NCF, this timing was a call to action — without prompt steps to develop and implement a strategy, the opportunity and the assets would be lost.

NCF recognized that most people are motivated to make sizeable donations not just by a good idea, but by others whom they trust. That meant that community leaders should be at the center of any transfer of wealth strategy. The Foundation therefore launched a major effort, which continues today, to educate these leaders — the 1500 members of the advisory committees overseeing NCF's local affiliated funds<sup>1</sup> — about the opportunity and to motivate them to approach their neighbors with the idea of building a community endowment.

Complementing the personal connections offered by community leaders are a number of financial incentives that NCF has helped to secure. Among these are a state tax credit for donations to community endowments and a state grant program to pay for local staff working on building endowments and community development.

As the transfer of wealth strategy has taken hold and endowments are beginning to grow, NCF is advising local leaders on strategic use of these

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<sup>1</sup>The Nebraska Community Foundation is a statewide entity, with 179 affiliated funds located throughout the state. Although not legal entities, these local funds are the primary decision-makers about grants, and many operate like local community foundations, guided by fund advisory committees made up of local leaders.

funds, encouraging investment in people and in creating a more viable economy that can bring sustainability. Called Home Town Competitiveness, this four-pronged approach advocates community-driven economic development, including entrepreneurship, leadership development, youth engagement, and continuing to build charitable assets.

### **Impact**

Recognizing that huge numbers are hard to grasp and fifty years is a very long horizon for action, NCF is encouraging communities to set a manageable goal of capturing 5% of the ten-year transfer of wealth estimate. Five affiliated funds already have achieved that and forty-four others now have over \$100,000 in endowment and expectancies, three times as many as only a few years ago. Overall, the endowments, which are housed at NCF, are showing vibrant growth — 40% in 2006 — thanks to more than 29,000 donations in the last five years.

Preserving these assets for the community's benefit clearly is a significant result in itself. But NCF sees another important return, as well — the “community psychology” is changing. Now, people who have an emotional connection also have a rational reason to stay, or even come home, and to invest in a place whose future seems far more promising than it did just a few years ago.

### **Replicability**

The wealth transfer analysis and community development approaches being used by NCF are attracting interest from many quarters. There is considerable demand for speeches and consultation by NCF executives, and NCF has helped nine states do a transfer of wealth analysis. Interestingly, even urban and suburban foundations are taking notice, considering how they might apply similar strategies at the neighborhood level.

### **The Role for Philanthropy**

The Nebraska Community Foundation views itself not as a traditional charitable institution, but rather as a community development institution that uses philanthropy as a tool. It is structured to place and support primary leadership and decision-making at the community level, nurturing the confidence and competence of local leaders so that they can be effective agents of change.

NCF's approach does not pay for itself. The Foundation charges the affiliated funds a fee, but the revenue is not sufficient to cover operations and the extensive developmental, as well as management, services it provides. Support from national funders, including Ford and Kellogg, has been an essential supplement, underwriting NCF's capacity in turn to build local capacity.

Beyond financial support, it also can be expected that national foundations, together with NCF and other regional, state, and local foundations that adopt

similar approaches, will play a key role in publicizing the opportunity and disseminating knowledge about how to realize its potential.

# Fostering Community Philanthropy and Civic Engagement

## HindSight Consulting's Approach to Giving Circles

### Overview

Giving circles are a vehicle through which like-minded people pool their resources to help make a difference in their community. Many giving circles expect only that members will make financial contributions and perhaps help decide how to spend the funds. Darryl Lester has a richer vision, however, in which a giving circle enables its members collectively to maximize their "time, talent, and treasure" through civic engagement as well as financial contributions.

Lester is pursuing that vision through HindSight Consulting, a firm started with Ford Foundation investment to help individuals, especially young adult African Americans, and civic groups pool their talents and financial resources to address issues of equity in their communities. HindSight's approach reaches across race and economic lines to make donor education and philanthropic tools accessible to many more people than has previously occurred through traditional organized philanthropy. Those who once were considered only consumers of philanthropy come to view themselves and to be viewed by others as givers.

Eight giving circles formed with HindSight Consulting's assistance now are part of the Community Investment Network, which helps broaden the understanding its members and others have of philanthropy and promotes tools for the long-term viability and sustainability of collective giving.

In rural areas, giving circles build on a well-established tradition of neighbor helping neighbor, providing a way for people to continue, expand and be more strategic in their giving.

### Impact

In 2005, the New Ventures in Philanthropy project of the Forum of Regional Associations of Grantmakers reported that there were well over 200 known giving circles located in 40 states and that this is a rapidly expanding charitable model. A study of 77 circles found that they had raised \$44 million, largely in the last five years.

Rural communities offer diverse examples, often with origins in something other than philanthropy. The Heritage Quilters Giving Circle in Warrenton, North Carolina began as a group of women who wanted to preserve the art of quilting. Visiting schools to share their work, they grew concerned about students' access to higher education. In response, they committed the proceeds from the sale of their quilts, together with personal contributions,

to create a fund that supports education. Education, along with youth development and building the capacity of local African American organizations, also is a priority for the New Mountain Climbers Giving Circle in Christianburg, Virginia. The organizers of this fund were a group of African American community leaders who began with an interest in stimulating greater civic engagement. One of their first activities early in their giving circle's development phase was a Civic Awards Ceremony to honor people who volunteered time as well as donating money.

### **Replicability**

The concept of giving circles is a highly flexible one that can work in virtually any situation where there are people concerned about their community. The circles vary in size, structure, formality and charitable focus. Members set the threshold requirements for participation, which can be as inclusive or exclusive as they choose. Rural communities especially tend to set contribution levels that allow as many people as possible to participate.

### **The Role for Philanthropy**

Experience to date suggests several ways in which organized philanthropy can help expand the number and effectiveness of giving circles:

- Local and community foundations can serve as conveners, bringing community people together and helping them learn about opportunities and tools for strategic giving, including giving circles.
- Community foundations can provide a home for giving circles' dollars. In some instances, this may mean adjusting policies such as the minimum amount necessary to establish a fund. But, there can be benefits for the foundations, in turn, as more people come to perceive the established institutions as avenues for strategic giving as well as grantmaking entities.
- Foundations at all levels can facilitate the spread of the giving circle concept by supporting outreach and education to help bring non-traditional groups into organized giving.

# Strong Roots in the Community

## The New Hampshire Charitable Foundation's Regional Structure

### Overview

The New Hampshire Charitable Foundation was established as a statewide entity in 1962. About twenty years later, when a prospective donor conditioned his contribution on the creation of a structure that would serve his community specifically, the foundation began to move toward what it now calls a "foundation system." In addition to the statewide organization, which is the legal entity, there are seven regions, each of which has an advisory board and assigned staff.

While the regional boards are advisory and there is no formal regional representation on the statewide board, multiple mechanisms imbue the regional leadership with respect and responsibility at the statewide as well as local level. For example, regional officials meet at least twice a year with the full statewide board, serve on the statewide board's Fiscal Policy and Nominating Committees, and join the statewide board for an annual retreat. In addition, the Foundation's senior staff continuously work to address what they recognize as "the inherent tension between autonomy and affiliation."

The way in which regions have formed and been defined reinforces a strong sense of connection to the community. Rather than the state being carved up along arbitrary lines, regions were allowed to emerge over time, as groups of local residents expressed interest and as donors came forward. Where the boundaries are drawn and even the choice of where a donor makes a commitment are guided substantially by a sense of natural affinity with a location. At this point, most but not all of the state is covered by the regional structure.

Financial management of all funds is centralized; the extent to which regional boards have control over the programmatic use of funds raised in their regions depends on how the donors have structured their contributions. The boards do, however, play a key role in deciding about grants within their area, and all applications for funding of programs and activities within a region are submitted to that region.

### Impact

The Foundation's assets have grown from \$25 million when it started to over \$400 million today. In the opinion of its executives, the regional structure is "a powerful tool for asset development" which gets substantial credit for this growth. The close-to-home advisory boards provide visibility, credibility and legitimacy that encourage local donors to contribute and that help make clear the connection between contributions and work supported by grants.

## **Replicability**

New Hampshire's situation, while not unique, offers some characteristics which both make a decentralized structure more important and more likely to succeed. In terms of government, there is a strong tradition of local control. Moreover, the small size of the state affords ready physical accessibility, which helps keep decentralization from translating into out-of-touch.

Nonetheless, the rewards of grounding both donor relations and grantmaking decisions near to those who are most involved and affected suggest that this concept may be relevant even in different circumstances.

## **The Role for Philanthropy**

The New Hampshire Charitable Foundation considers its responsibilities to be three-fold: to maximize contributions for charitable purposes through philanthropic services to existing and potential donors; to engage in both responsive and proactive grantmaking to benefit the state's residents; and to advance civic leadership and action by leveraging the Foundation's relationships, resources, and reputation.

In the Foundation's judgment, adopting a structure that encourages and enables vibrant local participation is an important factor in successfully realizing all of these objectives.

# Deploying Endowment in Direct Support of Mission

## The F.B. Heron Foundation's Commitment to Mission-Related Investing

### Overview

Several years ago, the F.B. Heron Foundation's Board of Directors asked itself and the staff a provocative question, "Should a private foundation be more than a private investment company that uses some of its excess cash flow for charitable purposes?" Breaking down the wall between program activity and investment management that was long-standing practice in organized philanthropy, the Board's answer was yes. The decision was made to pursue an investment strategy that would both: 1) enhance the Foundation's impact by putting its assets to work to increase wealth-creation opportunities for low-income people and communities; and 2) be financially prudent, so as not to jeopardize the value of the endowment and the related ability to support mission in the future.

That mission — broadly stated as helping people and communities help themselves — translates into five wealth-creation strategies: home ownership; enterprise development; quality, affordable child care; access to capital; and comprehensive community development. Geographically, this mission takes this national grantmaker wherever there is an opportunity for these strategies to help low-income families. About 25 to 30% of its grantmaking is in rural communities and about another 30% goes to organizations that serve rural as well as urban areas. That level of commitment to rural areas generally is sustained on the mission-related investing side of the Foundation's activity, as well.

Mission-related investing at Heron is diversified across a continuum of asset classes (deposits in community development banks and credit unions, fixed income securities, loans, stocks, and private equity) and rates of return (both below-market and market-rate). Specific investments are screened for their social impact, fit with the Foundation's mission, potential to leverage investments by other partners, and conformance with the Foundation's asset allocation policy. Prudent underwriting practices are followed, and benchmarks are set and monitored to assure acceptable financial and programmatic performance. Presently, the Foundation uses 24% of its assets for mission (27% including grants); it anticipates that mission-related investing will comprise up to 50% of its total assets by the end of 2010.

### Impact

Heron's mission-related commitments include, for example, investments in several community development venture funds working in Appalachia. These funds have created hundreds of jobs and millions of dollars of investment

opportunity within the region, attracting investors from as far away as Japan and Israel to community-based enterprises. Adena Ventures, LP is a good example. One of six New Market Venture Capital Companies licensed by the U.S. Small Business Administration, Adena targets the central Appalachian region, where nearly half of the four million residents are low- to moderate-income. Seeking to promote sustainable and shared economic growth while generating financial returns for investors, Adena provides equity capital and technical assistance to attract, retain and improve the performance of businesses in the region.

The enterprises supported by Adena and its counterparts not only bring payroll to distressed areas, but they also stimulate further economic activity as the companies and their employees buy goods and services.

### **Replicability**

Heron's mission-related investing strategy is one which could be replicated by virtually any foundation interested in maximizing impact while preserving assets.

The potential for this to happen is aided significantly by the Foundation's "evangelical" promotion of this approach and by its extensive documentation of the financial return and programmatic effect of its work.

### **The Role for Philanthropy**

The Heron Foundation's move into mission-related investing began with, in the words of President Sharon King, the "straightforward notion . . . that all of the Foundation's assets exist to serve a charitable purpose."

Heron believes that foundations have a "toolkit" of financial resources. Most foundations apply only one, grantmaking, which represents the smallest portion of dollars they potentially could use in support of their organization's mission and goals. By more fully using the tools at its command, philanthropy has a far better chance of achieving significant social, as well as financial, returns.

The Foundation acknowledges that the approach is not without risk. "But," as Heron Vice President Luther Ragin, Jr. asks, "if taking well-considered risks for public benefit is not the role of philanthropy, then what is?"

# Supporting Business Development to Create Community Wealth

## The McCune New Mexico Charitable Foundation's Multi-Faceted Approach

### Overview

The McCune New Mexico Charitable Foundation is using three primary strategies to foster economic growth in rural New Mexico:

- In partnership with the State Economic Development Department and three local communities, McCune has engaged the assistance of the Sirolli Institute. The Institute's services grow out of Ernesto Sirolli's philosophy that three factors are essential to the creation of successful enterprises — a passion and appropriate skill set; sound financial management; and effective marketing. Individuals from the local community are trained by the Institute as Enterprise Facilitators, who seek out people with good ideas and connect them to resources that can help with the management and marketing aspects. Many of those resources come from a cadre of businessmen and others who care about the community and who have been recruited in advance to help aspiring entrepreneurs identified by the Enterprise Facilitator. The cost of training and supporting the Enterprise Facilitator and resource board is about \$100,000/year per community, which in New Mexico is provided in equal shares by the state, the local community, and McCune.
- A survey of banks in New Mexico indicated that the biggest problem in economic development financing was the gap between the ceiling for micro-lenders and the floor for angel investors interested in sizeable entities. To fill this gap, McCune helped create New Mexico Community Capital, a community development venture capital fund that looks for investment opportunities offering a double or triple bottom line: financial profit; good jobs offering a living wage and benefits that will stay in the community as the venture grows; and an absence of harm to the environment. With contributions from the state, banks, and a number of foundations, the Fund now has \$15.5 million which it is using to provide equity capital to small businesses to help them move to the next level. Once the investments start to show financial return, it is anticipated that private investors will join the effort, as well. Among the enterprises in which New Mexico Community Capital has invested is the MIOX Corporation, founded to produce a state-of-the art invention, a water treatment filter designed for use in third world countries.
- On occasion, McCune guarantees loans to businesses. This often presents a challenging situation, but the foundation considers it useful

to have this strategy as an option complementing its other approaches.

### **Impact**

It is still relatively early in the application of these strategies in New Mexico and, while they are showing some promise, the jury is still out on how successful they will be.

### **Replicability**

The McCune Foundation readily acknowledges that each of these strategies was borrowed from someplace else and often from places which are far away and seemingly quite different from New Mexico. For example, the Kentucky Highlands Investment Corporation has been a key advisor in creation of New Mexico Community Capital. Thus, McCune's implementation of these strategies, if successful, will itself validate the replicability of the strategies.

### **The Role for Philanthropy**

Certainly, providing financial resources for economic development is an important way for philanthropy to contribute. But in the judgment of McCune executives, "intellectual and emotional investment" often is equally significant. The Foundation views itself as a partner with those to whom it makes grants or in whom it invests, for example taking extra steps like using the Foundation's reputation and connections to open doors.

Similarly, with "credibility and a checkbook," a foundation can play an instigator/organizer role, bringing to the table the broad range of people whose buy-in and participation are essential to realize change and economic progress in communities.

# **Building Community Through Building Philanthropy**

## **The Southern Rural Development Initiative's Philanthropic Index**

### **Overview**

In 1997, the Southern Rural Development Initiative (SRDI) mapped philanthropic assets held in and grants flowing to each county in its target area of the Southeast United States. The work highlighted the fact that, in poorer areas, there were generous givers in terms of a proportion of income, but little organized philanthropy. Conversations with the Southeastern Council of Foundations about these findings led to the idea of a tool that could help spark optimism about the potential to grow philanthropic assets in places that lacked an existing philanthropic base.

The resulting Philanthropic Index provides both that tool and a process of community engagement built around it. The tool is a set of indicators -- such as income levels, population stability, charitable giving, and high-income households -- that can suggest the philanthropic potential in an area. The process begins by collecting data on these indicators from public sources like the Internal Revenue Service and the Census Bureau. In a workshop format facilitated by SRDI, local community members then analyze that data, bringing to bear their own knowledge of the area and its residents. That this analysis is done by the group and not handed to it along with the data is fundamental to the approach, a first step toward bringing the community together across lines of race and class to envision and pursue a better future.

Pursuing that better future, in SRDI's view, means having an impact on rural poverty. With that ambitious goal, SRDI encourages communities to think about philanthropy as a community development resource, rather than for narrow purposes like a scholarship program.

The Ford and Kellogg Foundations previously underwrote most of SRDI's costs associated with the Data Reports and the local community training. With these major subsidies, communities were charged nominal amounts. Now, however, fees are more substantial, although on a sliding scale that benefits communities with few resources and/or that are located in SRDI's target region of the Southeast.

### **Impact**

SRDI has conducted about thirty training sessions involving about eighty counties in the rural Southeast, New Jersey and Minnesota.

Their experience has shown that the Philanthropic Index and related process is effective in creating interest in building assets and in reshaping the understanding of what philanthropy is and can do. For the most part, however, it has not yet resulted in the actual accumulation of assets. To move from initial excitement to the reality of a functioning charitable fund involves a lot of fairly complex, challenging work that requires significant, sustained support from an established organizational partner. SRDI had assumed that entities like existing community foundations or statewide associations would step forward to assume that role. But, with only a few exceptions, a lack of organizations with both the capability and will to do this has prevented realization of the identified philanthropic potential.

### **Replicability**

Finding or developing organizations that can provide this essential support is a necessary precursor to any substantial replication of the few successful examples that have resulted in the creation of community-based funds.

Two current clients of SRDI suggest possible sources of this necessary organizational support. The statewide North Carolina Community Foundation, with sixty affiliates, is using the Index and process as a way to reinvigorate its affiliates and help them develop a broader vision of what they could accomplish. A similar role is being played by the West Virginia Grantmakers.

SRDI itself also is considering restructuring to become an intermediary that could incubate the funds, providing long-term developmental support and even fiduciary services.

### **The Role for Philanthropy**

SRDI believes there is value in a community paying part of the cost of producing the analysis and training local leaders, as a demonstration of its seriousness about and commitment to the effort. But foundation subsidies to the entity doing the analysis and training are vital to keep the costs at a reasonable level and to assure that even the poorest places have access.

There also is an important role for philanthropy once the analysis and training are done, to underwrite or provide organizational assistance to bring plans to fruition. Established community foundations could do this, although often policies such as minimum amounts to establish a fund would have to be adjusted, or statewide associations such as the West Virginia Grantmakers might take on this responsibility. Alternatively, foundations could support an intermediary such as SRDI for this purpose.

Finally, incentives in the form of matching grants can be important in helping communities get over the hurdle of initial fundraising to establish their fund.