



IMAP Philanthropy Initiative for Microenterprise: Year One Review

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Summary

- All the foundations used a portion of the grant funds to provide paid staff or consultants who carried out a wide variety of activities and work.
- The foundations enhanced their efforts in development activities, including newsletters; newspaper, radio, and internet pieces; advisor and donor contacts and databases; and presentations to groups.
- Endowment efforts resulted in increased donations and gifts, most notably of \$700,000 in one county and \$480,000 in another.
- Two counties started revolving loan funds for microenterprise generating nearly \$250,000 in funds for small businesses. These funds were disbursed to 7 businesses during the year, supporting more than 40 jobs.
- A wide variety of business and financial training and education sessions both for adults and youth were organized and supported financially.
- Several foundations made mid-year changes in their planned activities, programming, or staffing when things did not seem to be working.
- Almost all the groups reported that implementing their development activities took longer than expected, even with paid staff.
- There were more accomplishments in increasing the overall endowments of the foundations than for endowments specifically committed to microenterprise and economic development.
- It can be difficult doing development and eliciting funds when the country is in the middle of an economic recession.

IMAP, Philanthropy, and Microenterprise

Among the goals of the Iowa Microenterprise Assistance Project (IMAP), are assisting communities and regions in philanthropy and endowment building and in developing and sustaining microenterprise networks. With these goals in mind, the IMAP implementation team (the Community Foundation of Greater Des Moines; the Community Vitality Center at Iowa State University;

the Iowa Foundation for Microenterprise and Community Vitality; along with funding partner, the Northwest Area Foundation) began a philanthropy and microenterprise demonstration project with the specific purpose of facilitating entrepreneurship, philanthropy, and endowment building activities that can help to finance, support, and sustain microenterprise development. In the first round of demonstration grants for this initiative, the implementation team made

awards to five community foundations in Iowa. For four of these, the grant awards were \$50,000 to be used over a three year period and were intended to fund a comprehensive program for this initiative in each of the four counties. The four community foundations with these initial grants are Greene County Community Foundation, Hardin County Community Endowment Foundation, Foundation for the Enhancement of Mitchell County, and Story County Community Foundation. The fifth foundation participating in the first round of the grants is Empowering Adair County Foundation which received a grant of \$5,000 for a more limited, one-year purpose of strategic planning.

The activities and scope of work carried out by the foundations for this initiative can be categorized broadly into two types, those that focused on philanthropy and endowment building and those that focused on entrepreneur support and microenterprise development. This report is a summary review of the first year activities, scope of work, accomplishments, and challenges of the grant recipients.

Staffing, Consultants, and Scope of Work

All of the programs used the grant funding to pay for some level of consulting or additional staffing capacity. Although with varying job titles of consultant, administrative assistant, development director, or board president, this additional capacity provided needed paid staff and consultants to carry out planning and activities focused on endowment and microenterprise goals. In one county, the consultant organized and facilitated a strategic planning

process that included entrepreneurial, community, and volunteer development. In another, three separate consultants examined issues relating to entrepreneurship, economic development, and carried out the initial steps of a strategic planning process. Two counties each retained a consultant who focused primarily on endowment and development activities. One county hired a person for part-time administrative work while another used the grant funding as a portion of the salary of an administrator who carried out a broad range of endowment, administrative, media, and organizational work.

The additional paid capacity among the foundations varied from someone who worked eight hours a week, to consultants who were paid on a project basis, to half-time or three-fourths time staff who worked on a continuing, day-to-day basis. The grant provided from one-half to all of the funding for the cost or salary of the consultants or staff.

Matching Funds and Resources

This IMAP initiative did not function solely on its own funding, but rather was a partnership with the foundations and a variety of organizations and entities within each county that contributed resources to the goals and efforts of the initiative. It was a requirement of the grant that each county group designate an IMAP leadership team that would be primarily responsible for the grant and that each county also find and designate matching resources in the form of cash or in-kind contributions to be used for the initiative.

Each of the five county foundations contributed some amount of its own funds as part of the match as well as foundation board volunteer time and effort to carry out or oversee the grant. In addition, each foundation elicited and received cash and in-kind support, resources that could be used for the initiative, from organizations

within the county. In several instances, local economic development groups were important partners with the foundations as well as local banks and financial institutions, community colleges, a county Farm Bureau, Iowa State University Extension, local churches, regional Councils of Government, the Iowa Department of Human Services, local governments, along with local residents and volunteers.

Among the match contributions, some paid part of the salary or costs for staff or consultants while others paid tuition or costs for business classes, school activities, financial literacy courses and other development activities. One contribution provided a local, part-time entrepreneurship and business coach while others provided the use of meeting rooms without charge. In general, the matching support provided from organizations in the counties was as promised, although there were reports in some counties of less support than anticipated because of the impact of the recession.

Philanthropy and Endowment Efforts

A large array of efforts and activities by the county foundations were focused on the endowment and philanthropy goals of the initiative. The four primary foundations all enhanced their efforts to contact professional advisors, prospective nonprofit agency accounts, past and potential donors, high school alumni, and community residents. This included direct mailings, newsletters, newspaper pieces, website development and updates, radio pieces, and, for at least one foundation, Facebook, and Twitter. Informational and marketing materials and brochures were developed or revised and one county reworked a donor database.

Personal contacts and presentations were conducted as well, with 70 potential donors meetings reported as well as 80

presentations to local community groups, service clubs, nonprofits, professional advisors, and agencies. One foundation sponsored a community cultural concert event that led to the establishment of an arts and cultural endowment. Although many of these efforts were carried out by the paid staff and consultants, one can't overlook the important contributions, time, and efforts made for this initiative by the county foundation board members themselves.

The philanthropy and endowment efforts resulted in increased donations and gifting for the foundations. In one case, \$700,000 of new donations was added to the foundation's family of funds and in another county \$480,000 of new gifts were received. One county established a fund specifically for economic development and raised \$2,000 as an initial amount in the fund. Two other county foundations are interested in such a fund and are discussing starting something similar in the second year of the grant cycle.

Microenterprise and Entrepreneurship Development Efforts

The second major focus of this grant is microenterprise and entrepreneurship development. For this goal, the foundations undertook a variety of efforts, some aimed at financial support of businesses and others focused on business and financial training and education both for adults and youth.

Two counties started revolving loan funds geared to supporting small businesses. In one county \$150,000 in loan funds was developed and in the other the amount was \$99,000. Between the two counties, these loan funds had been disbursed to seven businesses supporting more than 40 jobs and the counties reported that more applications for the loan funds were pending as well. A loan fund is a way to impact businesses and jobs directly and quickly.

Another foundation provided support to struggling businesses by offering 50% scholarship support for the membership fee for their professional organizations. In general, the foundations had to be careful that their efforts to support microenterprise were consistent with Internal Revenue Service regulations pertaining to nonprofit organizations.

Various business education sessions were organized. One foundation held a training workshop for 70 childcare providers and also organized community roundtable sessions attended by 40 persons interested in starting businesses. One county provided an entrepreneurship webinar for business leaders while another county partnered with one of Iowa's Small Business Development Centers to provide business support in the county on a part-time basis, enabling business owners to receive assistance without driving out of the county.

Entrepreneur Adventure Week, geared to college age students, was provided by one of the counties and another organized and supported Annie's Project, entrepreneurship and business training for farm women. Two foundations undertook Entrepreneur for a Day programs that provided an introduction to entrepreneurship to all fifth grade students in each county as well. Business training classes (*Fast Trac*) and a college student internship/work program were being organized in two counties to begin during the second year of the grant cycle.

Financial literacy received a high priority from one foundation. Programs that were organized and supported included the Dave Ramsey Financial Peace University; Money Talk; and Ready, Set, Retire. The county coordinated attendance at the Money Smart Women

Conference and provided financial literacy pieces for the local newspapers as well.

Challenges Encountered

During this first year of a three-year process, the work and activities of the county foundations were, in most ways, along the lines envisioned in the proposals that they put forth. They have each proceeded with varying levels of planning, development, administrative, programming, and media focused activities. They have provided financial, staff, and board support for a broad range and scope of work focused on development and microenterprise. This is not to say, however, that everything went as planned. Almost all report encountering challenges, "bumps in the road," and a need for revisions as they have proceeded.

Almost all of the foundations reported that implementing some of the development activities took longer than expected even though several of the foundations have paid staff and consultants from this grant to do development rather than relying solely on board members and volunteers. Although some foundations have board members who are very active and involved in development work, it would likely be difficult for most foundations to implement enhanced development activities without paid personnel.

It is also important to have a good "fit" between the development director and the organization. One county changed the person that had been originally hired in order to facilitate the activities better. As other counties proceed to hire staffing for development activities in the second year, the experiences of the foundations during the first year suggest

that the person should fit well with the organization and that, even though staff changes can be difficult, it may be best to change the relationship rather than prolonging it if it is not working well.

Several foundations also made mid-course corrections not only in staffing but in planned activities and programming. If it becomes apparent that a planned program will not be able to be implemented adequately, there are alternatives that can be put into place. In addition, as the experiences of these foundations with economic development increase, there can be developed a list of activities and programming that has worked well and recommendations can be made to other foundations as they become involved in economic development initiatives.

The county foundations are designed to bring together the community interests of an entire county. While this is the stated goal, this does not always work easily in reality. Several counties noted a need for better involvement from a broader range of communities and organizations within the county in order to bring about an integrated approach to economic development and philanthropy. A discussion on this issue among the county foundations might allow counties to share insights and successes with each other and help all to achieve better relationships and partnering within their respective counties.

It is clear from the results that there were more accomplishments in increasing the overall endowments for the foundations than for endowment funds specifically for microenterprise or economic development. Only one county succeeded in actually establishing such an endowment fund although several others were discussing it and noted that

they hoped to accomplish this in year two. It might be suggested that this be a priority for all the foundations in the second year of the grant.

One additional issue related to microenterprise that the foundations have encountered is how to proceed with business support activities that are consistent with their nonprofit status and IRS regulations. In general, many kinds of direct support or contributions to for-profit businesses are not allowed for charitable county foundations. Thus, another priority for the second year of the initiative may be to develop a set of ways to support microenterprise without jeopardizing the nonprofit status of the foundations.

One business development activity that could be implemented would be a business plan competition. It has been shown that these can have several positive outcomes for a

community. They not only can produce successful businesses, but can also heighten interest in entrepreneurship and could be a way to promote interest in contributions to a microenterprise endowment fund. Such competitions can better produce quality business plans if they are paired with offering a business class series, such as *Fast Trac* for which funding support might be provided by the foundation. Business plan competitions can also be geared to younger entrepreneurs including high school students and the foundations could also enhance partnering with the community colleges by implementing competitions for college students.

Finally, the foundations noted the difficulties of trying to elicit funds and enhance endowments when the country is in the middle of an economic recession. Because of these circumstances, the pace of commitments from residents and

building the endowments was slower than some of the groups expected. There is somewhat more competition for every dollar given for charitable purposes and contributors are more careful in their selections of where and with whom they contribute. In light of these economic circumstances, the endowment achievements of these foundations during the first year of this initiative are all the more noteworthy.

The foundations all noted plans and activities for the second year of the grant. Some envision revisions from what they did during the first year while others generally plan to continue with a similar set of activities and scope of work. They appear to be ready to move on with their second year of the grant and to remain enthusiastic about the dual goals of development and microenterprise.

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