

The Farm School Foundation

a different kind of endowment

For years, whenever the concept of creating an endowment for The Farm School was raised, it was quickly tabled. We lived very much in the moment, inspired by the good will of our whole community of supporters, staff and students to do the work that was laid out right in front of us. Our donors proved they were perfectly capable of managing their money and generously sharing with us what we needed on an annual basis. Every year, the hard work that the donors' gifts represented was matched by the hard work of the Farm School staff and students. While ephemeral, our operation was strong and shining: why would we want to disturb its balance?

Five years ago, as The Farm School approached its 25th birthday, our sense of a future that extended beyond the current cycle began to expand. Having a real and substantial past—being able to look back and see what we had accomplished—allowed us to logically imagine a future that lasted another 25 years, and 25 years past that, and, well...onward from there. It felt as though we could look up from our work in the fields—fields we now owned!—and out to a more distant horizon. The Board knew the time was right to take a longer view of the school's future, including its finances.

Through a careful review of The Farm School's past successes and a projection of its future challenges and opportunities, the Board was able to clarify the school's long-term, high-level priorities. They then created a financial tool designed to help meet these priorities and reinforce the school's values far into the future. Specifically, the Board created a unique form of endowment, one that will provide seed money for innovation and funds to protect The Farm School's financial stability and thereby act to perpetuate the hard work and entrepreneurial risk-taking that has always defined The Farm School.

The purpose of this document is to share the process of thinking that led the Board to their creation of—and extraordinary initial investment in—the Farm School Foundation; to introduce the details of the fund to the school's most committed supporters; and to invite them to invest in it and thereby help create a legacy that forever inspires hard work, kindness, and a connection to the land that feeds us.

Planning

The Board began its thinking about the future by looking back at The Farm School's extraordinary track record

- Starting as a simple idea on paper—that the now-rare experience of working and living on the land can change people's lives, especially children's lives—it has kept true to this vision as it has grown
- Starting its children's programs with one school field trip the week Ben, Wendy and Eliza moved to the farm, it has grown to serve 2,000+ children each year in a completely full schedule that includes multi-day experiences for 42 partner schools; a summer camp; and a full-time middle school
- Starting the Learn to Farm Program in 2002—leading the way in what is now a nationwide movement to train farmers—it has given over 125 adults the tools to grow food for, and exert influence on, the larger world
- Starting out as a seat-of-the-pants operation with 5 contributors and an annual budget of \$20,000, it has matured into a \$1.6 million operation with revenue from tuition, farming, and 389 annual contributors.
- Starting with a payroll of one, it now has 26 employees, 10 of whom have invested their own funds and embodied their own belief in the future of The Farm School by purchasing house lots in the very heart of the farm
- Starting out landless and then operating with a hand-shake lease on 100 acres for 10 years, it now owns over 400 contiguous acres, complete with barns, greenhouses and bunkhouses for its extensive farm-based program activities
- Over its first 27 years, The Farm School has built an extended community of more than 29,000 alums, teachers, staff, and supporters throughout the US and beyond

The Board attributed this success to a number of factors

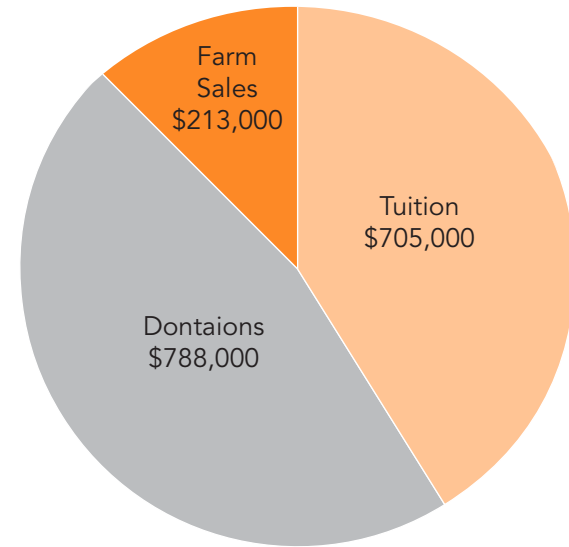
- Deeply held and deeply lived values, which include kindness, integrity,

ingenuity, self-reliance, frugality & hard work

- Placing the quality of the student experience above every other consideration
- Fostering The Farm School as one working farm and one community, rather than a collection of programs
- Steady leadership that inspires staff teamwork and buy-in
- An attitude of scrappy, entrepreneurial risk-taking
- A pattern of opportunistic, organic growth

Nowhere is The Farm School's culture of self-reliance and hard work more evident than in the way it pays its way in the world

- In the words of its accountant, "The school funds its programs without debt, relying on funds from the current year to fund the programming of the year"
- It raises its entire operating budget from scratch each year, from a diverse mix of revenue sources:
 - * Tuition (with more than 60% of the students receiving some level of subsidy)
 - * Farm income (from activity that also plays an important educational role for students)
 - * Individual & family philanthropy, in the form of contributions to the annual fund, income from an annual event, and a handful of major gifts
- As the first licensed private occupational school for agriculture in the state, if not the country, it pioneered charging tuition for agricultural training; it increases tuition by 2% each year in its Program for Visiting Schools
- Among the first farms in the country to adopt Community Supported Agriculture (CSA), it has been constantly refining its farming and marketing



- techniques ever since
- It values its annual donors as contributors to its entire culture as well as its bottom line
 - It has not created an endowment to pay for ordinary annual operating expenses
 - Thanks to the generosity of its donors in honor of its 25th year, it now has an appropriate liquidity cushion

Looking Toward the Future

As the board turned its attention to the future, it saw great opportunity, great challenge, and rapid change for The Farm School in the years ahead.

The good news: The Farm School will not only be relevant in the future, it's exactly what the future needs

- The growing prevalence of virtual experience, nonstop marketing, and shortening attention spans will increase hunger for more sustained, meaningful, real-world experiences and deeper values
- In particular, experiences that offer a connection to the land, to communal work & living, and to healthy food will be especially attractive
- The Farm School is uniquely positioned to satisfy these needs
 - * Making these experiences available to the kids that come
 - * Teaching student farmers to produce food and provide Farm School type experiences to others

- * Sharing knowledge, inspiration, and support with other individuals and organizations who share its goals and values

But the challenges will be every bit as formidable as the opportunities

- One that is already being experienced: the tension between maintaining the quality of its programming and increasing The Farm School's scale, revenue, and impact
- In the future, the school's complex and rapidly changing operating environment will present other challenges we can only guess at
 - * The same societal changes that will build demand (the dominance of virtual world and marketing, etc.) could also make it more difficult to engage children and adults in its programming
 - * Changes in the 'industries' that The Farm School operates in—education, summer camp, agriculture, food—will also present challenges
 - * While The Farm School has managed well in a changing economy, the next 25 years may be radically different from the past 25

Against this backdrop, it's important to remember that The Farm School is a precious resource

- It is a one-of-a-kind entity
- A values-based 'service model,' transmitted and interpreted every day by acculturated staff, it is not formulaic
- Having taken over two decades to evolve, it would be hard, if not impossible to replace or replicate

To insure that The Farm School continues to thrive in the future, the board did 2 things

- Clarified The Farm School's long-term, high-level priorities (see sidebar)
- Created the Foundation, a structure for building and deploying the financial resources required to pursue those priorities

High Level, Long Term Priorities

Protect and enhance the quality of the farm experience for Farm School children and adults

1. Insure that the farm experience remains The Farm School's reason for being and the touchstone for everything it does
 - * Identify quality and work to preserve and enhance it
 - * Calibrate the balance between maintaining quality and increasing scale
 - * Make sure an increasingly wide range of people have access to The Farm School
2. Strengthen The Farm School as one working farm, one community, one culture
 - * Maintain The Farm School as a real, human-scaled, single-site farm
 - * Promote The Farm School's culture of kindness as a daily influence on every aspect of its work
 - * Continue to advance the mutually beneficial role that annual supporters play in the ongoing vitality of the school and its culture
 - * Avoid activities that fragment The Farm School experience or that distract the organization's attention away from the farm, its programs or its community
3. Increase The Farm School's impact on the world beyond the farm's boundaries
 - * Expand the quality and size of the Learn to Farm class and explore multiple ways to increase the graduates' impact on the larger world
 - * Launch practice-based research and other work of use to those beyond the farm
 - * Raise The Farm School's profile and increase joint work with peer organizations and other partners
4. Increase TFS's capacity to sustain itself, to innovate, and to evolve
 - * Build the capacity to create and manage self-sustaining ventures that advance these priorities—especially ventures based on farming or related activities
 - * Increase The Farm School's organizational capacity and its ability to foresee and plan for change
 - * Invest in people who can thrive in and contribute to The Farm School's unique work culture
 - * Build the financial resources to promote innovation, reasonable risk-taking and stability

The Foundation

The last priority on the list—to “build the financial resources to promote innovation, reasonable risk-taking and stability”—was identified as the key to advancing many of the other priorities. And a new sort of funding mechanism was needed beyond annual funding in order to enhance and protect The Farm School far into the future, one that could be used to raise, preserve, and commit resources on a much longer timeframe than the one-year horizon.

The Board agreed that establishing an endowment would be the best tool for accomplishing this goal. It incorporated a separate, 501(c)(3) supporting organization—The Farm School Foundation, Inc.—specifically to hold the endowment. This created a clear separation between endowment and ordinary school assets and a separate, but interlocking, Board that could focus exclusively on the endowment.

The Farm School Foundation Board was given the charge to create policies and procedures that would

- Provide The Farm School with the most stable, flexible, and far-reaching support possible
- Reinforce The Farm School's entrepreneurial and self-reliant culture

To meet these goals, the Foundation Board defined two types of funding from the endowment that will act together to inspire the organization to fulfill its high-level, long-term priorities

1. Innovation Funding

- * Will provide seed money for new ventures that advance The Farm School's priorities and/or generate income
- * Intended to fund substantial projects that will become self-sustaining, on their own or in combination with other projects
- * Examples of possibilities include
 - Farm School Institute \$125,000 over four years to support initial research, testing and launch of a suite of weekend workshops,

conference presentations and consulting services that draw upon the existing expertise and culture at The Farm School to increase the school's impact on the larger world

Farming in a Changing Climate \$115,000 over 3 years to install three 30x96 foot movable hoop houses on tracks to ensure a quality tomato crop for market and to equip our Student Farmers with the techniques, skills and experience they will need to face the future challenges of growing tomatoes in our region

2. Stability Funding

- Will temporarily makes up budget shortfalls due to reasonable risk-taking or unforeseeable financial losses
- Intended to act like a revolving loan fund
- Used no more often than once every 5 years, if ever

These two uses of the Foundation's annual payout firmly establish it as a different kind of endowment, one designed specifically for The Farm School's needs and values

- It makes no annual contribution's The Farm School's regular operating budget
 - * The Farm School will still earn its operating budget from scratch every year
 - * It recognizes the relationship with annual donors as a central aspect of the school's vibrancy and relevance
 - * It is not intended to make things easier for The Farm School; instead, it challenges the organization to use its extraordinary platform to accomplish as much as it possibly can
- It does not enable funding specific projects in perpetuity
 - * The whole idea is to give The Farm School maximum flexibility to meet unforeseen future challenges and opportunities

The Farm School Foundation Distribution Policies

Innovation Funding

- Supports a small number of major initiatives with the potential to become transformative for The Farm School (TFS)
- Focuses on starting up or expanding activity that advances TFS's mission and becomes self-sustaining within 5 years
- May not be used to fund 'growth for growth's sake.' Increases in TFS's footprint or operations may only be pursued when aligned with the school's high-level, long-term priorities
- May involve distributions over a period of years.
- Are made following a disciplined planning and decision process that includes multi-year financial and impact projections

Stability Funding

- Makes up occasional (no more than once every five years) TFS budget shortfalls that result from innovative work and reasonable risk-taking by TFS staff, or from unforeseeable events beyond its control
- Is approved through a disciplined process that includes debriefing the cause of the shortfall, the steps that can be taken to avoid the problem in the future (if possible), the estimated shortfall amount, and a payback plan. Payback will not be required in amounts that would impair TFS's financial stability
- Under normal circumstances is repaid to the Foundation in the amount of the actual shortfall within 5 years, according to the terms of the payback plan

Proposals for either Innovation or Stability Funding require review and approval by The Farm School Board, followed by review and approval by the Foundation Board. The Foundation Board has the discretion to 'spend or save' the endowment's annual payout: it can be used to fund one or more current proposals or accumulated for future use.

Adapted from the Policies of the Farm School Foundation

Funding the Foundation

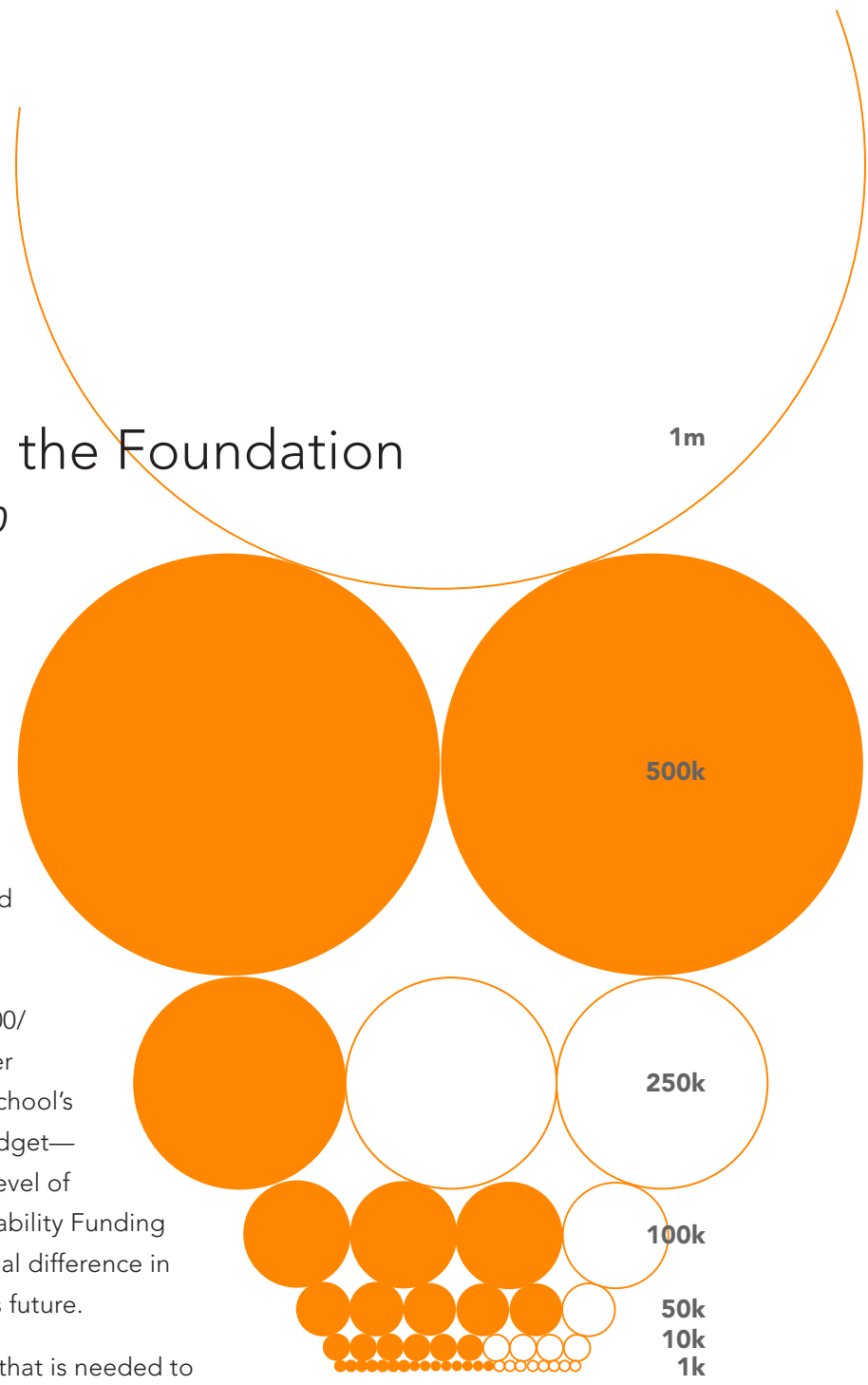
\$3M by 2020

After examining several scenarios for the endowment, The Farm School Board determined that a combined net outflow of \$120,000/year—or just under 7% of The Farm School's current annual budget—would support a level of Innovation and Stability Funding that will make a real difference in The Farm School's future.

The total amount that is needed to generate that level of outflow, based on the 4% spending rate determined by the Foundation Board for the endowment, is \$3,000,000. Crucially, that amount would also give the Foundation access to a much greater range of options for investment management.

At this point the campaign has achieved

- Achieved 100% Board participation
- Commitments of \$1.9M



What can you do?

When the time comes, at the Big Pig Gig and/or to the Annual Campaign, please do continue your annual giving to The Farm School, it is the key to everything!

And please also consider joining us here in the creation of a legacy that forever inspires hard work, kindness and a connection to the land that feeds us by contributing as much as you possibly can to The Farm School Foundation.