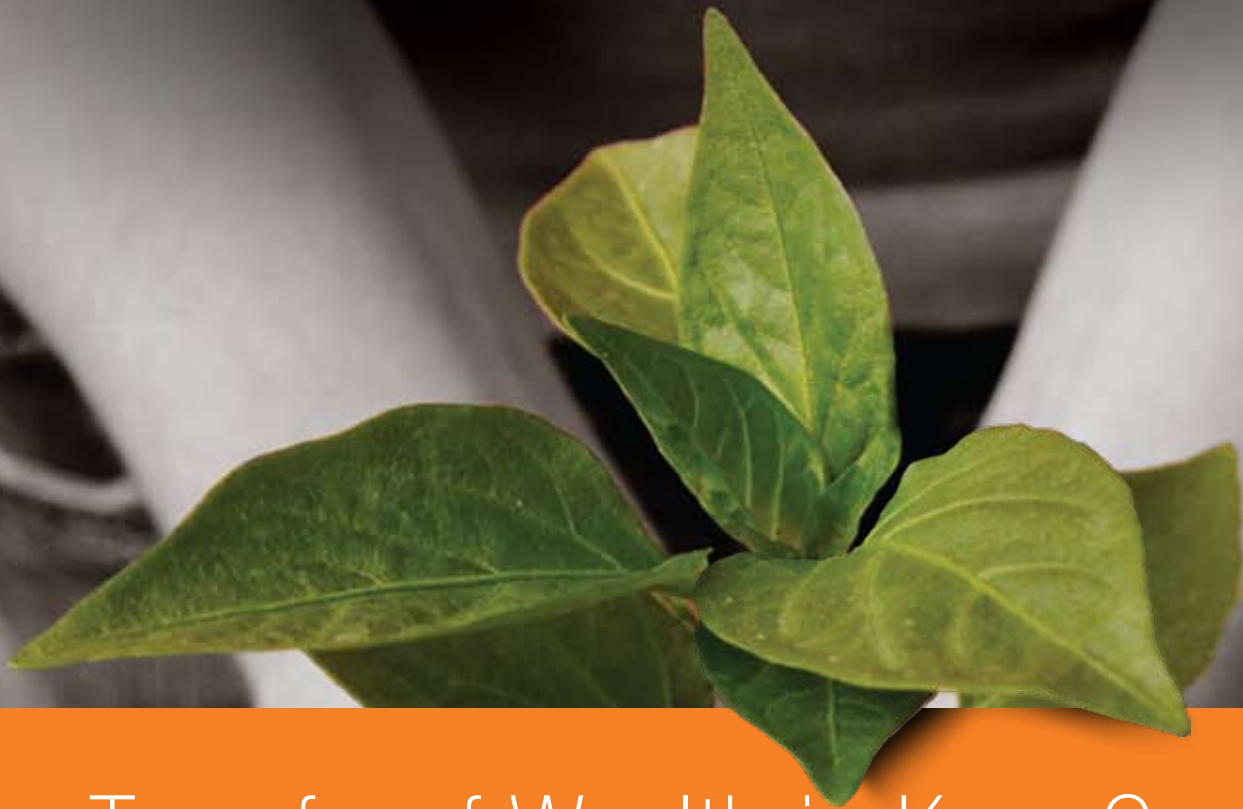


A REPORT TO THE COMMUNITY BY KERN COMMUNITY FOUNDATION



Transfer of Wealth in Kern County

KERN COMMUNITY
FOUNDATION

*Growing community.
Growing philanthropy.*



**KERN COMMUNITY
FOUNDATION**

Jeffrey R. Pickering
President and CEO
jeff@kernfoundation.org
kernfoundation.org

3300 Truxtun Ave
Suite 220
Bakersfield, CA 93301
main 661 325.5346
direct 661 616.2601
fax 661 325.5358

INTRODUCTION

KERN COMMUNITY FOUNDATION BELIEVES THAT A HEALTHY NONPROFIT SECTOR IS ESSENTIAL TO THE OVERALL QUALITY OF LIFE IN OUR KERN COMMUNITY.

Kern Community Foundation believes that a healthy nonprofit sector is essential to the overall quality of life in our Kern community. The Foundation's commitment—as a home for local philanthropists, as a results-oriented grantmaker, as a trusted community leader—is to be relentless in our determination to improve people's lives and our community with such vitality that people stay, engage and invest by choice not circumstances. To this end, in 2011, with support from Valley Republic Bank and The James Irvine Foundation, the Foundation conducted a groundbreaking study on the coming transfer of wealth in Kern County and its potential impact on Kern's nonprofit charitable organizations. The Foundation is proud to present the findings in this unprecedented report to the people of Kern County.

Over the next 50 years, the residents of Kern County will transfer billions of dollars to the next generation. This Transfer of Wealth (TOW)—the process whereby one generation transfers their assets to the next—represents the single largest under-developed financial resource available to Kern communities to support their development. The findings presented in this report demonstrate an unprecedented opportunity for Kern County residents to create a charitable legacy that can make this community a better place to live, to work and to visit now and forever.

Kern Community Foundation issues this report as a call to action. By doing so, the Foundation hopes to inspire endowment-building throughout Kern County, and to empower communities to preserve local assets by capturing a portion of the coming intergenerational transfer of wealth for the good of Kern.



“Transfer of Wealth in Kern County” proves that capital is available to grow philanthropy here and sustain our charitable institutions. If you love our community, we hope that you will take this report seriously and do your part for the good of Kern. The future of our community is in your hands.

Jeffrey R. Pickering
President and CEO

KERN COUNTY: BY THE NUMBERS

KERN COUNTY'S NONPROFIT CHARITABLE SECTOR
AND THE CASE FOR PERMANENT SUPPORT

Donors in Kern County have a long history of giving back by making annual contributions to local charitable organizations, some of which are 50 and 100 years old. In spite of this generosity, however, 90 percent of the region's charities hold less than 12 months savings on their balance sheets. The following information demonstrates the fragile financial position of Kern County's nonprofit sector overall, and supports the case for individual donors doing their part to create permanent support for results-oriented local charities.

1,000 According to the National Center for Charitable Statistics, in 2010 there were approximately 1,000 registered nonprofit charitable organizations with a 501(c)(3) designation from the Internal Revenue Service in Kern County.

400 According to the National Center for Charitable Statistics, 400 Kern County nonprofit charitable organizations were required to file a tax return because of receiving more than \$25,000 in revenue in 2010.

300 In 2010, Kern County nonprofit charitable organizations collected close to \$300 million in charitable contributions to support their missions, which include programs in education, healthcare, the arts, social services, conservation and faith-based initiatives.

75 In 2010, more than 75 percent of the \$300 million collected by Kern County nonprofit charitable organizations in 2010 came from individual donors who made contributions outright, at an event or in response to an appeal.

10 Just 10 percent of the region's nonprofit charitable organizations hold more than 12 months savings on their balance sheets.

1 One out of five Kern County charitable organizations had its 501(c)(3) designation from the Internal Revenue Service revoked in 2010, making them disqualified to receive tax-deductible contributions.

KERN COUNTY: BY THE NUMBERS

A CLOSER LOOK AT KERN COUNTY'S NONPROFIT CHARITABLE SECTOR AND THE CASE FOR PERMANENT SUPPORT

Kern Community Foundation's Nonprofit Search is a new online tool that helps donors find, learn about and give more effectively to Kern County charities. In 2011, representatives from 202 nonprofit organizations attended orientation sessions and 107 organizations began the process of completing a profile featuring their financials, leadership, management and programs all in a simple to use database. By December 31, 2011, a total of 80 organizations completed the process, receiving "Reviewed" status and enabling the "Donate Now" feature on their organization's profile.

Of the 80 nonprofit charitable organizations with a "Reviewed" profile on Kern Community Foundation's online Nonprofit Search on December 31, 2011, \$103 million in annual revenue was earned, \$13.1 million of which came from public support. Eighty-five percent of the public support came in the form of contributions from individuals, and 15 percent came from contributions from corporations and foundations.

19 Only 19 percent of all organizations report having an endowment to support long-term sustainability.

A closer review of a subsector of Kern's nonprofits, such as the arts, reveals much of the same. Of the 28 nonprofit charitable arts and culture organizations with a "Reviewed" profile on December 31, 2011, \$5.9 million in annual revenue was earned, \$2.3 million of which came from public support. 60 percent of the public support came in the form of contributions from individuals, and 40 percent came from contributions from corporations and foundations.

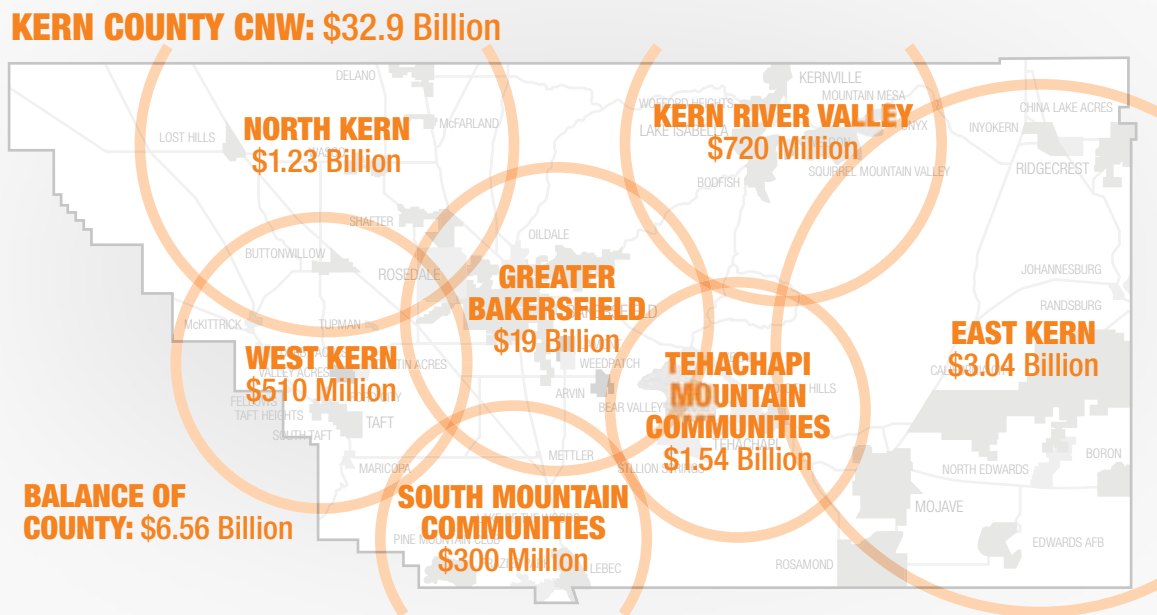
14 Only 14 percent of all arts organizations report having an endowment to support long-term sustainability.

Of the 80 nonprofit charitable organizations with a "Reviewed" profile on Kern Community Foundation's online Nonprofit Search on December 31, 2011, approximately one-third have been in operation for 25 years or more.

1 One out of three organizations in operation for 25 years or more report having endowments to support long-term sustainability.

KERN COUNTY'S CURRENT NET WORTH

In 2010, Kern County's current net worth (CNW) was estimated to have a value of approximately \$32 billion. Figure 1 provides a map of Kern County, which indicates CNW for the county and its communities. For a community-by-community analysis visit the Kern Transfer of Wealth section of www.kernfoundation.org.



Summary Findings of Current Net-Worth

Absolute Values in Real Dollars & Comparative per Household Values

2010 Net Worth

PLACE	VALUE (BILLIONS)	PHH (THOUSANDS)
U.S.	\$28,065.17	\$235.0
California	\$2,789.58	\$220.3
Kern County	\$32.90	\$129.0
East Kern	\$3.04	\$116.9
Greater Bakersfield	\$19.00	\$139.7
Kern River Valley	\$0.72	\$97.8
South Mountain Communities	\$0.30	\$101.4
North Kern	\$1.23	\$70.7
Tehachapi Mountain Communities	\$1.54	\$167.2
West Kern	\$0.51	\$79.0
Balance of the County	\$6.56	\$132.2

Source: RUPRI Center for Rural Entrepreneurship

WHAT IS THE TRANSFER OF WEALTH OPPORTUNITY FOR KERN COUNTY?

In the coming five decades there is \$80 billion in Transfer of Wealth (TOW) giveback potential in Kern County.

If just five percent of this opportunity was captured into community endowments a total of \$4 billion could be realized with the potential to generate \$200 million annually in grantmaking for the good of Kern.

Methodology

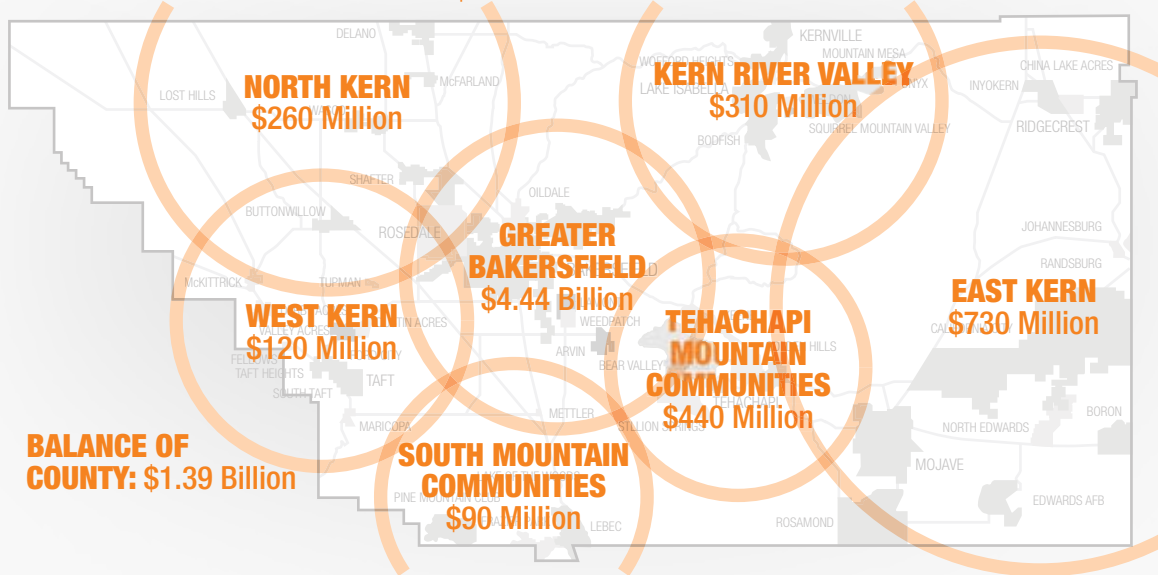
Research for this study was conducted by the staff of the RUPRI Center for Rural Entrepreneurship. TOW scenarios are created using a method the research team has developed and refined specifically for the purpose of producing scenarios based on projections of likely futures, not predictions or forecasts of actual future outcomes. These scenarios are not designed to dictate policy but rather provoke strategic discussions driven by a simple question—what if the community were able to capture just five percent of the wealth that will transfer between generations over the next 10, 20 or even 50 years and be used for the good of Kern?

The TOW analysis uses a data series produced by the U.S. Federal Reserve, Survey of Consumer Finance Report, to match demographic characteristics for Kern County with key national indicators. A complete description of this data series, along with a copy of the entire Technical Findings Report can be found at www.kernfoundation.org. Since the base year for TOW analysis is 2010, estimates of state and county net worth are adjusted to 2010 levels. The U.S. Federal Reserve's Flow of Funds Accounts of the United States is used to inflate the estimate to current net worth (CNW). The Flow of Funds Report is the definitive national accounting of household current net worth in the United States on a year-to-year basis.

KERN COUNTY'S 10-YEAR TRANSFER OF WEALTH OPPORTUNITY — THE OPPORTUNITY IS NOW!

In 2010, Kern County's current net worth ("CNW") was estimated to have a value of approximately \$32 billion. Of this amount, \$7 billion is expected to transfer from one generation to the next through probate estates over the next 10 years. Assets will transfer to heirs who live in Kern County, to heirs outside of Kern County and to pay debts and taxes. **If five percent of this projected transfer is designated for local charity, nearly \$388 million would be retained for the good of Kern in just 10 years. If this \$388 million were to be held, managed and invested in charitable endowments, an estimated \$19 million would be available to benefit local nonprofits each year.**

KERN COUNTY 10-YEAR TOW: \$7.77 Billion

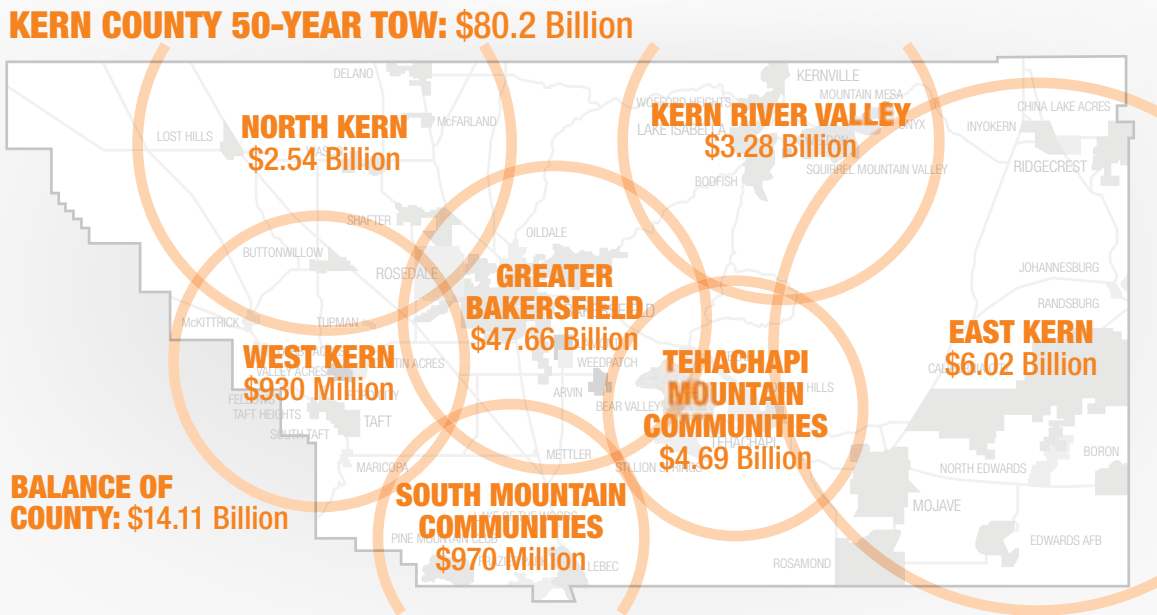


Current Net Worth (CNW) and 10-Year Estimated Transfer of Wealth Opportunity Scenario for Kern County and Its Communities

PLACE	2010 Net Worth	10-Year TOW	If 5% Endowed	5% Annual Payout
	Value (billions)	Value (billions)	Value (millions)	Value (millions)
California	\$2,789.58	\$490.27	\$24,513.65	\$1,225.68
Kern County	\$32.90	\$7.77	\$388.27	\$19.41
East Kern	\$3.04	\$0.73	\$36.29	\$1.81
Greater Bakersfield	\$19.00	\$4.44	\$221.77	\$11.09
Kern River Valley	\$0.72	\$0.31	\$15.31	\$0.77
South Mountain Communities	\$0.30	\$0.09	\$4.70	\$0.24
North Kern	\$1.23	\$0.26	\$12.89	\$0.64
Tehachapi Mountain Communities	\$1.54	\$0.44	\$21.77	\$1.09
West Kern	\$0.51	\$0.12	\$6.11	\$0.31
Balance of the County	\$6.56	\$1.39	\$69.42	\$3.47

KERN COUNTY'S 50-YEAR TRANSFER OF WEALTH OPPORTUNITY — THE OPPORTUNITY IS MASSIVE!

In 2010, Kern County's current net worth ("CNW") was estimated to have a value of approximately \$32 billion. Of this amount, \$80 billion is expected to transfer from one generation to the next through probate estates over the next 50 years. Assets will transfer to heirs who live in Kern County, to heirs outside of Kern County and to pay debts and taxes. **If five percent of this projected transfer is designated for local charity, nearly \$4 billion would be retained for the good of Kern over the next 50 years. If this \$4 billion were to be held, managed and invested in charitable endowments, an estimated \$200 million would be available to benefit local nonprofits each year.**



Current Net Worth (CNW) and 50-Year Estimated Transfer of Wealth Opportunity Scenario for Kern County and Its Communities

PLACE	2010 Net Worth	50-Year TOW	If 5% Endowed	5% Annual Payout
	Value (billions)	Value (billions)	Value (billions)	Value (millions)
California	\$2,789.58	\$6,562.14	\$328.11	\$16,405.34
Kern County	\$32.90	\$80.20	\$4.01	\$200.51
East Kern	\$3.04	\$6.02	\$0.30	\$15.05
Greater Bakersfield	\$19.00	\$47.66	\$2.38	\$119.15
Kern River Valley	\$0.72	\$3.28	\$0.16	\$8.20
South Mountain Communities	\$0.30	\$0.97	\$0.05	\$2.42
North Kern	\$1.23	\$2.54	\$0.13	\$6.35
Tehachapi Mountain Communities	\$1.54	\$4.69	\$0.23	\$11.73
West Kern	\$0.51	\$0.93	\$0.05	\$2.33
Balance of the County	\$6.56	\$14.11	\$0.71	\$35.29

WHAT TO DO NOW?

PUTTING TRANSFER OF WEALTH TO WORK

Individual Donors

Think about the charitable issues that are important to you. Review the list of specific charitable organizations you gave to last year. And then:

- *Make an additional contribution of five percent of the total amount of your charitable gifts from last year to the endowment of your favorite charity or to a fund at Kern Community Foundation. Currently, we hold a number of agency funds and several community endowments like The Women's and Girls' Fund, the KernArts Forever Fund and the KernHealth Forever Fund.*
- *Talk to your professional advisor about including your community in your estate plans. Consider leaving at least five percent of the residue of your estate for the good of Kern.*
- *Establish a donor advised fund to organize your charitable giving or as an alternative to a private foundation, which can then be incorporated into your estate plans.*

Nonprofit Leaders

Assess your organization's readiness for establishing and growing endowment.

- *Does your organization have a profitable annual fund campaign?*
- *Does your organization hold and manage a reserve fund to be used for a "rainy day?"*
- *Does your organization receive annual fund contributions from individual donors who give year after year? Might these donors consider making an additional contribution of five percent of their previous gifts or consider leaving at least five percent of the residue of their estates for the good of your organization's future?*

If you answer "yes" to these questions, your organization may benefit from a permanent agency endowment fund at Kern Community Foundation. Agency fund services include investment management and expert planned giving assistance to help ensure your organization's future.

Rural Communities

Do you have local leadership committed to building a future for your hometown? If so, your rural community may benefit from a permanent field of interest endowment fund at Kern Community Foundation. Organized local leadership can affiliate with Kern Community Foundation by establishing a permanent endowment fund where your neighbors commit to giving or leaving behind five percent for the good of your community.

A C K N O W L E D G E M E N T S

Sponsor



VALLEY REPUBLIC BANK

The Kern Transfer of Wealth study is sponsored exclusively by Valley Republic Bank. We thank the bank's Board of Directors and Bruce Jay, President and CEO, for their generous support. More information about Valley Republic Bank may be found at www.valleyrepublicbank.com.

Additional Support

the **James Irvine** foundation

Publication of the report *Transfer of Wealth in Kern County* is made possible, in part, by a grant from The James Irvine Foundation. We thank the Board of Directors, James E. Canales, President and CEO, and Anne K. Vally, Senior Program Officer, for their generous support and guidance.

Technical Advisory Committee

We owe special thanks to those who served on our Technical Advisory Committee and other contributors who helped us produce a report that accounts for circumstances that are unique to Kern County and its communities.

Technical Advisory Committee: Sheryl Barbich, Barbich Consulting; Keith Brice, President, Mid State Development Corporation; John Brock, Jr., Vice President, Gregory D. Bynum and Associates, Inc.; Richard Chapman, President and CEO, Kern Economic Development Corporation; Chandra Commuri, Associate Professor of Public Administration, California State University—Bakersfield; John Pryor, Management Consultant; Bill Van Skike, Chief Operations Officer, Klassen Corporation.

Other Contributors: Steve Runyan, ARA; Dr. Joseph C. MacIlvaine, President, Paramount Farming Co.; Suzie Roget; Eugene J. Voiland, retired President and CEO, Aera Energy LLC and Chairman, Valley Republic Bank; Kern Council of Governments; Kern County Department of Finance.

Research Partners

The Kern Transfer of Wealth study is based on many factors, including demographic trends and current household related wealth such as residential real estate, agricultural real estate, investments, business ownership, and energy development and production. Data collection, analysis and authoring of the technical report is the work of the RUPRI Center for Rural Entrepreneurship. We thank Don Macke, Project Director and Ahment Binerer, Research Analyst, for their contributions. More information about the RUPRI Center for Rural Entrepreneurship can be found at www.energizingentrepreneurs.org.

