

FIRST ANNUAL REPORT TO THE AVI CHAI FOUNDATION
ON THE PROGRESS OF ITS DECISION TO SPEND DOWN

PREPARED BY JOEL L. FLEISHMAN

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CENTER FOR STRATEGIC PHILANTHROPY
AND CIVIL SOCIETY
SANFORD SCHOOL OF PUBLIC POLICY
DUKE UNIVERSITY

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OVERVIEW: BACKGROUND AND KEY OBSERVATIONS

Zalman Chaim Bernstein, z'l², AVI CHAI's founding donor, was a tough-minded visionary who, like many other foundation founders, sought to create a foundation in his own image peopled with persons whom he knew and believed he could trust to carry out his vision and motivating values during his lifetime and thereafter. He sequentially hand-picked for his trustees persons whom he knew to be very smart, talented, independent-minded men and women, in every case persons for whom the mission of AVI CHAI was at the very core of their own lives, as it was of his.

Since 1984, that mission has been and continues to be to strengthen Judaism, Jewish literacy, and Jewish tradition wherever his foundation was to operate—North America, Israel, and the former Soviet Union—and to sustain, enlarge, and enrich Jewish commitment to the State of Israel. As the foundation's work grew and its geographic reach broadened, Trustees and staff developed strategies appropriate to the regions in which they worked. The philanthropy in each region is overseen by an executive director who reports to the Board.

¹ Joel L. Fleishman was the principal researcher and the author of this report. Tony Proscio participated in some of the research, provided editorial and substantive contributions in the final draft, and concurs in the findings and conclusions.

² For those unfamiliar with the usage "z'l", it is used by Jews in mentioning the names of the departed, and has the meaning of "may his or her memory be a blessing for all."

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In North America, the focus has been to foster and nurture the energizing nucleus of the American Jewish community, by which the Foundation means American Jews who are Jewishly literate, who view their lives through the lens of the Jewish religion and feel a deep connection to the world-wide Jewish people, with its center in Israel. Believing that the most effective educational vehicles to achieve this energizing nucleus are Jewish day schools and overnight summer camps, the foundation has invested significantly in both fields. Fifty percent of AVI CHAI's spending is directed towards programs in North America.

AVI CHAI's Israel grant-making strategy focuses on three distinct goals: encouraging 1) mutual understanding between Jews of different commitments to Jewish traditions; 2) a new Jewish leadership, with deep knowledge and respect for others, who will guide and influence the various communities in which they participate; and 3) Jewish study and literacy among secular Israelis so that they can become more active and knowledgeable partners in shaping Jewish life in Israel. Forty percent of AVI CHAI's grants budget is focused on its Israeli activities.

In 2001, AVI CHAI expanded its philanthropic reach into the former Soviet Union, where its central focus has been to encourage Jewish involvement. AVI CHAI-funded programs reach beyond conventional Jewish organizations to provide Jewish educational, academic and cultural offerings that capture the attention and interest of the widest and most diverse Jewish audiences. The Foundation devotes ten percent of its grant-making budget to its work in the former Soviet Union.

Bernstein's care in choosing his foundation's trustees was closely related to his preference for having his foundation spend itself out of existence during some later-to-be-specified short time period, as he frequently confessed concern about having people whose value commitments he did not know in a position to decide to what ends his philanthropic resources were to be put. He also observed that, absent those trustees whom he had personally selected, he would not have confidence that his foundation could be faithful to his vision and values, which I was told was the primary reason he had expressed a strong preference for sunsetting his foundation. One of the Trustees reported to me that, in a conversation between Mr. Bernstein and Roger Hertog, Mr. Bernstein had expressed the view that "all philanthropies will tend to become liberal because philanthropy is a liberal concept."

One Trustee, in explaining why she accepted Mr. Bernstein's invitation to serve, said, "The reason I came on board was that, for me, Zalman was the toughest Jew I had known. If I was going to work within a Jewish structure, I wanted it to be with someone who was more hard-headed than I was." All of the Trustees I interviewed spoke of the founder with a kind of reverence that bordered on awe. Because of their admiration for Mr. Bernstein personally, and because of their passionate commitment to the values that animated him and AVI CHAI, they have all been willing to devote far more of their time and energy to personal engagement in The AVI CHAI Foundation on a sustained basis than I have encountered in trustees of any other foundation. While they are all independent-minded and strong-willed, and their views on many matters differ on some issues, they nonetheless confess a genuine admiration and respect for all of their co-Trustees that conduce to frank, friendly and civil exchanges with them even on hotly-contested matters with which they are dealing.

One more point to make here is indispensable because it underscores and helps to explain the time, energy and ideas commitment which all the Trustees

are making. Arthur W. Fried, the Chairman of the Trustees, as well as CEO, of AVI CHAI, continually inspires those contributions by his fellow Trustees by setting an example with his own service to AVI CHAI, which, in my experience, is far beyond the call of duty to an analogous institution or loyalty to a friend who founded it. Mr. Fried devotes substantially all of his time to the affairs of AVI CHAI, and he does so without any compensation, other than the joy and pleasure derived from encouraging and channeling the enthusiasm and creativity of the management and staff in America, Israel and the former Soviet Union. It is no wonder, then, that the AVI CHAI Trustees, and indeed all the members of the staff, respect, admire and even revere him so.

The respect all of AVI CHAI have for both Mr. Bernstein and Mr. Fried, therefore, is also an important reason that AVI CHAI Trustees are willing to play a far more active role in many programmatic decisions and their implementation than is characteristic of virtually all other foundations. AVI CHAI is a "trustee-driven" foundation. As described in the 1999 Annual Report, prepared by Arthur Fried about a year following Mr. Bernstein's death, "No proposal is included on the agenda of a board meeting without its being prepared jointly by a member of the staff and the sponsoring Trustee." He elaborated that that requirement does not necessarily mean that every proposal idea has to be initiated by a Trustee, but only that to get on the board agenda requires that at least one Trustee agree to support its consideration. In fact, the program staff frequently initiates consideration of ideas and then takes them to individual Trustees to seek formal sponsorship for them. This policy, Mr. Fried points out, is meant to be only "an early guide for how we intend strategically to manage the foundation in the era following the donor's passing," and is one of the ways of maintaining the Trustees' interest and involvement in the program. That Report continues: "To quote Zalman Chaim Bernstein, 'AVI CHAI is always to be a Trustee-driven foundation.' Indeed

the Trustees are actively involved in every facet of the Foundation's philanthropic programs and are expected to serve as the primary source of programmatic initiatives." This point was elaborated further in the 2000-2001 Report: "More clearly defined, it is the unique working relationships between our staff and each of the 11 Trustees. Every Foundation project, large or small, has a Trustee assigned to it. We apportion responsibility among the Trustees, enabling them to interact in a constructive and positive way with our grantees. Given the rich and varied professional backgrounds of our Trustees, we find that the effectiveness of AVI CHAI's funding is enhanced due to their pro-active involvement." [p. 7]

However, for all its benefits, this intense involvement by Trustees in each AVI CHAI grant can have the side-effect of focusing Board members' attention more on individual projects than on the strategy and fit of the over-all philanthropic program as a totality. That can lead, as one staff member put it, to "a process whereby every person, whether he/she is staff or Trustee, is looking at particular trees and not at the forest.... This period of spend-down, with its defined scarcity of time, is all about looking at the forest." The discipline of winnowing the list of grantees as the end approaches; selecting and piloting the program toward overall goals that can be achieved in the remaining time; and finding ways to ensure the survival of the most important grantees and activities after AVI CHAI's disappearance—all these are "forest" responsibilities, quite distinct from what most AVI CHAI Trustees had been accustomed to: the project-by-project shepherding of grants and activities toward their discrete purposes and particular goals. In other foundations in which the role of trustees and the time they spend are heavily focused on individual initiatives, although I know of none that are so focused to the same degree as AVI CHAI, trustees often do have their vision and attention distracted from what should be their primary focus—the strategic concerns of the foundation and its program as a whole. It would be unusual, then, if the same phenomenon did not occur with AVI CHAI.

To be sure, the AVI CHAI Board has lately drawn its attention much more toward the big, strategic questions that constitute its programmatic "forest." Most notably, the Board and program staff in 2009 collaborated on an exemplary across-the-board assessment of all the Foundation's projects, assessing the value or importance of each activity compared with all the others, and deciding which would be phased out earlier than the rest. It is an example of tough-minded governance rare in the philanthropic world—one that would benefit perpetual foundations as much as those with a limited life. Nonetheless, for foundations that have adopted a course of sunseting it is a discipline that is all but indispensable to an orderly, thoughtful spend-down.

Yet, at AVI CHAI, this process occurred comparatively late in the Foundation's limited life, nearly five years after the decision was made to distribute all the assets and conclude its grantmaking. It is arguable that an earlier grappling with these and other strategic implications of spending down might have afforded AVI CHAI more time and options for implementing the tough choices it is now beginning to make—not to mention the ones it has yet to make. On the other hand, the Beldon Fund, which at its founding announced that it would go from birth to lights-out over a specified period and which was, by assets, smaller than AVI CHAI, took ten years to re-adjust its grantmaking and complete its spend-down. There is, therefore, no magic in any particular number of years required, and AVI CHAI has been focusing on its spend down for two years and does have in addition a full ten years from now to complete the processes of both making any desirable adjustments to its program plans and completing its spending down in an orderly fashion.

Among the looming, unfinished decisions are four that carry particular strategic freight. One is how to ensure the durability of those grantees and activities that best represent the philanthropic goals AVI CHAI has sought to achieve. For the goals of the Foundation's philanthropic vision to survive and endure by means of the seeds which it has planted

and nourished, it will need to spend a significant part of its remaining years in building the organizational strength of key grantees, helping them develop the capacity to raise resources for themselves and find additional (and eventually alternative) sources of funding, and assisting in developing, with them, plans for their long-term sustainability. In fields where AVI CHAI has been a rare, and often a solitary, funder, the effort to find other sources of support becomes especially difficult and especially urgent. All of this will demand significant and serious staff time and talent—probably including some forms of specialized talent that are not now generally available among the current staff.

Second, it is not only individual organizations but whole fields that will need to be strengthened—new donors recruited and cultivated, best practices solidified, alliances or even mergers among grantees explored and organized, supportive public policies pursued, and so on. As noted below, AVI CHAI has already been focusing on field-building, for example in strengthening its primary fields of Jewish day schools and Jewish camping. How much more of this field-building AVI CHAI can achieve in its 11 remaining years (the economy permitting) is unclear. But the “how much more” of this question has only recently begun to be explored, and all aspects of it will need smart, swift consideration before much more time has passed.

The third unresolved issue is whether AVI CHAI should spend its remaining years focused solely on existing initiatives within the fields it has already embraced, or whether it should open exploration into one or more new initiatives, also within the existing fields of its historic focus. A persuasive case can be made that AVI CHAI should focus entirely on its existing programs, select those which are most important to it, phase out support to those which are not, and concentrate available resources on those which hold greatest promise to be able, with AVI CHAI support, to achieve self-sufficiency over the long run. Adding perhaps a few new undertakings, however, while narrowing the number

of existing initiatives in order to focus more resources on the most important and promising, might help, as one staff member put it, to keep the philanthropic air from growing “stale” as the institution winds down. But it could also dilute the time and attention needed to finish the job with the current projects over the coming decade. A case can also be made, perhaps less persuasive, that AVI CHAI should go on about its business as it is doing it today, increase the organizational capacity-building support to its existing grantees, and hope for the best but let the “sustainability” chips fall as they may.

While the question of whether to start a new initiative may not be as urgent as the other two questions, it will have a way of answering itself—in the negative—if it is not resolved soon. Soon after the planning for spend-down began, AVI CHAI constituted three Working Groups in North America, and has been contemplating whether one more should be added. The Working Groups are seen as vehicles whereby, in the words of a staff member, AVI CHAI can manage “to shift from the “mosaic” approach of the many initiatives of the past to a few large efforts which might themselves be the goal of the spend-down.” Each of the three existing Working Groups is made up of both staff and Trustees, to brain-storm ideas for possible expanded activity. Three of the Working Groups have begun to meet and consider various ideas but none of them has put forward a finished plan for implementation. In Israel, a strategic planning process is under way that engages Israeli Trustees and staff to determine the directions and allocation of resources for AVI CHAI’s philanthropy in Israel during the Foundation’s final decades.

The fourth unresolved issue is whether and how the Trustees should shift the Board’s focus, including the way in which it spends its time, to one that is less on the making, renewing and/or dynamics of individual grants and much more on the large strategic questions facing AVI CHAI as it moves through the remaining years of its active life. The Trustees, as a group, need to think about exactly what the goal for the remaining life of

AVI CHAI is to be. Should the goal be a “legacy” at all? If so, how should it be defined? Should it be embodied entirely in a new initiative or initiatives, or in part in a new initiative and in part in going about its present work in its usual fashion, while engaging or not in greater grantee capacity-building and some focused efforts to recruit the participation of philanthropic partners? That basic strategic question, and the alternative tactics to pursue in achieving it, should constitute the main role of the Trustees during their limited time together, even if doing so requires the Trustees to diminish the time they now spend on discussing their involvement in individual grants.

Two concerns that many foundations tend to raise when the topic of spending down is discussed have so far proved not to be especially troublesome in AVI CHAI’s experience. The first is staff morale, which remains high. Employees describe the challenges of spend-down as largely invigorating, and they continue to be devoted to the unique mission of the Foundation. Some acknowledge a quiet concern over their next career steps—a concern that may increase when the ending time grows nearer. But for now, the effect of spend-down on employees’ attitudes toward their work has been neutral at worst, and in some ways positive. The other area that has so far posed limited difficulty has been in grantees’ relationships to the Foundation. Here, the passing of time may well darken the picture, but for now, at least, grantees mostly describe a vigorous, collegial, and forward-looking relationship with AVI CHAI staff. Some, it seems, may have exaggerated expectations of how much support they can expect from the Foundation before the end (a few seem to harbor hopes of endowment gifts, which AVI CHAI has thus far ruled out). That and other disappointments may have to be confronted in later years, but, for now, the prospect of a spend-down has not harmed the funder-grantee relationship, even though it places increased pressure on both sides.

AVI CHAI AS A CASE STUDY OF SPENDING DOWN

This is the first of what AVI CHAI expects to be a series of annual documentations and assessments of the progress and challenges of the process of spending itself down. It grew out of AVI CHAI’s desire to learn what the “best practices” in spending-down are, based on the experience other foundations have had in sunsetting themselves. AVI CHAI’s leadership asked me to find out if any foundations had publicly documented their spend-down process in detail with evaluations of what had and had not worked, or worked well. After my search of the literature at that time³, I could find no detailed examinations such as they desired. That led AVI CHAI to ask Tony Proscio and me to do such a report for it not only for its own guidance and fine-tuning from year-to-year in spending-down, but also as a way of contributing to practitioner and public understanding of better and worse ways to spend down.

Obviously, no single report on spend-down can document all that is worth noting about a foundation’s path through what is a succession of sunset-facing problems that are significantly different from the decisions with which perpetual foundations routinely deal. There is nothing routine about charting a foundation’s course to its own demise. There is no playbook about how better to make the choices it must make while still alive. There is no standard strategy to guide such a foundation in so determinedly a down-hill course, especially when the foundation has been one of the few large players in the fields to which it has been dedicated, and when its goal now may be to finish creating a legacy that will go on after its termination by serving the mission to which it has been dedicated in life.

It was such an absence of then-available reliable guidance for decision-making by spend-down foundations that motivated the Trustees of

³ Later, during the interview phase for this report, one foundation—the Beldon Fund—did publish a summary report of its ten year spend-down, and it is available at www.beldon.org.

The AVI CHAI Foundation to commission this sequential documentation and assessment of the course, whether bumpy or smooth, whether straight-line or jagged, that one foundation chose to pursue. In order to confer the widest benefit on the community of foundations contemplating or actually engaging in sunsetting, the AVI CHAI Trustees decided when they chose to commission this series of reports that they would make all of them available to the public. The authors hope that, in this first installment of the documentation and assessment, we have been able to report accurately and perceptively on The AVI CHAI Foundation process, that it will prove to be helpful to AVI CHAI in charting its own course through the ten year or so remainder of its spend-down, and that it will help other foundations chart ever more effective and productive spend-down courses of their own.

One caveat on the scope of this first-year report. Its attention is focused primarily on AVI CHAI's programmatic initiatives in North America, secondarily—and inadequately—on those in Israel, and not at all on those in the former Soviet Union. That is the result of a judgment call by the author that too many other matters, especially the background and evolution of AVI CHAI over-all as an institution were indispensable to a document that would in effect introduce AVI CHAI to a wider public for the first time. That information crowded out a more extensive and complete focus on a more detailed exploration of how spend-down is affecting the programs other than North America. That shortcoming will be rectified in all future iterations of this documentation and assessment series.

The authors wish to express their admiration for the willingness of The AVI CHAI Foundation Trustees and staff to confront openly their own goals and challenges, and to pull aside the curtain of secrecy on internal foundation processes, in perhaps the most delicate and passion-laden kinds of decisions that foundations are ever called upon to make. Indeed, one of AVI CHAI's truly impressive distinctions is the openness with which

all Trustees and staff are willing to talk candidly both among themselves and with outsiders about even the most potentially controversial intra-institutional issues. In that respect, as in others, the culture of AVI CHAI is most unusual among foundations. The authors and the AVI CHAI Trustees and staff hope that this courageous example of transparency will encourage other foundations that are spending-down to consider following the same course. The author hereby thanks the interviewed Trustees, program staff members and grantee leaders who gave generously of their time and ideas in order to help AVI CHAI improve its own spend-down and to enable others to learn from both its successes and its mistakes.

THE REASON FOR ADOPTING A SPEND-DOWN POLICY

According to all Trustees interviewed who knew the circumstances, Zalman Bernstein did not instruct his Trustees, either in writing or orally, to sunset The AVI CHAI Foundation by a date certain. During his lifetime, however, he frequently commented to them and others that he was concerned about how he believed trustees of some other foundations had, after the deaths of their founding donors, initiated or approved grants that deviated, in spirit or in fact, from the vision and/or values of their donors. He expressed those concerns to his wife Mem Bernstein and to Arthur Fried, and clearly implied that he preferred that AVI CHAI continue to exist only during the anticipated lifetimes of Trustees whom he personally knew to share the values which animated him in establishing and guiding AVI CHAI, and who were unlikely, therefore, to depart from a course of furthering those values.

One sentence early in Mr. Bernstein's "Chairman's Message" published in the report of AVI CHAI's first decade, 1984-1994, states his underlying concern on this point: "A study of the history of foundations in the United States shows clearly that there is very often a radical departure in the focus of a foundation over time from the goals and

philosophy of its founder and grantor.” Then, in the “Trustees only” meeting during the June, 2001 Board retreat in Israel, the first meeting after Zalman Bernstein’s death in 1999 in which the issue of non-perpetuity was mentioned although not discussed to any degree, Arthur Fried quoted Zalman Bernstein on foundation longevity as follows: “Those who knew me should spend the money in their lifetime. I do not know who is coming next. The history of philanthropy in America is that things get corrupted the further you go from the vision of the founder and those who shared it with him.” [“Trustee only” meeting minutes, June 2001 p. 7]

In my interview with him, Arthur Fried put a gloss on Zalman Bernstein’s first quoted sentence. “In his characteristic gruffness, he would from time to time express concern about “people who never knew me spending my money,” but he never said that ‘people who didn’t know me could not spend my money.’ He expressed a preference. We built up to a heavy level of spending and it became apparent that spending at that level would make it difficult to be a perpetual foundation.” Nonetheless, the implication of Mr. Bernstein’s words for AVI CHAI was clear at that time. The Foundation’s high rate of annual grantmaking (a voluntary choice that Trustees could have altered at any time) only added to the case for taking those words to their logical conclusion.

That conclusion was made explicit when a strong hint to the public of AVI CHAI’s intention to spend itself out of existence within some specified period, along with additional reasons for spending down, first surfaced in the 2000-2001 Report, which appeared in May, 2002. It read: “AVI CHAI believes that spending the Foundation’s capital, as well as its income, is an important goal—the issues of today should be addressed by those who are capable of providing meaningful multi-year support. The needs of the Jewish People 20, 40, and even 100 years from now can be addressed by philanthropists fortunate enough to possess significant resources at that time. It was the desire of the late Mr. Bernstein

that his original goals and vision should be pursued with rigor during the lives of those who helped shape the Foundation’s mission statement, and that the vast bulk of the resources he entrusted to them should be spent wisely during their lifetimes.” All that was left to do was to specify the lights-out date.

According to all those whom I interviewed, the decision to spend down was not presented as an open question but instead was first made by the three “Members,” who serve as the management committee in the two-tier membership corporation in which AVI CHAI is constituted and governed. (The Foundation’s three original Members were Mr. Bernstein himself, Arthur Fried, and Samuel J. Silberman, z’l. Upon Mr. Bernstein’s death, his widow, Mem Bernstein, succeeded him as a Member, with Mr. Fried and Mr. Silberman continuing to serve. Following Mr. Silberman’s death in 2001, Henry Taub was selected in his place, with Mem Bernstein and Arthur Fried continuing to serve. When Mr. Taub became ill and unable to shoulder the full responsibility of the role, Lauren K. Merkin succeeded him. Mem Bernstein, Lauren Merkin and Arthur Fried are the sole Members as of the time of this writing. The Members all serve as Trustees and function as a de facto Executive Committee of the Board.) They presented the idea to the full Board as a course of action that Mr. Bernstein had intended, even though he had not directed it, and one that they believed the Trustees ought to affirm.

Although the proposition ultimately won unanimous support from all U.S. Trustees, it first received a lively, robust discussion of its upsides and downsides, including a consideration of what spend-down would likely mean, both for the fields in which AVI CHAI operates and for the particular individual grantees. One of the Trustees described the discussion as follows: “I recall that some people were concerned about what this would mean for the field as a whole, since we are a flagship foundation within the field. We did not want this to be a sign of discouragement to others. We were concerned with

the ramifications for the institutions, for the field, for the staff—how to keep them motivated—all these and other issues were raised, and there was a fairly lively discussion. I would call the discussion brisk, lively, and helpful. At the same time, there is always or often the sense that the so-called founding partners or senior partners should be given some wider deference with respect to their opinions. I think the view is that their opinions count, but they don't count conclusively." I was told that at least one of the Israeli Trustees was ultimately not in favor of it, being convinced that the Israeli context required AVI CHAI's continuing life and activity in order to sustain the important initiatives that it had launched. I am told, too, that that Trustee believed that many, if not most, of the Israeli undertakings remain too fragile to survive in post-AVI CHAI times. While not in favor of spend-down, however, that Trustee supported and still supports the decision reached among all the other Trustees.

Some of the Trustees reported to me that spending down was and is attractive to them because they feel, in the words of one of them, that, without such a decision, AVI CHAI would have had much more difficulty in coming to grips with its "need to sharpen its sense of what its major priorities are and focus its resources on them than it has encountered under the pressure of that decision." He elaborated that "perpetual foundations get into a 'quasi automatic-pilot mode,' which doesn't self-correct without an extraordinary imperative such as a decision to spend down, and, even with the decision to spend down, it has been very difficult to implement the necessary self-assessment despite everyone's recognition of the need to do so." In the last analysis, however, he added that "the decision to spend down automatically surfaces the desirability of leaving a legacy *after* the spend-down, which adds great weight to the process of focusing the collective mind of Trustees and staff on prioritization of program goals and strategies."

Many of the Trustees bought into the decision to spend down by pointing out that, while Mr. Bernstein had been inclined to favor spend-down because of his fear of mission creep and donor-intent deviation after his death, the positive consequence of spending down is to get AVI CHAI's philanthropic capital assets into circulation in the present rather than to spend only the Internal Revenue Code's minimum spend-out of 5 percent or so of those assets over an indefinite period in the future. As one of them said to me, "There are critical human needs *today* on which we should be spending our resources, and we should let philanthropists of the future take care of the human needs of *tomorrow*."

Arthur Fried gives the reason for spend-down decision a slightly different twist, although his view complements and expands rather than differs from the preceding explanation: "I don't think it was necessarily because Zalman wanted only those who were familiar with him and his views to spend the money. I think it was just as much that we looked at the philanthropic world around us, and, as we looked at what we were doing, we said 'There aren't a lot of allies here. In fact, there is no one as concentrated in their philosophy as we are in North America.' In Israel there is no philanthropy of an institutional nature, except for arms of government, the Jewish Agency and the Joint [The American Jewish Joint Distribution Committee], perhaps. There is not yet local private philanthropy in the sense that we know it [in the United States]. That's rather strange because there are private philanthropists who give money, put up buildings and do lots of other things. They have lots of their own projects. And there's a great deal of volunteerism in Israel in almost every sector, most especially in the Haredi sector. On the other hand, if we wanted to affect in a positive way the areas we care about, we'd have to spend big. If you're spending big, there's no guarantee that you can be

a perpetual foundation; it's just not possible.... So I didn't think we had a choice, if we wanted to be who we were and continue to do it in a first-class way."

NEXT STEPS: A SERIES OF CRITICAL DECISIONS

Such a "concept," however, as Arthur Fried elaborated at the June 2001 meeting, does not conclude the discussion about spending down; it is merely its beginning: "There are lots of ways of assuring that. We could have a 'sunset provision,' where you go out of business after the death of the last person, staff or Trustee, who worked with the founder in this Foundation. Or we work to find ways that a clear majority of us—no close votes—agree are worthwhile ways to spend the money. If you spend yourself out of business, you want it to be with an enthusiastic commitment on the part of the group." ["Trustee only" meeting minutes, June 2001 meeting, p. 7]

Two years elapsed before the Trustee minutes show another mention of spending down. In the "Trustee only" meeting in June, 2003, Arthur Fried, in a discussion of a proposed employee pension plan, announced that "Our sunset will come in the year of Zalman's 100th birthday," which is the first reference that appears anywhere in the records as a date certain for the ending of the spend-down. Had other factors not intervened to draw the envisioned spend-down year nearer to hand, it would have been in 2027. ["Trustee only" meeting minutes during board retreat, June 2003, p. 1]

But other factors did intervene, and the first to do so was the adequacy of financial resources available to sustain the grantmaking program until 2027. Obviously, the number of years that AVI CHAI could operate would depend on how much it would choose to spend on its grantmaking program and other expenses in the interim. In shorthand, if the goal were to be able to last as a grantmaking

foundation until 2027, it would have had to reduce its expenditures from the level at which it was then spending in 2003. If the goal were to maintain its grantmaking and expenditures at the 2003 level for as long as possible, it would have been less probable than both AllianceBernstein and AVI CHAI were comfortable with that it could likely last to 2027. The spend-down year and the amount spent cumulatively were clearly interdependent. As one Trustee observed, too, "the spend-down date should be the tail, and the program imperatives should be the dog that wags the tail. In other words, it should not be the spend-down date that drives the program but rather that the program should drive the spend-down date. Rather than managing both the investment program and the grants program against some sort of arbitrary date, we wrestled with how important the date should be versus what the program should be." That same Trustee quoted the North America Executive Director, Yossi Prager, in elaborating that point: "If we say that the purpose of AVI CHAI is to advance certain program objectives and that we believe in husbanding our assets to cope with a rainy day, then THIS (the market meltdown in 2008-2009) is the rainy day for which we have been doing so. At this time we should figure out how to do massive investments to counter the effects of such a rainy day!"

At the 2003 meeting, Alan Feld, in his response to a question put to him by Arthur Fried, elaborated on that very important point: "Twenty-three years is not a very short time in the context of a lifetime, and contingencies and unforeseen events could arise. There should be a prioritization of the dollars versus something else, even if the something else is unknown at the moment.... I plan to come back to the Board with data; i.e. what is the probability we could run out of money before the 23 years are up if we spend at our current rate, adjusting for inflation and so on, or the possibility of being at this or that level in ten years. If you want to frame any questions for me, just e-mail them. This can

raise those ‘what-if’ scenarios with different asset allocations, but the real insight is on how our spending can impact that. What if we have a very bad market at one end of that 23 years as opposed to the other end of the 23 years?” [“Trustee only” meeting minutes during board retreat, June 2003, pp. 2-3]

The first extended Trustee discussion of the resources likely to be available over the spend-down period, and what the findings meant for the choice of the actual spend-down date, took place at the Board meeting in New York in February, 2004. Mr. Feld, as promised, presented a detailed, formal wealth forecast analysis done by AllianceBernstein L.P., of which he is a managing director. He noted that the analysis “used a 23-year horizon, and I think everybody understands why,” meaning that it was based on the aspirational 2027 spend-down date. He went on to report the following: “The objectives over this 23-year period are two-fold. First, we would all agree that we would like to distribute as much money as possible. Second, at the end of the 23 years we don’t want to spend our last dollar on the last day. We would like to have a sizeable amount left over to endow Beit AVI CHAI⁴ and anything else the Board should decide at that time.” Moreover, he added that “Arthur [Fried] asked us to do something different than we normally do. He asked us to assume a more difficult capital market than Bernstein’s usual assumptions, which are conservative in the first place. We did it that way, and I will show you the numbers both ways—with the haircut and without the haircut. That is, first with our normal capital market assumptions and then after adjusting for Arthur’s more pessimistic assumptions.” [“Trustee only” meeting minutes at June 2004 board retreat, pp. 1-10]

The difference between the usual AllianceBernstein market performance assumptions and those chosen by Arthur Fried was substantial, almost 50 percent. The usual AllianceBernstein assumption was for an 8.2 percent market return on U.S.-based equity assets, which then constituted about half of AVI CHAI’s endowment. Mr. Fried’s request, as well as

Alan Feld’s analyses, aimed for an over-all rate of return of 4-5 percent on all classes of assets pooled together. The later market meltdown in 2008-2009 further depressed asset values, resulting in a further decline in spendable income. The consequences of a lower asset base due to the market decline, while continuing to project modest future returns based on Mr. Fried’s conservative return assumptions, would mean a significantly lower projected level of resources for grantmaking during the remaining years. And of course, the projection of how much would be left over at the end with which to endow Beit AVI CHAI would likely be significantly less. Everything is interdependent.

The discussion at the 2004 meeting then proceeded to brass tacks—how much could AVI CHAI spend each year in the near future. Avital Darmon, a Trustee based in Israel, asked three questions: “When will we know what we can spend, thinking that in 23 years we want to be in the position you described [with enough money left to endow Beit AVI CHAI]? Will we be able to do another Birthright Israel⁵ or whatever? When do we do the next iteration?”, to which Mr. Fried responded “We will not decide that today. We will think about it. Perhaps we’ll do a video conference in the next two weeks. To lock it in we will think about the numbers. We can begin this year. Next year we can only spend 8 percent of the [smoothed average endowment value of the] last three years’ ending balance and we will work on that basis.” Trustee Ruth Wisse instantly saw the implications of such a spending plan for AVI CHAI grantmaking, as she observed: “This is bringing us to functionally operate in a very different way. Until now we put

⁴ Established by The AVI CHAI Foundation, Beit AVI CHAI is a cultural and social center in Jerusalem, where symposia, lectures, workshops, performances and other cultural events seek to express and amplify the many voices of Israeli Jewish cultural discourse.

⁵ In 2004, AVI CHAI announced an extraordinary \$7 million challenge grant to the organization now known as Taglit-Birthright Israel, which provides free educational trips to Israel to thousands of college students and young adults. The grant averted a looming financial crisis and prepared the way for strong growth in both the number of young people participating in the program and the amount of contributions it receives.

on the table everything that interested us and voted on it project by project. We were not in competition with one another or projects with projects. Now we are under a discipline.”

In agreeing with Dr. Wisse, Mr. Fried expanded on the changes that such discipline could be expected to entail for AVI CHAI: “We’ve had a once-a-year learning curve of what is appropriate for us. We now have a 23-year period in which to operate in a more disciplined way, based on what we have learned. We are adding an Item 8 to today’s agenda, ‘Self-Assessment and Rating.’ The time has come for the Trustees to get into the self-assessment and rating business so we better understand where we have to make the funds available from. It only will add to the efficacy of our operation. We will rate ourselves as to what the things are on our too-long list. As I wrote in my letter this year and last, we will start to remove the not-so-bad or the okay stuff.... We will have 8 percent of that ending [endowment] balance to spend, if we adopt this, and the commitments for the current year and future commitments. We will look at what is available after expenses and grant commitments for a certain year, and determine how much more can be accrued towards grants in that year and in future years. In future years, we have stuff waiting for us, if they are long-term commitments—or even two-year commitments, like we have been doing. It will not be, as Ruth said, as warm, fuzzy, and friendly a process.... George [Rohr] started us down that path yesterday with his analogy of heart and head. We’ve been mostly heart; we have to be a little more head. That’s the way it is in the real world. We have had 20 years to learn how to evaluate things. Sometimes we say yes; that is 90 percent of the time. Sometimes we say no; that’s 10 percent. The balance has to shift a bit. We can’t be perpetual funders of the okay and good.”

In concluding the discussion at the 2004 meeting, Mr. Fried added: “Twenty-three years is not sacred. Foundations have completed terms in 20 years. It could be completed in less. If you look at the ways

our By-Laws are structured, I will serve as Chairman for a limited term and then Mem will serve for a limited term. Maybe we just run it until that is over. Here is one proposal of how we could have a sunset provision 23 years from now and discipline ourselves to hit it right. Think about it.” Ms. Bernstein then elaborated as follows: “There is nothing to say that we couldn’t run under this sunset provision assumption for the next five years and then revisit it then. At the end of five years we may decide to bring it back to 15 years instead of 23 years.”

The discussion of these issues at the 2004 meeting ended with Mr. Fried’s summary of what he was proposing and why: “But we all have to say that this approach that was presented today—and quite frankly, I limited your options—could have been a fixed amount going out each year. That is not my style and I wouldn’t feel comfortable recommending it to my colleagues. The results are not that different. I don’t want to be caught in a year when the markets are down 23 percent and we are spending \$50 million. The next year would be very tight.” He went on to spell out that the proposed 8 percent spending rate would amount actually to 23 percent less than the then-current annual spending total, and would constitute a reduction of almost one-quarter in absolute dollar value. He closed by explaining that he did the best he could under the circumstances, adding that the asset projection mileposts given by Mr. Feld that day would be critical to the Board’s understanding of how best to manage spending in the years ahead. [“Trustee only” meeting minutes at June 2004 board retreat, pp. 1-10]

The first public announcement of the fact that The AVI CHAI Foundation would go out of existence in a specified period was published in the 2005 Annual Report, which appeared in late 2006. By that time, the Trustees had digested the implications for AVI CHAI grantmaking of the AllianceBernstein wealth forecast analysis, and they reached the conclusion that, at the rate at which they wished to spend, the resources likely to be available would not last until 2027. In the

Chairman's Message of the 2005 Report, the announcement read as follows: "Our original thought was to spend down the bulk of the Foundation's capital by 2027, the year of the hundredth anniversary of Zalman C. Bernstein's birth. However, given our conservative investment return expectations, that decision would have required us to curtail our current level of spending, and we believe the philanthropic needs in the fields we serve are so pressing that a reduction, of any magnitude, would have been counterproductive to AVI CHAI's goals and vision. We have thus decided to complete the Foundation's work in 2020, 15 years from now.... We built in our own conservative investment projections of 5% per annum, and arrived at the conclusion that there was a sufficiently high probability of operating at a payout level of \$55,000,000 per annum, indexed for inflation, and still have sufficient capital remaining in 2020 to endow the activities of Beit AVI CHAI in Jerusalem. The Foundation will cease making grants in 2020, even though the work will be far from completed, for, we believe, the challenges that confront the Jewish communities where we operate are perpetual. It is our desire that the work not end—rather that it be continued by others, who perhaps will be animated by what we have started, and by the standards we have tried to set. The Trustees took to heart the implications of our sunset provision and undertook the task of reviewing our current funding activities with dual goals of determining if AVI CHAI was on the most effective philanthropic track whilst at the same time endeavoring to enhance the focus of our financial and human resources on what the staff and Trustees viewed as our highest and best philanthropic opportunities.... When engaged in this process...in both locations, the Trustees were mindful of the sagacious comment of our distinguished Trustee, Henry Taub, who implored us to concentrate our thinking and planning on the overarching challenge of leaving an enduring 'legacy' based upon the excellence of AVI CHAI's philanthropic programs during its remaining 15 years. Undoubtedly, this is a difficult challenge to meet, as Henry's admonishment may complicate and, perhaps, even corrupt an orderly

philanthropic process if an overzealous emphasis is placed on 'legacy' at the expense of defining today's needs in the fields we seek to serve and enhance.... However, I am quite sure that AVI CHAI's staff and Trustees will strike a balance between the two without compromising either of these critical challenges."

It must be added that, within a year after publicly announcing the 2020 lights-out year, there began the world's economic distress that led to the severe financial market melt-down in 2008-2009, possibly making advisable the adoption of yet another target ending date. The recent melt-down led to revisiting the earlier financial analysis done in 2003-2004, and assessing the likely adequacy after 2008-2009 of AVI CHAI's financial assets to last until 2020 at the projected current expenditure rates. As one of the Trustees noted, "such additional shortening might be made more urgent by the fact that AVI CHAI's current spending is and has been roughly double the 5 percent minimum pay-out mandated by the United States Internal Revenue Code." He went on to note that, "while the amount to be spent annually could be raised or lowered based on the number of years the Trustees decided to have AVI CHAI continue functioning, the amount to be reserved for building and supporting Beit AVI CHAI could not. It has been fixed at \$130 million as of the spend-down date, which is thought to be necessary to generate enough annually in perpetuity to support its ongoing activities." Another Trustee commented on this question as follows: "The second time, we asked whether AVI CHAI should either spend a little less annually in view of the meltdown or reduce the number of years left in which to spend down. The goal must be to ensure that we don't find ourselves having to curtail operations prematurely." No final decision on that issue has been made as of today, so far as I was told. My sense of the Board's views at this time is that most Trustees prefer to stick with the 2020 date even if that prevents them from spending more in the intervening period, because, as one of them said in the interview, "we need time to experiment, to try at least a few new

things that will keep staff and Trustee excitement going and to have time to see if they work, and time to enable anything that works to take root.”

In my interview of Arthur Fried, he said the following: “I think the year 2008 came in a way as a real blessing to our Foundation. It enabled its leadership to point to the fact that we could no longer ensure even 2020 if we spent at a rate of \$60 million. This was a wonderful place to be associated with, and I hope it still is. We would do almost everything; we tried almost everything. This guy liked this and, if he could put forward a convincing case, we tried it. That guy liked that, we tried it. So we had a kind of mixed portfolio. It all fit within the mandate of the benefactor, but as in every kind of spread, you had tails—not long tails; most fit within the big bell—but because of the freedom we had and the size of the portfolio, because of the relationships, we spent liberally across a broad portfolio. The year 2008 gave the Members an ability to put forward a proposal to draw back. It couldn’t be a guillotine, but we would change our targets from \$60 million to \$40 million over a two- or three-year period. There was no way to get out of spending what we planned for 2009 because it was almost all committed. We are now looking at a far more thoughtful, disciplined approach. I’m not sure it will make everybody happy.”

Appendix A includes a copy of the November 21, 2008 letter Mr. Fried sent to the Board spelling out the next stage of the process going forward.

WINNOWING THE PORTFOLIO: AN INTERNAL COMPARATIVE GRANT- RANKING PROCESS

The deeper the Trustees and program staff got into the practical striking of that balance, the more difficult they realized it would be to make the hard choices about which grants would be chosen to continue and perhaps to receive even more support and which ones would suffer diminished resources and, ultimately, termination. As we will see shortly,

the fact that it took about five years to institute the formal mechanisms for beginning the sorting process suggests how hard it really was, both emotionally for individual program staff members and Trustees and also rationally to get everyone’s minds around the criteria by which to make such decisions. One Trustee assessed the process as follows: “We’ve done that exercise in a very thorough, disciplined and contentious way. Talk about brisk discussion—this was ongoing, back and forth. It took months and months and countless numbers of surveying, discussing and arguing—not just what’s been recorded, but hundreds of sidebar discussions as well. I think the process worked very well.” One of the benefits of the ranking exercise was particularly important to the Israel Program especially. As one of the Israeli Trustees pointed out, “It was a process for the staff that gave us a picture we never had. Every year when I get the book with all the projects, I write all the totals in it because I want the big picture, but that is not how we worked. This time it was all on the table, we could play with it, see the timing and total expenditures, and because of that it was helpful. It was a good tool.”

Perhaps the reason that the process was slow in getting going may have something to do with the fact that it was not approached strategically. Rather, I would describe it as a set of decisions to which AVI CHAI tiptoed up, or felt its way very cautiously and carefully. Moreover, if the comment of one of the program staff interviewees is accurate, it may have been further complicated by the fact that the first time AVI CHAI prepared an annual going-forward program budget was after the spend-down decision was announced in 2005. That staff member stated that “having such a going-forward program budget was a critical result [of the spend-down decision] in providing a framework for decision-making and planning. Moreover, he went on to say that, “while the Trustees and staff proceeded to sharpen what we are doing, they never developed and reached an agreement on a full strategy for how to spend down, and still haven’t.” Indeed, he reported that the Israel Program went through a

strategic planning process but never declared it “finished,” because, he said, the Israeli Trustees had a very difficult time reaching agreement. “They drafted a mission statement for the Israel Program, disagreed over it to the end, and never reached agreement on it.” Elaborating the point further, he added; “The failed strategic planning process continues to have repercussions to this day. There is no common agreement on the focus for grantmaking in Israel, and, if we don’t come to them with a plan, they don’t have any constraints on what they can or should agree to undertake. The Israeli Trustees CANNOT reach agreement on what is most important, yet all Trustees, including those from North America, vote on projects. As long as there was unlimited money to spend, this was not a problem, but now, with the limitations of a budget, and because the Trustees cannot reach agreement on priorities, it has become a serious problem.” “We have had to cut funding for the Israel Program by 40%, which has become a major source of difficulty in functioning as a foundation. We had a downsizing plan even before the 2008-2009 financial melt-down, which was a good thing, but that melt-down tremendously complicated the careful planning we had done beforehand to implement the spend-down, and forced an even further reduction, which is still up in the air.” His view is that the North America Program has been much more focused and strategic, but that Israel is less focused in everything for the reasons he has given above.

I wondered and asked whether, given the direct relationship which all Trustees have with individual grantees, the internal comparative project-rating process showed any signs of “special pleading.” All the Trustees to whom I posed that question answered in the negative, both with regard to themselves and in respect to others. One Trustee responded that “I didn’t sense any. I do think our Trustees are quite objective and many of them over time have expressed disappointment with the executive of the organizations on which they are Project Trustees.” Another Trustee elaborated on

my question: “There were some surprises, actually. From the Trustees’ point of view it turned out that, on some issues—not on everything by any means—the staff held certain programs and institutions in higher regard or higher importance than did the Trustees. It made it more complicated because, as a Trustee, you then had to take a step back and say, ‘I have a view about the program or institution, but the staff are the people who are day-to-day in the trenches, dealing with this program and these people. They see it in a different, even more hands-on way.’ That’s not to say that what the staff says goes; but where there was a conflict it made it much more complicated. You didn’t want to just impose a Trustees’ view top down in the face of what the staff recommended; you wanted to make the effort to understand why the staff had this different view. It led to an awful lot of discussion and reconsideration. Ultimately, as I say, I think the process went well. But if your question is did it [Trustee engagement in projects] make it more or less complex, I would say it made it more complex. If we weren’t a trustee-driven organization, we would have just said, ‘Staff, do the exercise. Come back to us with your priorities,’ and would have eyeballed it, maybe had some oversight-type of questions, but probably have adopted more or less what the staff came back with. This was much more of an interactive give-and-take; and there were some heavy duty surprises that had to be understood and ultimately resolved. So it made it more complex and I think ultimately more fruitful.”

The comparative ranking process was structured so that the Israel and North America staffs as separate groups rated the portfolio of grants separately. The Trustees, before doing their ratings, were given the results of the staff ratings. The results of the rankings were collated, along with their implications for future grantmaking for existing grantees. Then the separate country Trustees met with the respective Program Directors, and discussed the rankings, often vigorously, as a group. Because the outcomes on specific grants were regarded as determined by the cumulative rankings of the Trustees as a whole, the separate country Trustees

were not asked to vote on those specific outcomes. Finally, the Members and the Trustees as a whole approved all of the outcomes of the process. Then the Program Directors and the Trustees as a whole met together to discuss the plans for implementing the outcomes with respect to individual program grants. One of the Trustees observed the following: “The part of the process I felt best about was the degree to which the staff made its feelings about things clear. Personally, I worked very closely with that. In other words, I did not begin with my own rankings, but began with rankings of the staff. Only in those cases where I felt I had some reason to differ with their ranking did I change from theirs. I would not have felt comfortable at all if the Trustees had undertaken this without reference to the staff....They serve exactly the same cause [as the Trustees], but they do it on a daily basis and they see things much more clearly, and I trust their judgment. So that made the process for me a little less Draconian than it would otherwise have been.” Another Trustee said, however, that, had the Trustees gone first and the staff second, it would have come out with exactly the same result.

The success of that comparative ranking process was acknowledged and praised by almost all those whom I interviewed, and one of the Trustees explained that the fact that it was done anonymously made it much more possible to make objective judgments on each grantee. Another Trustee described the process slightly differently. Personally, he thought the comparative grading had gone very well, but his recollection is that some other Trustees were not as pleased, in part because they misunderstood that the results of the grading everyone gave to the projects would directly translate into fund-reallocation rather quickly. He described the grading process as “a subjective process with an objective grading system, in which each individual Trustee and program officer graded the projects in their own subjective fashion but then we objectively took that feedback and applied it in concert with the grades of all the other Trustees and program officers, respectively.” One of the North American

Trustees acknowledged, however, that it was more difficult to assess the Israel grantees than it was the North American grantees, at least for her. One of the Israeli Trustees elaborated this criticism of the process: “I think the rating system was very important, and this was not clarified. We went through the process but it wasn’t until we had finished it the first time that we knew what it really looked like.... The staff voted, and we respect them enormously. Then each of us voted and there was an average taken of the Trustees’ votes. Of course, that was the only thing that counted, and that wasn’t the right thing to do.... I would have preferred a process in which I could have explained some of the things I did not vote for. I wrote notes and it came out at the end to be anonymous—that is not my habit. When I say something, I stand behind it. A list of ideas didn’t come out of this. We did not develop the culture of managing competing ideas. I’m not sure if the bottom line would have been different, but I think people would have felt better if they had had the chance to make their case. But maybe not, because if you failed even after having your chance to convince the others, it might have been harder.”

As a general matter of program effectiveness and efficiency, foundations ought continuously to rank their grants against one another in order to ascertain which ones the program staff and trustees regard as being most important to the achievement of the foundation’s mission, as well as which ones are performing at the highest level of the foundation’s expectations for them. Some perpetual foundations, such as The Commonwealth Fund, engage in that exercise annually, but most, alas, do not. The prospect of going out of business, however, tends to make such an exercise seem both more practical and more urgent. As Samuel Johnson remarked, “When a man knows he is to be hanged in a fortnight, it concentrates his mind wonderfully.”

One of the Trustees put it slightly differently: “My comparative evaluation of grants helped make me ruthless in assessing their centrality to our mission,

as well as realistic about the likelihood of individual grantee sustainability. Moreover, the discipline of looking at each grant against all the others has been very important, in part because I came to realize that they are not like your children, all of whom you have to love equally.” When a foundation, therefore, is facing the approach of its grantmaking life after a specified period of years, and especially when it is eager to leave a measurable legacy to the world in the fields about which its trustees and program staff care most, such an exercise takes on an urgency that perpetual foundations never face. That is undoubtedly why, once AVI CHAI made a firm decision to spend itself out of existence by a year certain, its Trustees began to try to sort out the mission-indispensable grantees from the merely mission-serving grantees in order to concentrate limited resources on the former.

For a foundation that has not theretofore disciplined its grantmaking by such a regular exercise, such a process is bound to be tough going, and obviously that is what it proved to be for AVI CHAI. The first explicit public mention of AVI CHAI’s intention to conduct a more disciplined assessment process to separate the most important grants from the less important was in the in the Chairman’s Message of the 2002 Annual Report, published in 2003, in which Mr. Fried reflected as follows: “When I look back over the 18 years of AVI CHAI’s activities, and seek to identify areas of weakness and failure, I am hard put to find cases of wasted effort, but that is not to say that everything we have done has been crowned with success. What we have failed to do is to be rigorous and intellectually honest enough to withdraw our funding from projects and programs that might be categorized as ‘O.K.’ or ‘not bad,’ and sometimes peripheral to our two principal goals. Being unwilling to pull back in a timely enough manner has caused us to clutter our plate with activities that draw on our staff’s most precious resources, their professional time, time that could be spent far more valuably elsewhere. We do endeavor to check ourselves continually by engaging research groups...and skilled individuals to review and

evaluate almost all of our projects, but, if truth be told, we are always so eager for success that we are reticent to pull out. AVI CHAI never approves a grant without a formal and affirmative vote of its 11 Trustees so we are chary about admitting we were collectively wrong. That collective eagerness for success is a barrier that prevents us from making hard decisions early enough. By now there are more than 80 active projects and grants on our books and they all cannot, by any stretch of the imagination, be considered first-rate.... The Trustees must be more resolute in the assessment of their philanthropy, and be willing to prune the ‘O.K.’ the ‘not bad,’ and the peripheral, in order to concentrate our resources and staff time on those activities that can make an appreciable difference.” Apparently, that reflection did not immediately achieve its intended consequence, because again, in the 2003 Annual Report, published in August 2004, a similar plea was expressed in the Chairman’s Message. It read as follows: “Last year I reflected on our unwillingness to draw back from projects one might categorize as ‘O.K.’ and ‘Not bad.’ I am sad to report that we are not making enough progress, although, as the result of several well-thought-out, but negative project evaluations, a few projects will not receive renewed funding.”

Apparently in response to that perception of “not enough progress,” the first systematic step in trying to distinguish the outstanding grants from the merely good is reported in the Projects in the North America section of the 2005 Annual Report, published in 2006. In his report, Yossi Prager writes as follows: “In the course of our strategic planning, the Trustees undertook a project-by-project assessment of the current portfolio. The review was meant to identify those projects that should be continued because they are sufficiently successful, cost effective, and close to the core of what AVI CHAI seeks to achieve. Projects that did not meet this standard, including some excellent programs that were not central to our current agenda areas, were marked for winding down. To the extent possible, we are trying to provide these

projects with a ‘soft landing,’ sufficient time for grant recipients to seek other funders to replace our grant.”

A sequential project-by-project review simply does not force the hard judgments that a fully comparative ranking of project against project does. It was not until the 2008-2009 year that a comprehensive comparative rating system, for both program staff and Trustees, was implemented. While it undoubtedly should have come sooner, indeed immediately after the initial decision to spend down was made, when it did come, it constituted the best such process I have ever seen in any foundation.

FOCUS ON SUSTAINABILITY: THINKING ABOUT THE SURVIVAL OF GRANTEEES AND FIELDS

Perhaps the primary problem which complicates AVI CHAI’s efforts to enable its grantees, even the ones of most importance to it, to cope successfully with their fund-raising needs after the lights go out at AVI CHAI is what seems to me to have been a long-prevailing “go-it-alone” culture which AVI CHAI acknowledges but now recognizes to have shortcomings. Several of those I interviewed, both staff and Trustees, often observed that other philanthropies had not seemed to be interested in joining in AVI CHAI initiatives in the past, as well as since the spend-down was announced. But they also said that, in truth, no serious, sustained efforts had been made to seek such involvement.

For example, in the Chairman’s Message in the 2002 Annual Report, published in 2003, Arthur Fried expresses disappointment that other philanthropies have not chosen to support one of AVI CHAI’s signature efforts but frankly acknowledges a likely explanation: “In the area of day schools, we seek to enhance student enrollment and to improve the educational quality by training teachers, senior administrators, and principals, developing curriculum materials, providing library books and offering interest-free building loans. But the \$17,111,000 we expended for day schools in 2002

can only go so far, and that is why AVI CHAI seeks to interest others to participate in the ‘blue chip philanthropic investment’ that research has shown to have a powerful and long-term impact on the lives of those who have benefited from at least nine years of day school education. We have not been as successful as we might have wished in influencing others to join us, and day schools remain seriously under-funded. It may be due to an unwillingness on the part of the Trustees, including me, to take on the difficult and grueling task of personal solicitations, or it may just be that the field is simply unable to compete with far more appealing, though, we believe, less essential avenues for philanthropists to pursue, such as the universities, the arts, social welfare and Jewish defense. We can, therefore, only try to serve as an example of how thoughtful and judicious philanthropy, in an area of proven benefit to the Jewish community, could be emulated by others. It is ultimately a question of how Jewish philanthropists wish to allocate their giving, an activity that affords the widest possible freedom of choice. We continue to believe AVI CHAI has established a philanthropic niche that is deserving of serious consideration and perhaps emulation by others.”

I think that Arthur Fried is graciously taking on himself too much of the blame, if indeed the AVI CHAI culture may be seen to be blameworthy in that respect. In the many other foundations which seek partners and collaborators in their efforts, it is not usually the trustees who do the solicitation of other philanthropic partners but rather the program directors, vice presidents and presidents. So while the AVI CHAI Trustees may be faulted for committing themselves to a “go-it-alone” policy, and for not insisting that senior program managers and other staff make the recruitment of partners a major priority, they should not feel that they themselves would necessarily have been solely responsible for taking “on the difficult and grueling task of personal solicitations.” Perhaps this is yet another example of the presumption that AVI CHAI Trustees should be deeply engaged in most grantee-benefiting efforts, which seems to me have significant downsides

regarding the really central role trustees of any foundation—macro choice-making and governance. In this instance, however, my own perception—and one that I have repeatedly heard chief executives and trustees of other Jewish foundations give voice to—is that for most, perhaps all, of its life, AVI CHAI chose to launch initiatives on its own, usually as the sole funder, preferring not to recruit other philanthropies to join with it beforehand. It is relevant to note here that now, under the pressure of spend-down, AVI CHAI no longer initiates projects of which it is to be the sole funder.

That preference likely resulted in the past from three factors. The first is that AVI CHAI had sufficient funds by itself to accomplish the objectives of its particular grantmaking initiatives as it saw them. Second, the time, energy and effort which would necessarily be consumed in identifying, recruiting and working with philanthropic partners could better be spent, it seemed to AVI CHAI, on its own grantmaking. The third factor is the very important, probably decisive, way in which potential grantmaking partners among Jewish foundations and large donors to Jewish causes differ from those who have joined in creating partnerships or co-ventures within the general foundation field.

As to the first reason, AVI CHAI did seem to its Trustees, before the financial melt-down, to have enough resources to make a significant difference in the narrow major fields of focus upon Jewish day schools and Jewish camping. Indeed, clearly it has already had considerable success in changing the landscape for both, not only by its own initiatives but also by raising the saliency among important parts of the Jewish community of such institutions, along with the great needs that continue to be present.

Arthur Fried, in an interview, refers to the second reason when he observes that “[fund-raising] is a sticky business and you don’t want to get involved in it if you can avoid it.... When you concentrate on how

near the end is, you realize that if you care, you have to roll up your sleeves and do this kind of dirty work.”

The third reason is the one that most dissuaded AVI CHAI’s leadership from spending time and energy in seeking to forge partnerships with other Jewish philanthropies and foundations: put simply, the odds of succeeding in doing so were negligible at best and non-existent at worst. It seems to me very difficult, if not impossible, to disagree with that calculation.

Jewish philanthropy has been legendarily successful in mobilizing communal fundraising in crises such as on behalf of Soviet Jewry and in providing support for domestic and international social service and educational needs, as well as in orchestrating support for needs in the State of Israel. Yet it is in an early stage of evolution with particular respect to foundations. Simply put, the Jewish foundations are very different from the non-Jewish foundations in one major characteristic: virtually all of the Jewish foundations are blessed with the continuing involvement—and, usually, domination—of their donors in the foundations’ decisions. By contrast, virtually all large foundations in the non-Jewish world which have joined in establishing partnerships are long-existing institutions whose donors are either no longer alive or not deeply involved with their respective philanthropies. In the latter group, the executive and program leadership, as well as the trustees, of those foundations have proved significantly more open to engaging in partnerships with other foundations, in part because there are among the prospective other partner foundations executives and program officers with whom they are comfortable in dealing as equals, and who are similarly comfortable in dealing with them.

Let me underscore that this has little to do with whether the foundations are Jewish or non-Jewish, and everything to do with whether their donors are alive and engaged in making the decisions for their foundations. Even among the non-Jewish foundations,

few with donors still at the table have proven receptive to the idea of partnering with others and virtually all of the partnerships which I know of involved foundations without living donors involved. Obviously there are exceptions, but those exceptions prove the rule.⁶

The reason that such openness to cooperative initiatives depends on whether the founding donors are involved is that founding donors usually have a clear vision of what they seek to accomplish through their foundations and are persistent in confining their foundations to accomplishing it, as they clearly see it. When the founding donors are no longer involved, and their successor trustees are not as personally vested, for good and for ill, in a shinningly clear way to achieve the foundation's mission or primary program goals, those foundations feel much more free to join with others on something like equal terms and in more easily negotiable ways of achieving goals. That a project does not originate with them no longer becomes a fatal flaw. In other words, there is less personal pride at stake.

The dynamic is very different in a foundation in which the founding donor, almost always a self-made man or woman, knows that he or she has created the wealth, is convinced that he or she has demonstrated great skill in doing so, believes that such a track record qualifies him or her to spend it most effectively for philanthropic purposes that he or she values, and feels that his or her knowledge about how to spend it most effectively, coupled with his or her creation of the wealth in the first place, should be determinative in allocating it. In my book, *The Foundation: A Great American Secret—How Private Wealth Is Changing the World*, I discuss the genuine value that founding donors bring to their philanthropy, but I do not consider at any length the downsides of their involvement, of which unwillingness to partner with others is certainly a major one. I believe that it is right that founding donors have their way in spending the wealth they accumulated, in part because many of the greatest achievements of foundations have resulted from the

founding and guiding donors' instinct for choosing promising niches for philanthropic activity with likely high leverage, and for the passion and persistence which such founders have brought to their philanthropic undertakings. But it is also appropriate, as well as productive, for such donors to recognize that they are not the sole possessors of wisdom on the subject, to acknowledge that other donors may have a better idea about how to achieve *their* goals, and to consult with others who may be in a position to assist the achievement of *their* plans. In my experience, some of the founding donors actually behave that way, although many of them find it personally difficult to do so.

The world of Jewish foundations is made up almost entirely of those in which founding donors, all self-made men and women, continue to direct their philanthropies, sometimes with the aid of experienced and highly motivated administrators. But, however able and whatever the role of such administrators, it is the founding donor who ultimately makes the decisions about what the foundation will and will not do. And that is a determinative difference between the founding-donor-controlled foundation and the predominantly professionally-led foundation which affects their respective openness to engaging in partnerships with other funders. That is the decisive and persuasive reason that the leadership of AVI CHAI, until faced with the prospect of going out of existence at some point, chose not to devote time and energy to the attraction of potential partners. Given the constraints created by the much-smaller Jewish foundation landscape, it seemed to them futile to try to do so. Would it have been more productive for the long-run viability of AVI CHAI's initiatives had they done so? Possibly.

⁶ A few of these exceptions—notably the Bill and Melinda Gates Foundation, George Soros's Open Society Institute, the Packard Foundation (until the deaths of founders David and Lucile Packard in 1996 and 1987, respectively) and Charles F. Feeney's Atlantic Philanthropies—are well known for their efforts to recruit co-funders. But the fact that these efforts have been highly publicized is due, at least in large part, to the fact that they are exceedingly rare.

Moreover, the narrowness of the substantive focuses of AVI CHAI grantmaking meant that the overlap of its goals, as it interpreted them, with those of other Jewish philanthropies was limited, and that, too, buttressed the logic of the AVI CHAI Trustees' choice to go it largely alone. Several of the interviewees described AVI CHAI as "feeling lonely, both in Israel and in North America," because so few other funders appear to be focusing on the problems on which it has chosen to focus. It is possible, however, that, had AVI CHAI engaged more aggressively in convening other potential funders to think with it about ways of getting at its preferred problems, however narrow they were, and in consulting them about their ideas for how better to do so, such a practice might well have persuaded some of them to rank AVI CHAI's program priorities higher in their respective thinking about how to spend their own resources. But that, too, is mere speculation. AVI CHAI did succeed occasionally in attracting partners, such as in the MATCH challenge described below, but even that extraordinarily successful initiative has, until now, failed to retain most of the partners who participated in the second and third rounds and to attract any new partners for a hoped-for fourth round.

This is not to say that Jewish foundations or donors never succeed in attracting partners, but only that success in doing so is very rare. Michael Steinhardt, by mobilizing among his personal network, did succeed in recruiting a large group of partners for Birthright Israel, which he co-founded with Charles Bronfman, for the Partnership for Excellence in Jewish Education, and more recently for the Areivim Group, although that group has not yet attracted the 20 partners that Mr. Steinhardt had intended. Lynn Schusterman has occasionally also succeeded in attracting partners to the work of the Charles and Lynn Schusterman Foundation, but there are not many more such examples. The existence of the Jewish Funders Network brings Jewish funders together in the hope that some cooperative funding will occur, and sometime it does but usually not on a large scale, with the exception of Birthright Israel.

This is not to say that Jewish foundations do not often support the same nonprofits. Many Jewish nonprofits receive generous support from many foundations as well as countless individuals. The guiding distinction I am making about partnerships is for new initiatives conceived by a foundation or wealthy individual donor. It is the sale of that idea to others on terms that are acceptable to the initiating foundation or individual where the problem arises. And that is because engaging with other foundations has still other drawbacks, which are well known to all who have had experience in attempting to forge partnerships of one sort or another. Unquestionably, there is a trade-off between gaining philanthropic partners and maintaining one's own control. Collaboration with other philanthropists inevitably forces all parties to accommodate to some of the preferences of others, and many times results in the "dumbing down" of the ultimate outcome. I can fully understand, and indeed sympathize with, a reluctance to subject one's own judgment about important matters to the judgment of others who may know less about the project in question than I do and who likely care less about the project than its primary proponent. Yet to engage partners almost always requires some degree of compromise, and independent institutions with strong convictions about the best way to proceed do not find it easy or pleasant to bend to the views and wishes of others, even if doing so brings the reward of additional resources to one's own initiatives. In Arthur Fried's comments on that question, he wrote: "Another reason to 'go it alone' is due to the potential for corruption of the philanthropic vision of a project by inevitably empowering the potential partner to have the opportunity to 'tweak' or 'mold' the project, enabling them to acquire a sense of 'ownership.'" And in several of the instances in which AVI CHAI did work at trying to create partnerships with other funders, it experienced exactly those pressures and the dangers to their vision which they threatened.

So AVI CHAI's logic in generally not seeking other partners for its initiatives is hard to fault. In addition

to not seeking others to partner with it, however, AVI CHAI was rarely willing to invest in initiatives launched by others. While most non-Jewish foundations would deny that reciprocity in grantmaking among such foundations exists to any degree, many observers believe that it does in fact occur, not so much in the large, professionally staffed foundations but in smaller and mid-size foundations, especially those operating within specified geographical areas. Among foundations that are founding-donor-influenced, whether Jewish or non-Jewish, however, there is much greater likelihood that foundations that respond favorably to requests from other foundations will be more open to reciprocal support when they are in turn approached for help. That is because the founding donors share social and/or business relationships with other founding donors that make reciprocal funding seem to be a perfectly natural human response to one another. The world of Jewish philanthropy is tiny in comparison with the world of general philanthropy, so that virtually all of the founding donors know and like, don't especially like, or are indifferent to one another. And, as we have noted, that world is characterized by an overwhelming proportion of foundations that are effectively founding-donor-controlled. Under those circumstances, the expectation of reciprocity is bound to be a much greater factor in foundations' attitudes toward initiating partnerships, whether as a force in favor of such partnerships or (more often) as a reason to resist them.

With that context in mind, AVI CHAI's combination of not going out of its way to seek other investors for its projects and not presumptively favoring initiatives proposed to it by other potential investors was bound to have diminished even further the likelihood of others' willingness to respond favorably were AVI CHAI to seek their involvement. Certainly, there have been significant exceptions to this generalization. AVI CHAI was one of the founding partners in PEJE, the Partnership for Excellence in Jewish Education, and for five years has been a significant partner with other foundations in supporting Birthright Israel. It

has also joined in several initiatives of the Foundation for Jewish Camp. These are all significant exceptions to the predominant pattern of AVI CHAI as a "go it alone" philanthropy.

Another possible explanation of the reluctance of other possible funders is a corollary of AVI CHAI's practice of taking the initiative in creating or dominantly supporting most of its undertakings, which results in the perception of AVI CHAI "branding." This is not at all to suggest that AVI CHAI has deliberately branded initiatives with its name. Indeed it has not done so, with the exception of the now-on-hold AVI CHAI Fellowships and the Jewish day school library effort. As Arthur Fried has said, "It is not a case of branding with our name but branding with our money and expertise." That may well be the case, but, in the eyes of other foundations, even such implied branding nonetheless stamps these projects as AVI CHAI initiatives, further deterring other philanthropists from joining in after an initiative has been so "branded." Moreover, when one couples such implicit branding with the absence of prior efforts to engage other philanthropies in an initiative, however unlikely the prospect for success in doing so, the openness of other philanthropies to add their support to AVI CHAI initiatives now seems even more unlikely. As one senior staff member observed to me, "We refer to grantees as 'our' grantees. We think we own them. For most of our existence we haven't really thought about their sustainability beyond our support."

As long as AVI CHAI did indeed have more than sufficient resources to accomplish what it hoped to do, and as long as it expected to be around indefinitely to enable its principal grantees to continue to receive support, the downside of its preference for "go-it-alone" was likely minimal. Once AVI CHAI made the determination to spend down, however, the full cost of that preference began to make itself felt. Under the prospective spend-down, AVI CHAI began to recognize that if it were to be able to succeed in leaving the kind

of permanent impression it hoped to leave on its primary fields of activity, a significant part of the task it had to undertake was precisely the same one that, in pre-spend-down days, it had chosen to avoid: recruiting the participation of other philanthropies in supporting its grantees' projects or significantly assisting its grantees in attracting support from other sources. One of the Trustees made a telling observation on that point: "For a long time, we thought if we did good work, other philanthropists would follow our lead. But there came a point when we realized that they didn't automatically do so. We had been naïve about that. We woke up one day and discovered that others won't necessarily follow an example, and that maybe it really is important to engage others directly beyond the simple act of creating an example."

The challenge inherent in overcoming that problem now is that other potential philanthropic partners are much less likely to support an already-existing, implicitly "branded" program than they might have been had they been involved in supporting the program before or at the point of inception. Whatever the odds of succeeding in recruiting partners may be, the most fruitful time to attract philanthropic partners is during the gestation of a program when they can be made to feel that they are participating in its shaping, when they are substantially "present at the creation." A foundation such as AVI CHAI that has a large portfolio of grantees whom it has been supporting in substantial part, and that is now on the road to spending down, will face a much tougher sell in attracting philanthropic partners at this juncture. As one of the grantees remarked, "AVI CHAI has been so successful at branding this program that other people don't want to be the pinch-hitter. It's not that that was AVI CHAI's intention but, irrespective of intention, everyone else thinks of it as an AVI CHAI program."

It should be noted that "going-it-alone" philanthropically is not the prevailing practice of even the largest foundations. Most presidents,

and many program officers, of most of the largest foundations regularly spend time and energy in trying to persuade other foundations to join in the initiatives that are of most importance to them. In my own experience at Atlantic Philanthropies, in every situation in which we chose to initiate a new philanthropic venture, my colleagues and I would go on the road to share our vision of a project with other foundations, reveal to them confidentially the magnitude of the commitment our trustees were willing to make, and try to seek their financial participation in the venture at the outset, before we had said anything either firm or public. That is what many other foundations do, especially those which frequently start entirely new organizations or major projects. The reason they do so is not because they lack the resources to achieve by themselves what they wish to accomplish in the initiative, but because they know that, at some point, they will wish to diminish or eliminate their support, and that enrolling paying partners in the project at the beginning will make it easier for them to exit later on. That is exactly what happened, for example, with The Energy Foundation, from which several of the founding foundation partners withdrew in later years, and were replaced by others which subsequently bought into the vision of the partnership. In addition, even without regard to their own "end-game," a by-product of partnering is that foundations which use it do have more money to spend on other projects of interest to them.

It is impossible, of course, to know for sure what might have been, but my guess, informed by what I have witnessed in comparable situations, is that, had AVI CHAI sought in earlier years actively to draw other foundations into its process of thinking about how to solve particular problems, as well as into supporting its important grantmaking initiatives, it—and its grantees—would likely face an easier and more successful time in persuading other foundations to come to the aid of AVI CHAI grantees now as the spend-down process accelerates and thereafter. At the moment, as one senior

AVI CHAI program official said to me, “we look in the rear-view mirror and we don’t see any cars coming up the road behind us, following our lead.” That should hardly be a surprise, because the ‘go-it-alone’ culture is and has been so strong that even foundations with like values, however few in number they may be, probably have the feeling that their involvement in AVI CHAI grantmaking is not needed, or maybe even not welcome. Considering the increasing momentum among foundations, including some Jewish foundations, over the past two decades in seeking and establishing a variety of collaborations and partnerships with other foundations, I think that it is all too clear that AVI CHAI should re-think the continuing viability of this aspect of its culture. Even if it were not spending down, such a rethinking would be in order. But the fact that it is spending down seems to me to make a more collaborative approach mandatory. The fact is that all foundations, whether sunsetting or perpetual, that make a habit of systematically and actively engaging with like-minded philanthropies on projects of major importance to them have a significantly greater likelihood of attracting the support of other philanthropists to their grantees.

But institutional cultures are very difficult to change unless specifically targeted, and even obviously self-defeating practices die hard. At the same time, for example, that AVI CHAI is determined to try to help its most important grantees attract the support of other philanthropies, it writes in its 2005 Annual Report the following: “While AVI CHAI has no plan to enter the fundraising business beyond programs such as MATCH...we do hope that our experience over the past 20 years will enable us both to inspire and inform new philanthropists investing their own resources and energies into day schools and camping.” I believe, on the contrary, that AVI CHAI *should* plan to enter the fundraising business in behalf of the grantees most important to it, and should begin deciding now how best to go about doing so.

While AVI CHAI has taken some steps in enabling its most important grantees to learn how to do fundraising better, my impression is that most grantees do not feel that they are now competent to succeed in the necessary fundraising. Since many, if not most, of AVI CHAI’s most important current grantees receive the bulk or all of their support from AVI CHAI, they have never had to raise money before. Moreover, because they have never had to raise money before, many of them have not given thought to the kind of board of trustees or advisors that would be necessary to enable them to succeed in fundraising. They need help in creating or strengthening their boards. The larger grantees need a professional, experienced fund-raiser on their staffs. In other words, they need more than the opportunity to take a fundraising course. Moreover, at this stage in their existence, with their primary source of funds making plans to spend down, they need such support now, and the only likely place they can turn to get it is AVI CHAI.

What AVI CHAI grantees need is what has been called for some 20 years, at least in the wider U.S. foundation world, support for “capacity-building,” and, somewhat more recently, for their “sustainability.” In thinking and doing something about capacity-building, it is critical to distinguish between the difference between free-standing grantees and grantees which are embedded within other pre-existing organizations. The difference is this: when AVI CHAI has created an initiative and negotiated with a pre-existing organization to include it as a new undertaking, too often the host institution did not place a high priority on financially strengthening the AVI CHAI-initiated addition. Even when the host organization was stable financially and AVI CHAI had required some cost-sharing in its new initiative, that sometimes proved to be the case. And, of course, when the host organization was unstable or suffered from downturns in its fortune or in the economy, it naturally favored its core activities over AVI CHAI add-ons. So while AVI CHAI thought that such initiatives would have built-in capacity-building

support, for the most part they have not. With respect to free-standing grantees, there was and is no source of such capacity-building in the first place, except for AVI CHAI, which did not give a priority to it.

If my reading of the AVI CHAI annual reports is accurate, AVI CHAI Israel now appears, from the public written record, to be more purposely engaged in trying to satisfy that need than AVI CHAI North America. Let me underscore that that may be an incorrect inference, as AVI CHAI North America may be doing it but not yet writing about it. In the 2007 Annual Report, however, Eli Silver [the Israel Program Director] devotes three paragraphs to the subject, as follows: "...two directions have emerged from our thinking and are worth noting:

Capacity building: our grantees, with AVI CHAI's support, have developed into significant change agents that promote AVI CHAI's mission in Israeli society. It is in the Foundation's interest to enhance the capacity of these value investments to sustain and improve their work in the years ahead, even after AVI CHAI closes its doors. From this perspective, it makes sense for the Foundation to devote attention now to enhancing the organizational capacity of grantees. In this context, we recently began to assist several organizations in the field of informal Jewish education to conduct strategic planning processes with the aid of consultants funded by AVI CHAI. In addition, our Director of Evaluation, Liora Pascal, initiated in 2007 an innovative pilot course on evaluation for ten grantees, with the goal of transforming their institutions into committed learning (and self-evaluating) organizations.

Strategic partnerships: given our finite resources and time frame for operations, it is increasingly clear that we should try to attract and engage new partners in our fields of interest. Such an effort would more effectively leverage our current activities and also develop sources of support for AVI CHAI's agenda after 2020. At this stage, we have begun to explore partnerships in the

public sector, especially municipalities, as part of community-wide initiatives...we also have begun to dialogue more extensively with other philanthropic foundations to identify common areas of interest and possible points of collaboration." [2007 Report, pp. 27-28]

My generalized assessment above on the variable extent of AVI CHAI focus on capacity-building among the programs in North America, Israel and the former Soviet Union may not be accurate, as I suggested earlier. At least one Trustee said the following: "If you look at the FSU agenda, from the beginning it has always been all about viability and strengthening of grantees, about finding people who are executing well. [We're] trying to do it with schools and camps. In North America, such a focus has been only recent, and in Israel it was scattershot at best. In Israel, we simply didn't articulate a capacity-building agenda. With regard to North America, we had a large initiative focused on Bukharan immigrant day schools, which failed because grantees simply didn't have the organizational capacity necessary for success. Moreover, it is interesting to think about why the focus in the FSU was so obviously that of capacity-building. It was because if we were to do anything there, we had to give priority to capacity-building."

Perhaps North America is further along in capacity-building than the inference I drew above from the public record would suggest. As some evidence of that, one of the North American grantees cited AVI CHAI's spend-down decision as having at least one positive consequence for his organization, reporting the following: "When the spend-down came along, AVI CHAI gave us a two-year capacity-building grant to hire a development director and are continuing to discuss other possible components of that grant—maybe for marketing, maybe for I.T." He quickly added, as might be expected however, that the likely negative consequences for his organization resulting from AVI CHAI's plan to close down outnumber that one positive, because he does not now see successor funders with the

same interests which are possible sources of comparable support, no matter how greatly he strengthens his organization's capacity. Like many other grantees I suspect, he comforts himself in the hope that "AVI CHAI will decide to make endowment grants to those organizations of primary interest to it, and that we will be part of such an initiative." Obviously, the message that AVI CHAI has decided not to consider the possibility of making tie-off endowment grants has not registered. As one of the Trustees commented to me, "at one point we had hoped to endow organizations, but endowment is a ruse, just another form of perpetuity."

In addition to the steps mentioned above, in 2009 AVI CHAI began to devote a substantial portion of the time of one of its senior staff members to grantee capacity building. She is the program staff member who had worked with the grantee mentioned in the preceding paragraph, and had tried to help another grantee in similar capacity-building not related to strengthening its revenue stream, but the latter is regarded as having been less successful than the former.

These signs of attention to grantee capacity-building are a hopeful signal that AVI CHAI may in fact now be doing what it must do if the grantees whom it has launched or significantly supported are to have a chance at surviving in the world after AVI CHAI. In my limited number of interviews with both Israeli and North American grantees, such initiatives are welcomed by the grantees, but virtually all grantees who commented on capacity-building help they are now receiving from AVI CHAI expressed the view that much more such help is needed, and needed soon. When I asked program staff members in my interviews whether grantees are focused on actively planning and doing what they will need to do in order to attract new revenue streams, frequently they said that "not too many of the grantees have come to grips with the problem because it seems to them too far off in the distance." If that is in fact the case, AVI CHAI

program staff members should aggressively push grantees to engage in, and should be able to provide financing for, the requisite capacity building. The grantees have a great deal of learning to do before they will be able to incorporate the required new behavior into their ways of doing business, and that takes time, resourcefulness and hard work.

Demand for such help is already being focused on AVI CHAI because, realistically, it would be the first place for most AVI CHAI grantees to turn, and probably it is the only place to which major grantees, which think of themselves as part of AVI CHAI's prospective legacy, could reasonably turn. If AVI CHAI is to be able to respond, it needs to consider how to provide such time-consuming support to its grantees and whether it now has on its program staff persons with the time and the skills necessary to provide such support well. In my view, it is not nearly enough to arrange for grantees to take short courses on fund-raising, evaluation or strategy, although it is important to provide such courses. It is even better to finance consultants on those subjects who work directly with individual grantees over a period of time, which the Israel Program has done in the strategic planning field. But even that is not enough. One of the AVI CHAI Israeli Trustees even suggested that AVI CHAI create a separate intermediary organization that could provide a variety of capacity-building support to grantees until the sunset occurs.

AVI CHAI staff members themselves, with their greater familiarity with the grantees' programs and their much greater knowledge of the macro fields in which particular grantees operate, need to engage with grantees in the process of assessing the specific capacity-building needs of individual grantees, and in guiding the grantees in acquiring the capacity-building skills that are lacking at present. Moreover, there are some kinds of assistance, such as helping grantees identify and recruit members for their boards of trustees, that few consultants can provide, but that Trustees and some foundation staff members with their own knowledge of the field

and their networks of possible trustees *can* provide. Of course, program staff cannot and should not carry the whole burden, but they should captain the process of identifying, engaging, and managing the consultants—as well as Trustees, as in board building—who do the heavy lifting, and serve as a bridge between those consultants and the grantee management team. The fact that a program staff member has excellent skills in program development and grantee selection, which I believe AVI CHAI’s staff unquestionably have, doesn’t necessarily mean that he or she has experience in board-building, strategic and business planning, and fundraising, or has the networks and people-knowledge necessary personally to add value to the AVI CHAI grantees’ quest for help. If that is correct, and if AVI CHAI senior management wishes to increase the likelihood that its “legacy projects” will indeed survive and thrive, I believe it must begin to fill that need immediately. To do so, the program staff itself will likely require expert assistance from consultants who specialize in organizational capacity-building. The program staff may also require the addition of on-staff specialists in capacity-building to work with grantees across the grantmaking portfolio. It will take time to overcome the disadvantages of the ‘go-it-alone’ culture, and ten years are not a great deal of time when long-rooted culture change is necessary.

And, I might add, it is not only the “go-it-alone” culture that has to be overcome. Another is the “only-the-program” culture, which emphasizes the substantive content of the grantees’ work over the process issues of how well the grantees are administering their organizations. A senior program staff member commented on this point as follows: “We went into an area now, let’s say cost-savings for day schools, where day schools will cooperate together. That isn’t something AVI CHAI would have done ten years ago, because it doesn’t necessarily have to do with the educational program in a school, which is where we really focus. This is back-office, this is sustainability, strengthening institutions, and that’s a new area we’re now getting in.” That same program staff member quickly

elaborated as follows: “Take the day school cost-savings project. We sent out a request for proposals to all comers, which is also something new for AVI CHAI.... We sent it as wide as we could to the day school world, saying we are prepared to invest in collaborative efforts where schools would get together to join in some way that will eventually yield cost savings for the schools.” Parenthetically, it should be noted that the Request for Proposals referred to here was not the first time AVI CHAI had used that device to invite proposals. It had used it before, but almost always limited it to pre-designated recipients and never open to all comers. For example, since 1997 AVI CHAI has invited all comers to apply for interest-free day school building loans, and the MATCH program, discussed below, is another such exception.

Let me add that AVI CHAI is certainly making progress in encouraging its program staff to think about how better to leave a lasting legacy. At least some of its program staff members say that now, for the first time, when they initiate a new program, they are indeed focusing on designing and putting in place an exit strategy. Whether or not a foundation is spending down, “exit strategy” thinking provides discipline to the grantmaking process. It surfaces the issues of whether an initiative is hoped or expected to go on beyond the period in which the Foundation will provide support for it, and, if so, what steps are indispensable at the outset of the grant to increase the likelihood that adequate financial resource-generation from others and adequate management and marketing skills to accomplish that end are in place. As one staff member commented to me, “We do think more about exit strategies when we make a grant, and we often now do make an exit strategy part of grants.” Another staff member elaborated that point: “We do think now about exit strategies for programs from the get-go, which we did not do before. For example, in our camping area almost every program that’s been developed has built in some form of exit strategy, whether it’s another organization picking it up or the camps themselves picking up the costs as

we go along. We and the grantees know that it's three-to-five years that we're in, and then out."

In addition, that staff member made another very important point: "We now think not only about how to sustain a grantee, but much more about how to strengthen and sustain the field in which grantees are operating. For example, our work in cost-saving for day schools. We sent out an open-ended Request for Proposals (RFP) inviting cost-saving proposals from day schools. We did so because of our commitment to strengthen the field of day schools by enabling the development of a pattern of cost-savings by such methods as joint back offices and shared secular studies programs for cross-denominational day schools. The fact that we are spending down has forced us to think expansively about objectives rather than narrowly about means. The field creation/strengthening imperative requires us to undertake aggressive efforts to share broadly what is being learned from our experience with particular grantees, in other words to engage in learning-diffusion. It was the decision to spend down that catalyzed 1) our first use of RFPs open to all comers, 2) our first determination to focus on organizational issues such as cost-cutting rather than on program focus alone, and 3) our first willingness to staff grantees' development function."

A Trustee gave two other examples of AVI CHAI's focus on field-building, both of which pre-date the decision to spend down: 1) the commissioning and financing of the Brandeis University study on the Jewish camping field, which defined the parameters and set a comprehensive agenda for that field, and 2) the AVI CHAI-financed censuses of the Jewish day school field. While "field-building" with respect to its major program focuses has been part of AVI CHAI for some years before spend-down was decided, that decision has increased the focus on it. About the former example, the Trustee said: "We're not just quietly going off into the sunset; we are trying to look at the areas of our activity at the meta-level. It's not just what we're doing, but how we're doing [it] that will be perceived in the

field by others, and what we can do to help share our experiences and knowledge with other people. We've done that in so many fields. I distinctly remember the first conference on summer camping when we commissioned the Brandeis people, Len Saxe and Amy Sales, to do that first large report about Jewish summer camping. It's not that no one had ever had the idea to work in that field, but it was sort of splintered and didn't command a lot of focused philanthropic attention. We pulled everyone together in a large all-day conference with a big, recently released glossy report with all kinds of interesting and provocative conclusions. We helped set the agenda for the philanthropic community—at least that portion of it that was interested." The same Trustee described the day school census, saying "The day school world is so splintered, and there wasn't even a survey of the field until we started. We didn't even know how many schools there were or where they were located. Some are large, some are small, some are community, some are Orthodox, some are this or that. There was no such pre-existing study of day schools, such as where are they clustered, and what are they teaching."

Field-building has not been limited to substantive knowledge, however. It has also included efforts to spread "best practices" related to the substantive knowledge fields. A program officer gave an example: "With this RFP we're setting up a blog and requiring that all the participants in the program, all the different schools, write and submit monthly entries to the blog. We hope to cull some of the learning so that others could say, 'What a great idea to share a middle school between two local schools! This is how they did it; maybe we can do it, too,' and thereby generate even more thinking and following."

That same field-strengthening catalyst has moved AVI CHAI to widen its horizons to include various kinds of advocacy. One example is supporting research, ideas, and advocacy, but not grantmaking, about a variety of possibly promising ways that others, whether funders or not, might serve

the broader field of Jewish education beyond AVI CHAI's primary commitment to day schools and summer camps. An even more ambitious example within AVI CHAI's primary focuses is the possibility of supporting advocacy initiatives aimed at enacting legislation to provide state government financial support to religious schools. Such targeted advocacy efforts, especially advocacy for adoption of new governmental financing or other programs, will require staff and Trustee efforts that are quite different in nature from those used in the kinds of grantmaking AVI CHAI has traditionally done. Today, a significant number of other foundations are explicitly engaging in public policy advocacy, so there are track records from which to learn if AVI CHAI chooses to expand its public policy advocacy efforts. Certainly, if the chronic problem of day school financing is ever to be solved on a continuing basis, it is difficult to conceive of any "permanent" solution other than public funding. It is very encouraging that one of the Spend Down Working Groups is studying the possibility of an advocacy initiative designed to try to bring that about.

A WELCOME DEPARTURE FROM GO-IT-ALONE GRANTMAKING

In 2004, AVI CHAI launched the MATCH program, the idea for which came from Samuel J. Silberman, who was then a Founding Member and Trustee of AVI CHAI. The goal was to challenge others to give to match first-time donors' gifts, dollar for dollar, to Jewish education, subject to specified eligibility criteria. It did so in partnership with the Jewish Funders Network, and, with the active cooperation of the Partnership for Excellence in Jewish Education, it is persuading prospective donors to take advantage of the AVI CHAI challenge. Participation in the program was limited to "1) Jewish Funders Network members who had never made a Jewish education grant before, and 2) members who had funded Jewish education before but are prepared to exceed their previous maximum grant for a Jewish education cause by at least 500%." [2004 Annual Report, p. 7] Its first round far exceeded

expectations as to the likely response by other donors. The original AVI CHAI authorization was for a grant of \$1 million over two years, but the response from other donors eligible for AVI CHAI matching grants totaled \$3.5 million. AVI CHAI responded by increasing the amount of its grant so as to be able to match the contributions of all eligible donors. What is most striking about this success is that, although the challenge could be matched by gifts to Jewish education generally, 75 percent of the applicants were for gifts to day schools! [2004 Annual Report, p. 8]

Following in the wake of the impressive success of MATCH's first round, AVI CHAI succeeded in recruiting four other funders to join with it in the second and third rounds. Together they "created a pool of \$5 million to provide 50% matches for gifts of \$25,000–\$100,000 to Jewish day schools by donors who are making their first-ever gift to Jewish day school education" and to previous donors whose new gift is at least five times greater than their largest previous gift. [2007 Annual Report, p. 22] Those were the same eligibility criteria which applied to the first round, the only differences being that, instead of a dollar-for-dollar match, the third round offered a 50-cents-per-dollar match, and the match was offered for gifts to day schools only, rather than Jewish education generally. The evolution of MATCH—from its beginning, with only AVI CHAI's money catalyzing gifts by other donors, to its third round, in which, on the basis of the success it had demonstrated in the first and second rounds, it persuaded other philanthropists to join with it as partners in the challenge by offering the dollars to match gifts by others—suggests what AVI CHAI might be able to do if it were to adapt a MATCH-like strategy to at least some of its other high-priority programs. Keep in mind that, in the first two rounds alone, MATCH succeeded in attracting almost \$40 million in new gifts to the day school field, including the amount that AVI CHAI contributed. Alas, this partnership story doesn't end there. AVI CHAI's success in attracting other partners to join it in the challenge itself has, until this point, not carried over to its

hope to do a fourth round of MATCH. As of this writing, those partners who joined in previous rounds have been reluctant to continue, and willing new partners have yet to be found.

What MATCH illustrates, however, is that, with care in selecting an objective and with good judgment and precise strategy in recruiting prospective partners to join in a partnership, AVI CHAI *can* sometimes leverage its own resources to add significant amounts of the resources of others to initiatives of the greatest importance to AVI CHAI. I think that MATCH convincingly points at least one way for AVI CHAI to chart its course during the 11-year remainder of the spend-down process.

Admittedly, there is no way to know for sure whether the first-time donors to day schools will continue to give over the long run to the schools at the level that AVI CHAI's match provided them the incentive to give. But the early research, conducted by an external consultant who gathered data directly from the schools, shows that 77% of the donors are continuing to give at an average of 75% of the level of their gift triggered by that match. If AVI CHAI wishes to see large numbers of other philanthropists provide support to the initiatives of highest importance to it after it turns out the lights, it should adopt an explicit strategy *now* to seek to attract other donors gradually by taking counsel with them on its intentions before acting and then forging with them all kinds of partnerships, including leveraging initiatives analogous to the highly effective MATCH program. To do so requires efforts targeted at that goal, as well as a willingness to commit the time and energy necessary to increase the likelihood of success.

The 2007 Annual Report suggests that AVI CHAI is now moving in that direction. Yossi Prager writes there as follows: "As a result of the mortality inherent in our decision to wind up in 2020, we have recognized that the long-term impact of our work depends on our persuading Jewish educators, thought leaders and philanthropists

to 1) collaborate with us in the short term, and 2) champion our mission—in its broadest sense, including beyond day schools and summer camps—after we shut our doors. This has led us in the directions of "thought leadership" and new vehicles for promoting LRP [Fostering high levels of Jewish Literacy, Deepening Jewish Religious Purposefulness, and Promoting Jewish Peoplehood and Israel]." [p. 10]

My concern with the preceding quote is that, in the write-up that follows that introductory paragraph, the collaborators and champions who are listed are, without exception, Jewish educators and thought leaders. No examples of philanthropist partners are given. While the hope and intention may be to recruit them, concrete initiatives should be undertaken *now* if their association with AVI CHAI's goals and strategies is to succeed in motivating them to carry on with such initiatives once AVI CHAI is no longer on the scene.

OTHER BENEFITS OF THE DECISION TO SPEND DOWN

In addition to the benefits of the triage process in narrowing, sharpening and deepening the active grantee pool, the decision to spend down was reported to have had other salutary benefits. One of the most important was described by a Trustee as follows: "Having to spend down means we think about legacy, what we are going to leave behind, how to increase the likelihood that there *will* be something of what we have done that survives to benefit society after we are gone, which is sort of like having a terminal illness." Having to think under that imperative cannot help but lead to better, more precise program choices and greater efficacy of grants. In addition, one Trustee noted that "I think more carefully about the things we're doing and how, and am more open to experimentation than I was heretofore." "Moreover," she added "if we shorten the period of spend-down unduly, we won't have room to make mistakes, and if we don't have room to make mistakes, we cannot take risks."

But not all of the by-products of the decision to spend down focus on supporting grantees or even fields; one important departure has been an increasing willingness to market “ideas, issues and messages” related to the primary fields of concern to AVI CHAI, not with the intention of funding any of them, but to stimulate thinking among others. The initial steps into such “idea advancement” occurred well before the spend-down decision was publicly announced, but the practice has gained momentum since, almost certainly because idea-generation and -diffusion is much less costly than idea-implementation.

Some of the staff members perceive a tension in taking this route, however. And that makes them nervous. One of them said: “We still feel strongly about day schools. If we take part in the public conversation about new business models for day schools, we fear the backlash will be ‘So, why aren’t you setting up a scholarship fund?’ On the one hand we want to be an advocacy group and on the other hand we want to be a funder. I think it’s hard to match advocacy and funding. For example, the goal now is for AVI CHAI to be an intellectual resource not only for day schools but for other fields in Jewish education that we have no intention of supporting. So we’ve recently released our third report on supplementary schools, and there is that tension there. It will never happen that we’ll fund supplementary schools; the idea is to provide the intellectual resources to those who would. We’ve set that up in a way with that as the backdrop, but even so, when we talk about advocacy...we always find ourselves up against a wall. The line between advocacy and program is a little blurred. Often we have to take a step back and say, ‘No, that’s a program, not advocacy.’ We aren’t going to do programs there; others are supposed to be doing programs there. I think we’ve adopted some of those issues into AVI CHAI itself now, with the point of being a seller of ideas, not a funder of their implementation.”

THE PACE AND CHARACTER OF THE DECISION TO SPEND DOWN

My reading of the sequence of the steps taken to implement the decision to spend down leads me to the conclusion that the ten years from Zalman Bernstein’s death until today, when the hardest choices are at last being made, is too long a time to decide how to go about spending down in a way that maximizes the likelihood of successfully creating a lasting legacy. That is all the more the case when that length of time turns out to be almost one-half of the remaining life of AVI CHAI! As one of the senior AVI CHAI staff members reported to me in our interview, “We did not approach sunset thoughtfully.”

I recognize fully that facing the challenge of closing down is not psychologically easy to do, that deciding how to go about spend-down is bound to be a difficult and complicated challenge for any foundation, and that, in a foundation that is Trustee-driven and that tries, not always with success, to act on grants by a unanimous vote of Trustees, the need to bring along all Trustees is bound to require some period of reflection, persuasion and resolution. Still, consuming the first 50 percent of the remaining life of a foundation in order to figure out how to use the remaining 50 percent seems excessive indeed. Only recently, in 2009 with only 11 years left to go, did the strategy for spend-down seem to be jelling to the point that steps that would have seemed, at the beginning, inevitable at best and desirable at least are actually now being taken. Examples of those steps include the wholly admirable process of comparative rating of grantmaking initiatives done in 2009, the implementation of the beginning consequences of those ratings for grantees in the current portfolio, and the commencement of initiatives to build capacity of grantees which are described in the 2007 Annual Report. Nonetheless, other foundations, such as the Beldon Fund, have gone from founding to lights out in only ten years, so AVI CHAI clearly has enough time left to craft and implement fully a well-designed spend-down plan.

It appears to have been clearly accepted, although never explicitly articulated in writing, that, from the birth of the spend-down decision, the goal of AVI CHAI would be to leave a legacy in the North American Jewish community and in Israel with respect to the grantmaking programs of highest interest to it. To be sure, Arthur Fried and others have long been wary of the distracting effect that dreams of legacy can have on a philanthropic program, warning (as noted earlier) that such ambitions “may complicate and, perhaps, even corrupt an orderly philanthropic process if an overzealous emphasis is placed on ‘legacy’ at the expense of defining today’s needs.” Nonetheless, perhaps inevitably, staff and Trustees alike frequently use the term when describing what they hope will be the end result of AVI CHAI’s years in philanthropy. Most clearly hope that the state of AVI CHAI’s fields of interest will be markedly better, in tangible and lasting ways, because of the assets that the Foundation invested and the resources it created. That is arguably not an “overzealous” vision of legacy, but it is an ambitious one.

Such legacies take time and deliberate effort to build. And if that was the goal, a careful melding of investment, program, and exit strategy needed to be adopted in the immediate wake of the decision to spend down. Moreover, the steps that needed to be taken pursuant to that strategy in order for AVI CHAI to have a significant chance to succeed in legacy-building were fairly clear from the beginning. It needed to decide which of its many initiatives were in fact of the highest importance to its mission, as well as which were of lesser importance, and it needed to put in place a timetable and multi-year budget for concentrating on the former and gradually extricating itself from the latter. It needed to try to draw in philanthropic partners to its existing programs of highest importance, and it needed to involve philanthropic partners in the planning and funding of any new initiatives to be launched on the way to the lights-out year. It needed to decide whether to launch any new major initiatives, and, if so, which ones.

In addition, it needed to engage, as pervasively as possible, in capacity-building of its existing grantees of highest importance, as well as to assist even the grantees of lesser importance in the transition off of AVI CHAI support. All of these steps have been used, for at least a couple of decades, by many U.S. foundations in much if not all of their major grantmaking, and, as we have seen above, have been tried or used to some degree by AVI CHAI.

Throughout my interviewing for this report, I kept wondering why it took the decision to spend down to awaken AVI CHAI to the need and willingness to draw in philanthropic partners and to make grantee capacity-building a cornerstone of its grantmaking. I asked many of the staff members the question, and the prevailing response was that “AVI CHAI is not in the midst of the trends in the wider foundation world,” which is unfortunate if true. A Trustee answered by explaining that, “maybe we didn’t have the experience or knowledge or self-confidence to move into such capacity-building sooner and without the impetus of spend-down.” Another Trustee remarked the following: “It has taken this [global financial] crisis to get the Jewish communal establishment to wake up and ask whether the day school model is actually viable. That is what has made AVI CHAI face the need for capacity-building now.”

Had such practices been part of AVI CHAI’s culture from the beginning, it would likely be much further along now in having nurtured many more initiatives into sustainability and much likelier to have been able to create a community of philanthropic funders around its program initiatives of highest importance to it. One program staff member expressed doubt that an investment in capacity-building for existing grantees would pay off, and I agree that, at this point, the likelihood of enabling most grantees to strengthen their capacity sufficiently to become sustainable absent AVI CHAI cannot be as high as it would have been had AVI CHAI been focusing on capacity-building from the beginning of its grantmaking. That is one of the factors that makes it essential that AVI CHAI, in deciding

which grantees to continue supporting as it phases out others, include as an important element of its calculus the likely grantee sustainability post-AVI CHAI.

Why, then, did it take the spend-down decision to wake up AVI CHAI? Arthur Fried's comments earlier in this report tell part of the story, but I suspect that he takes too much blame on himself and the other Trustees. Perhaps a more important, and certainly more instructive, part of the story may lie in AVI CHAI's Trustee-led governance structure. There are so many aspects of deep Trustee engagement that I admire tremendously. It seems clear to me that the AVI CHAI Trustees almost certainly know more in detail about the grantees and their performance than do trustees of foundations that don't similarly, that is deeply, engage their boards in grantmaking and grant-implementation. Because of that thoroughgoing engagement, as one Trustee observed, "all Trustees are especially knowledgeable and productive contributors to the prioritization process. Trustees think nothing of picking up the phone and calling individual staff off line to discuss A, B, or C, and vice versa. It's a very healthy, interactive process with a lot of talk and noise." And that is only one of many benefits that flow from the deep Trustee engagement.

But there appears to me to be at least one major negative, which I am reluctant to note, but candor in assessing the AVI CHAI spend-down compels me to surface it. Having nearly a dozen Trustees, each of whom is expected to play an important role in initiating grants and becoming deeply involved with them from beginning to end, explains, at least in part, why AVI CHAI has, or recently had, 80 different active grants. One Trustee explains this phenomenon as follows: "This is a trustee-driven foundation, so when you get a Trustee who takes the bit between their teeth and it's a very powerful idea, nobody could object to the idea, even though one knew from the

beginning that financially, in terms of possible sustainability, that project would be difficult."

A staff member pointed out another consequence of being a trustee-driven foundation: "I don't think we'd given it any thought in terms of operations, especially in terms of how the Trustees function. This has been a Board brought together in, and suited to, the era of plenty—meaning plenty of time—where they haven't had to act as a team. The only time they are really together is when they vote on projects. We had constructed their sense of where they fit as being a Project Trustee. So you have created a process whereby every person, whether he/she is staff or Trustee, is looking at particular trees and not at the forest. The first thing I took away was that this period of spend-down, with a scarcity of time, is all about looking at the forest. We can't be in the tree business; we have to be in the forest business. We'd never done that before. Moreover, I asked what it meant to go from an era of plenty to one of scarcity, not so much in dollars but in time. It seems to me it changes the nature of what we're trying to do. The question shifts from trying to put lots of things into the world to what we can leave behind that will continue."

It seems to me axiomatic, therefore, that the larger the number of grant initiators there are, the larger the number of grants there will be. In most foundations, the program staff and foundation officers initiate grants and the trustees reflect on them, refine them, and ultimately approve them. The source of grant recommendations in those foundations is unitary; the president or vice president for programs can bring discipline to the process by subordinating grantmaking ideas to pre-existing program strategies and pre-established budget priorities. Moreover, in most foundations, the trustees, too, not being expected to buy into grantmaking proposals in advance, can and should be an effective source of discipline against initiating both too many grants and grants that embody significant deviation from mission or approved strategy.

In a foundation like AVI CHAI, where the sources of grantmaking initiatives are multiple, where all of those sources are at least almost equal in weight, and where unanimity of decision is the aspiration if not necessarily the rule, it would seem to me very difficult, if not impossible, to impose anything like the “big-picture” discipline common at other foundations. It is remarkable, therefore, that nonetheless AVI CHAI *did* maintain a level of discipline sufficient to create and maintain, especially in North America and the former Soviet Union, a focus on the few grantmaking areas to which it was dedicated. The fact that the Israel Program’s mission is broader and less-precisely defined has meant that Trustees there have tended, more often than in North America, to initiate programs of interest to them. While the Trustees in both North America and Israel are heavily engaged programmatically, the Trustee grant-initiating role in Israel seems to have been more pronounced and less constrained by fidelity to strategy. By region, the strategic focus in North America has been day schools and camps; in the former Soviet Union, it has been a narrower version of the two focuses in North America, and in Israel it has been open, pluralistic Jewish education. As Arthur Fried notes, however, “nothing gets to the Board that varies from our mission and goals, clearly defined.”

Nonetheless, even constrained by the mission and goals, the larger the number of grantmaking initiatives there are, the greater the amount of time and intellectual energy program staff will inevitably have to make available to focus on substantive program problems. They will have fewer professional and personal resources to devote to the nitty-gritty of grantee fundraising, capacity building, or strategic capacity. And it is precisely attention to those nitty-gritty details, as unexciting as they intrinsically are, that increases the likelihood of grant program sustainability over time. As one of the senior staff remarked to me, “AVI CHAI’s focus on programs was not necessarily the best way to lead to a legacy, so the move now is not just to programs but to programs that *will* likely lead to legacy.” I would

put it even more strongly. A focus on substantive grantmaking programs without an equally strong focus on all aspects of grantee capacity-building is self-defeating for the goal of sustainability, whether a foundation is perpetual or destined to sunset.

Perhaps the foregoing is mere speculation, but it does help to explain to me why AVI CHAI is as it is, even if doesn’t help in figuring out how to overcome the problem. I do believe that one of AVI CHAI’s greatest distinctions is the high degree of its Trustee involvement, and that the consequences of such Trustee engagement are hugely beneficial. Moreover it is not necessary that the one drawback of such engagement have the negative consequences that I suspect it has. One can hope that, if my analysis is correct and if the Trustees come to understand that that great advantage contains within it serious obstacles to the kind of disciplined, strategic focus that is required if AVI CHAI is to succeed in creating a legacy for its founder, Zalman Bernstein, and itself, they will find it within themselves to discipline themselves, which is always more difficult than having others to impose the discipline.

As earlier sections of this report make clear, AVI CHAI is now doing all of these things to some degree, and it is surely possible that it is doing them better than it might have done them had it plunged into their implementation earlier. It is doing some of them, such as the comparative grant efficacy assessment, very well indeed. I worry, however, about the time that has been lost because of that “all deliberate speed” approach to the AVI CHAI spend-down, and, even more, to the lost use of at least part of that time in engaging philanthropic partners, building the capacity of grantees, and providing running room for take-off of any major new initiatives that are ultimately selected, out of the Working Group exercise, as legacy flagships. As I’ve noted above, however, at least one other foundation—the Beldon Fund—started and completed its spend-down within ten years, so

AVI CHAI may have enough time left to spend itself down well. There's no point in complaining about the time that has been lost, but there is a correspondingly greater need now to speed up and be more purposeful in focusing, in a thoroughgoing way, on the implementation of the tasks that are indispensable to the success of legacy-achieving over the next 11 years.

THE OPPORTUNITY FOR NEW INITIATIVES: A REMAINING SHOT AT CREATING A LEGACY?

While some of the program staff and Trustees did not emphasize the desirability or importance of searching for new initiatives, others did. Clearly some of them are more inclined to focus on narrowing the range of existing initiatives and sharpening and deepening the remainder rather than on finding new ones to add. Others expressed a concern that not adding new initiatives would tend to foster a sense of staleness among the staff, as well as perhaps among the Trustees. One of the Trustees commented on this point as follows: "If we shrink the range of present grantmaking and only freeze the remaining status quo, the result could be stultifying to both staff and Trustees. I worry that we are not reserving enough time and money for new initiatives that could help continue to refresh us right to the very end."

The process of searching for new initiatives in North America commenced with the decision agreed to by the Board of Trustees in November 2008 to establish Working Groups as the vehicle for surfacing and fleshing out such initiatives. Three of such Working Groups have begun functioning: 1) Jewish Day School Finance, 2) Developing Professional Leadership (primarily for but not limited to day schools), and 3) Advancing Jewish Literacy, Religious Purposefulness and Jewish Peoplehood in 21st Century Jewish Education. Also under consideration as future Working Groups are ones dealing with 4) Knowledge Management and 5) Philanthropic

Partners and Successors, although it has not yet been decided whether those subjects will be explored in single Working Groups or as part of the charges to the first three. The deadline given to the Working Groups for making a report to the Board has been set as June 2010. Whether promising new initiatives that can attract Trustee and staff enthusiasm will surface through that process is not yet a foregone conclusion, although most of the interviewees expressed cautious optimism that at least some might. One of the senior staff members sees the Working Groups as the mechanisms for developing initiatives that are different from the current program, elaborating as follows: "I think a lot of our conversation in terms of strategic development has evolved into how we move away from 'just programs' to programs that ensure the achievement of a legacy. I think that there's a tension we have there between our existing culture and where we think we need to go." Another staff member put it this way: "I feel the working groups are the beginning of our spend-down strategy. One thing we'll have to do to get there is 'get out of the program business.' Simply putting more programs into institutions that 1) don't necessarily want them and 2) can't sustain them is not allied with spending down. I think that everybody is aware that we'll have to shift; but nobody is thinking how much and to what extent yet. If we get out of the program business and into the strategic initiatives business, we may not have the people suited to that."

It is clear, however, from Arthur Fried's caution that no new big initiatives chosen for purposes of legacy-creation will involve a change of mission. In his interview, he said: "This is a time for considerable reflection. I am concerned that the reflection doesn't take us off our course or agenda—not that we're tied to it, but even in a ten-year period where the next two years are committed, I don't know how you can begin to change the essence of your philanthropy, except in increments. Your mission stays the same, but if in America we wanted to go from day schools and camps to

reaching out to the inter-married, or reach those at the periphery of their Judaism in trying to bring them closer to the center, I just don't think we have the tools to do that. Nor do I think that those who are associated with the Foundation, staff and Trustees, would be interested in doing that; but it's something I have to be sensitive to."

THE EFFECT OF SPEND-DOWN ON STAFF MORALE

Despite the decision to spend down, I found morale at AVI CHAI to be very high, with only a few program staff admitting to being nervous and a little uneasy about their career, and none to pursuing other, more "permanent" job opportunities, at least so far. One of them, the Director of one of AVI CHAI's three national programs, remarked as follows: "I went on one interview but came to the conclusion that I love what I'm doing here and am willing to take that risk. This is such a wonderful place to work. No politics. No ego. A very well-run organization. Arthur Fried is tough, smart, and straight!" It would be surprising if there were not some anxiety about working for an organization which is definitely going to cease functioning on a date certain. A program staff member summed up what I think the general feeling is: "On a personal level people are a little nervous. These are our professions and some of us will neither be old enough to retire when the spend-down date occurs nor young enough to start a completely new career. I think there's a bit of uneasiness, but it's an accepted part of our careers here, and everyone is working diligently towards that." That same person went on to add: "For myself professionally, I'll be in my 40s at that time and still have many years to work. Being at AVI CHAI is a great launching pad for any career in philanthropy, I think, so I'm not really that worried. I do think that, when a staff person hears for the first that 'your business is closing in ten years,' your first reaction is 'Oh no! What am I going to do?' But if you really give it some thought and the rationale behind it, what we

are intending to do is enough of an impetus to really stick with it and give it our all."

The program staff members who commented substantively on this point felt that adopting one or more new program initiatives would likely help keep their morale high, but no one expressed the fear that failure to do so would depress it.

THE EFFECT OF SPEND-DOWN ON GRANTEES

All of the grantees I interviewed had very positive comments about their relations with AVI CHAI before the spend-down, but none of them feel that they are getting the help they need in preparing for the post-AVI CHAI years. Some of them said that AVI CHAI had expressed the desire to help them raise funds from others, but had not yet delivered on that expressed intention. Even the seemingly well-informed grantees said that they had not been informed of what AVI CHAI's spend-down strategy as a whole is, although some of them know that they are scheduled for paring-down annually. The general tenor of grantee comment about the process of spend-down focused on not having been informed of exactly what AVI CHAI's plan for the spend-down is and not yet receiving any significant help in raising funds from others.

Of course, some of the grantees, but not many, questioned the wisdom of the decision itself to spend-down, although all of them articulated an understanding of the reasons behind that decision. Of those who challenged the decision, the primary reason for their doing so was what they regard as the vital importance of AVI CHAI's mission as it applies to the field in which they are working, and the paucity of other philanthropies which are committed to tilling the soil in that same field. In their eyes, AVI CHAI is almost alone among foundations in being so committed, and many of them admitted to being frightened when they contemplate the prospect of seeking support from

others after AVI CHAI passes from the scene. Even grantees who have already begun to suffer phased cutbacks, and who know that they are not among the grantees scheduled for continuing or increased support, praised AVI CHAI's willingness to continue supporting them at a reduced level rather than cutting them off abruptly.

I could quote many compliments the grantees gave to AVI CHAI, which would be no surprise to anyone, but permit me a few: "AVI CHAI has been an excellent partner. Other foundations don't do much follow-up with us after we receive their grants or they are nudniks about insignificant matters. AVI CHAI is not like that at all. They have been very involved with us. They've had terrific ideas and feedback. Its people are smart and passionate about its mission and have terrific ideas, often critical but constructively critical. They raise pertinent questions, sometimes ones we've asked and sometimes ones we haven't. We've been able to be transparent with them because we know they're interested in helping us, so there's no reason not to be. We know that they'll ask the right questions eventually, so we might as well tell them up front when we see problems, and they can help us deal with them. That's what we've done. We went through 22 versions of the draft proposal in what was a great *chevruta*⁷, one in which each was sharpening the other. We really developed this program *with* them."

Some constructive suggestions from interviewees: One interviewee questions the policy of trying to hold all AVI CHAI staff members in its employ to the end, such as by offering a pension plan with more generous benefits if the employee stays until lights-out. That person said that to do so is wrong for both AVI CHAI and the employees.

She suggested that it would be better to do a phased spend-down plan for staff, with phased reductions in force. That would require determining which personnel need to continue working until the end and which ones don't.

A FINAL WORD

While the author hopes that this initial documentation and assessment report will prove to be of benefit to AVI CHAI and its grantees, it seems to us that much of what we are learning is just as applicable to perpetual foundations as it is to those that are in the process of spending down or deciding whether to do so or not. We hope that it will be read in that light.

ABOUT THE AUTHOR

Joel L. Fleishman

Joel Fleishman is Professor of Law and Public Policy Studies; Director of the Samuel and Ronnie Heyman Center for Ethics, Public Policy, and the Professions; and Faculty Chair to the Center for Strategic Philanthropy and Civil Society at the Sanford School of Public Policy, Duke University. He joined the Duke faculty in 1971, was the founding director of what is now the Sanford School of Public Policy, and has served the university as vice president, senior vice president, and first senior vice president. He took part-time leave from Duke from 1993 to 2003 to serve as president of the Atlantic Philanthropic Service Company, the United States program staff of the Atlantic Philanthropies.

He is author, co-author, or editor of numerous books and articles reflecting his long-standing

⁷ A Hebrew word which means "learning partner."

interest in ethics, public policy, and nonprofit organizations, the most recent of which, *The Foundation: A Great American Secret—How Private Wealth Is Changing the World*, was published in January 2007 by Public Affairs Books. In 2009 it was released in an expanded paperback edition.

Fleishman serves as chairman of the board of trustees of the Urban Institute and as a trustee of the Jewish Theological Seminary of America; Brandeis University; the Artscroll Mesorah Heritage Foundation; the American Hebrew Academy; and the Partnership for Public Service. He is also chairman of the visiting committee of the Kennedy School of Government at Harvard University. In 2003 he was elected a Fellow of the American Academy of Arts and Sciences.

In addition to his academic activities, Fleishman is a member of the board of directors of the Polo Ralph Lauren Corporation. For eight years he wrote a monthly wine column for *Vanity Fair* magazine.

APPENDIX A

LETTER OF NOVEMBER 21, 2008 FROM ARTHUR W. FRIED TO THE TRUSTEES

November 21, 2008

AVI CHAI Trustees

When we began our autumn meetings this year, the financial markets were unsettled, and as the meetings progressed, the situation became worse and worse. In the course of the first ten months of 2008, AVI CHAI has either lost or spent approximately \$190 million. A quarter of that has been our philanthropic and overhead activities, and the balance has been eaten, in huge bites, by the market's deterioration.

When we met, I suggested that we not panic and that we continue with "business as usual"; however, that might no longer be possible. It has become clear that this is going to be a long and difficult period, and therefore it is incumbent upon us to consider the appropriate action that we must take.

In the course of the past two weeks, Lauren, Mem and I have had a series of conversations on what must be done in order to maintain the philanthropic and administrative stability of the foundation. I have enclosed our most recent portfolio report, which discloses that our assets have been reduced to \$554 million. In addition, although it is not on our financial statements, we have outstanding school loans that will mature—on average over the next two and half years—of approximately \$30 million. That gives you a clear picture of our capital. However, we also presently have outstanding grant commitments, over the next four years, of approximately \$95 million, some of which are internal AVI CHAI projects which we could possibly curtail, but the vast bulk are commitments we have made, via grant letters, to the many organizations with which we work.

The question before us has been raised in earlier meetings, even at a time when our asset base was considerably higher. Do we continue to spend at current rates of approximately \$60 million a year and therefore, most probably, be forced to curtail our activities long (4-5 years) before 2020, or do we take a hard look at all we are doing today, and decide that after paying off our existing commitments, that we consider funding only those projects and programs that the Trustees, as a group, consider to be our highest priorities. In an era of plenty, all that we have done has been considered, at least when we authorized the grants, to be of value in pursuing the Mission and goals of AVI CHAI. However, in a period of scarcer resources, Lauren, Mem & I felt that an effort must be made to curtail support for those activities that although good, might not be amongst the very best things that AVI CHAI funds.

Alan will be running the Bernstein model to determine what the implications might be to continuing with the current spending pattern (see above), or reducing it to say \$50 or \$40 million per annum. I have no doubt that you have quickly assimilated the impact on our programs and grants of the 20% or 33% reduction. Excruciatingly painful decisions will have to be made; yet nevertheless, they may be unavoidable.

You may all recall that a short time ago, David Tadmor suggested that we should consider making a 5% across-the-board cut. That is no longer sufficient, in our view. So therefore, we propose a process that will enable us to determine what the Trustees think are the highest and lowest priorities for AVI CHAI, in terms of existing projects. We propose to ask our three executives – David, Eli and Yossi – to create, perhaps with the assistance of their colleagues – a short, less-than-one-page, summary of each of our programs, disclosing our previous spending and future commitments, and an evaluation grid that will enable the Trustees to prioritize our activities in three buckets along geographic lines. That will enable us to determine what we think is most important, down to what we think is least important. It goes without saying that the least important will, in the course of the next few years, have to be eliminated.

Once we receive your approval for us to move forward in this manner, we will discuss the process with David Eli and Yossi. We have given considerable thought to why doing this kind of reevaluation of our projects makes sense. We believe that only by a blind vote of the Trustees will we be in a position to know what the appropriate rankings are, taking into account what is spent on the project, how they are to be ranked in terms of risk versus value obtained, as well as other parameters yet to be fully worked out. We expect to include the recommendations of management, to assist you in determining those projects that we will unfortunately have to either shed, or significantly reduce the funding for.

Once we have the results of the rankings, we will have to meet, for we also have to decide whether any new projects should be started in the course of 2009, how we will have to go about notifying our grantees of our plans, and perhaps how we communicate more broadly with the philanthropic world of which we are a part.

Additionally, permit me to say in closing how well our management and staff have performed under these unsettling conditions, and have endeavored to work with our grantees to make them aware of the changing circumstances, and the need to plan for difficult times ahead.

Yours as ever,

A handwritten signature in black ink, appearing to read 'A.W. Fried'. The signature is fluid and cursive, with a prominent initial 'A' and 'F'.

A.W. Fried