



# "Giving" Advice



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Since 1973, the **Toledo Community Foundation** has provided individuals, families and businesses interested in the well-being of our community with an *efficient, effective, low-cost, professionally managed* mechanism to achieve their charitable goals.

For philanthropists wishing to maximize the impact and life of their charitable gifts, the Foundation provides *resources for thoughtful giving*. Using its expertise and personalized services, **Toledo Community Foundation** helps donors transform their philanthropic impulse to measurable

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## As Foundations Close, Anxiety for Charities

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### *The New York Times*

FOUNDATIONS that increase grants to spend down their endowment and then close are proving to be a boon to charities in the short run, but the trend is also causing anxiety among the charities about their future fund-raising.

Some 9 percent to 12 percent of foundations are in spend-down mode, and roughly a quarter are considering the idea, surveys by the Urban Institute and the Foundation Center found.

Several large foundations have said they plan to go out of business, most notably Atlantic Philanthropies, the endowment funded in by Charles F. Feeney, the duty-free shopping innovator. Atlantic Philanthropies is down to about \$2.2 billion in assets and plans to close in eight years.

Most other planned closings appear to be among small foundations.

Spending an endowment and its investment income in a decade requires more than doubling grants, a blessing in hard times for charities that rely on grants to provide services. Of course, these charities must also develop new sources of support to replace the spend-down foundations.

At spend-down foundations, "you think about your programs a little differently, you think about what you are biting off, you think about how you evaluate your work and make midcourse corrections along the way, and you think in advance about how you are going to leave," said Anita R. Nager, the last executive director of the Beldon Fund, which closed in

community impact. Beyond the gifting of assets, the Foundation helps donors identify issues of importance to them and *inspires engagement* with community organizations addressing these issues, thereby maximizing the impact of charitable gifts and creating a greater sense of fulfillment.

May.

"It also makes you quite mindful," she continued, "about what your absence is going to mean to the grantees you have supported, especially the ones you have been a mainstay for."

Concerns run highest among lightly financed charities that rely on just a few major donors. When the Paul Rapoport Foundation said in July that it would give away all of its \$8 million endowment by 2014, the recipient charities -- which serve gay, lesbian and transgender people of color in the New York area -- were deeply concerned.

"And justifiably so because they have so few sources of support," said Karen Zelermyer, executive director of Funders for L.G.B.T. Issues, an association of grant makers.

Sharon Stapel, executive director of the New York City Anti-Violence Project, which received more than one-tenth of its budget from the Rapoport Foundation, said the shutdown might force more cuts in a staff already down 20 percent. Ms. Stapel said the project might also try to serve a broader audience to attract new donors.

Jane D. Schwartz, executive director of the Rapoport Foundation, acknowledged the problem. "There are not too many people to pick up the slack in giving to L.G.B.T.Q. communities of color," Ms. Schwartz said. "Some of our grantees are terribly upset, naturally." (The initials stand for gay, lesbian, bisexual, transgender and questioning or queer.)

But she promised help to find other financing sources.

The spend-and-close trend has also revived questions about whether foundation trustees and staff focus more on their own concerns than those of the charities they finance.

Both the Council on Foundations, a national association of endowments, and Philanthropy New York, a regional association of grant makers, have sponsored meetings for trustees and staff on how to spend down -- but not on the perspective of grantees.

"Spending down can be a great way for a foundation to increase its impact," said Aaron Dorfman, executive director of the National Committee for Responsive Philanthropy, which represents the interest of grant seekers, "but it is also important to discuss with grantees their concerns and their needs, because the purpose of foundations is to support grantees and make a difference in the world."

"We do think it important," Mr. Dorfman added, "that in their final years, foundations that are spending down devote some of their resources to cultivating new sources of support for their grantees."

Under federal tax law, gifts to foundations are tax deductible, and

investment earnings are tax exempt because they support charitable endeavors. Many foundations now planning to close are financed by people under 50 who made fortunes in technology and new financial products, said Thomas J. Tierney, a founder of Bridgespan Group, a nonprofit advisory firm.

"We are seeing living donors engaged in their philanthropy and trying to get maximum impact," Mr. Tierney said. "These are donors who want to solve systematic problems and, boy, is that hard.

"But they know that once they go," he said, the foundation can exist in perpetuity, and "all the trustees have to do is pay out your 5 percent per year with nothing to measure or improve your performance."

One early exception to perpetual private foundations was the one set up by Julius N. Rosenwald, the Chicago businessman who built up Sears, Roebuck & Company more than a century ago. Mr. Rosenwald became a major financier of black education in the South and was the largest donor to the building of the Museum of Science and Industry in Chicago. He died in 1932, and the Rosenwald Foundation made its last grant in 1948.

Limited-life foundations can be "an antidote to calcification" at perpetual foundations, according to a report published last month by the Aspen Institute's Program on Philanthropy and Social Innovation.

And leading critics of philanthropy say they like the idea that some endowments will be entirely spent during, or soon after, the donor's lifetime.

"There is nothing inherently positive about perpetuity," Mr. Dorfman said.

Pablo Eisenberg, who in 1975 with the late Norton J. Kiritz started the donee movement to make grant seekers treat foundations as equals, said too many foundations were "so focused on themselves they don't give much thought to the donees, the grant seekers and to issues like multiyear grants and general operating support."

Living donors, Mr. Eisenberg said, may be more inclined to focus on the problems of their times, possibly giving more attention to the problems of the charities their grants support.

JOHN HUNTING, an heir to the Steelcase office furniture fortune who created the Beldon Fund with \$100 million and then decided to give it all away, said he did not see much difference in the risks of wasting money whether a foundation was in spend-down mode or operating in perpetuity.

"Foundations should pay much more attention to whether they are adding value, whether they are spend-down or perpetual," said Joel L. Fleishman, who ran the American programs of Atlantic Philanthropies

and is now a professor of law and public policy at Duke University.

PHOTO: FINAL DAYS: Jane D. Schwartz, executive director of the Paul Rapoport Foundation, with a photo of its namesake. The foundation plans to shut down. (PHOTOGRAPH BY PHILIP GREENBERG FOR THE NEW YORK TIMES)

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