



THE ASPEN INSTITUTE  
Philanthropy & Social Innovation

**Time is of the Essence:  
Foundations and the Policies of  
Limited Life and Endowment  
Spend-Down**

**A RESEARCH REPORT TO THE ASPEN INSTITUTE  
PROGRAM ON PHILANTHROPY AND SOCIAL INNOVATION**

**By  
John R. Thelin and Richard W. Trollinger**

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*The opinions and conclusions expressed in this paper are those of the authors and not of the Program on Philanthropy and Social Innovation or The Aspen Institute.*



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# Introduction

During the years 2005 to 2008 the national press along with those scholarly journals and specialized professional publications dealing with philanthropy and public policy gave considerable attention to the issue of endowment pay-outs and spend-downs. Focus was primarily on the practices at large foundations and at nonprofit institutions with substantial endowments. The bulk of the attention was visible and volatile, as it emphasized the role of government regulation and requirements in endowment spend down. Most conspicuous were the U.S. Congressional hearings chaired by Senator Charles E. Grassley (R) of Iowa between May and October 2007. According to JJ Hermes, writing in the September 27, 2007 issue of the *Chronicle of Higher Education*, it led some members of the Senate Finance Committee to consider possible legislation that would “tax certain elements of university endowments and put restrictions on the offshore hedge-fund investments that some endowments make.” Less strident and more sanguine were committee deliberations leading to requests for numerous colleges and universities to file reports on their practices and track records. Stephanie Strom’s November 12, 2007 article in the “Giving” section of the *New York Times* summarized the gravity of the matter in her article centered on the question, “How long should gifts just grow?” The implication was that, “Trillions of tax-free dollars earning double-digit returns are inciting calls to speed up spending.” The issue was contentious throughout the nonprofit sector because it brought into question an essential, historic and defining feature of responsible foundation stewardship: namely, the sanctity of perpetual endowments. Closely related to this concern was the objection by national associations to any measures that would allow government regulation on how an endowment is spent.

Whereas most of this discussion and debate focused on accountability and potential changes in tax policies and requirements to prompt institutions to increase substantially their percentage and amount of endowment spend down annually, the focus of our report is markedly different. In contrast to congressional hearings and proposed punitive legislation, we consider the present and past proposition that institutions, especially nonprofit foundations, opt voluntarily and by decision to spend down endowments. And, by extension, for many cases, it includes consideration that boards and donors may wish to plan for deliberate dissolution of funds or foundations to coincide with a fixed, finite target date for addressing solutions to specific foundation programs and agenda items. Illustrative of the thoughtful, enduring studies in this genre include Francie Ostrower’s 2009 report for the Urban Institute and the Center on Nonprofits and Philanthropy, *Limited Life Foundations: Motivations, Experiences, and Strategies* and the April 2009 report by Loren Renz and David Wolcheck for The Foundation Center in cooperation with the Council on Foundations, *Perpetuity or Limited Lifespan: How Do Family Foundations Decide?* At about the same time these major reports were published, one finds a cumulative interest and energy in the topic in feature articles published in such professional media as *The Chronicle of Philanthropy* and *The Chronicle of Higher Education*. Eric Frazier, for example, wrote in the May 18, 2009 issue of *The Chronicle of Philanthropy* a lengthy, headline story that show cased the planning and actions of John Hunting, a major stockholder in Steel Case Furniture Corporation, who established a foundation with assets of \$100 million. The intriguing motto, “Every Dollar

Spent” not only guided Hunting’s philanthropy but also served as a model in which he led by example. The clarion call was to urge other foundations to follow Hunting’s example to confine its existence and spend its entire endowment within a ten-year span.

The groundswell of articles and reports dealing with limited life span and philanthropic endowments published in 2008 and 2009 were not isolated. In fact, they are best depicted as the latest examples of a theme that tends to resurface periodically. For example, about a decade ago several articles brought attention to donors and foundations that had, indeed, committed to devoting their resources to specific projects to be completed in a set, relatively short period. Waldemar Nielsen, a highly respected scholar and analyst of the nonprofit sector, wrote specifically about “The Pitfalls of Perpetuity” in his 1996 book, *Inside American Philanthropy*. In 1997 Julie Nicklin of the *Chronicle of Higher Education* wrote several lengthy articles that showcased foundations that were on schedule to spend down and close out. Her February 28th article noted that the Markey Trust had given \$500 million and was deliberately closing down. In a similar vein, Nicklin brought attention to the case of the Whitaker Foundation’s mandate to meet its appropriation goals and then go out of business. A few years later Diane Granat wrote about what was hailed as the “Give While You Live” phenomenon among donors. Hence, the current interest in the topic is a resurrection of a persistent strand of planning in American philanthropy, not merely an example of spontaneous combustion sparked by the inordinate investment returns of the years 2003 to 2008.

If one were to search for themes that characterize our own research project sponsored by the Aspen Institute’s Nonprofit Sector and Philanthropy Program (NSPP), two stand out as prime contenders. The first is, “We live in interesting times.” The second, a corollary, is, “What a difference a year makes!” One irony of this study is that two years ago when we first starting exploring and discussing our research proposal with the directors and staff of the NSPP , many foundations and not-for-profit institutions, including colleges and universities, enjoyed high percentage annual returns on their endowments. For those institutions which had hired experienced hedge fund managers with an enterprising bent, the returns over four or five years had been generous – sometimes as high as 10 to 20 percent per year. This was a situation of what might be termed an “embarrassment of riches” in which the quickly increased resources led soon thereafter to questions internally and externally about a given foundation’s rate of and calendar for distribution to central services and programs. Problems of policy and practice were in the main regarded as the problems of prosperity – i.e., making good decisions in an era of abundance. If a foundation board and executive director were to have a headache, this would be the complex yet delightful problem to have.

Suddenly and, in many cases, unexpectedly, declines in the stock market around July 2008 changed the atmosphere and environment of both foundation analysis and foundation behavior. A prosperous foundation in, e.g., 2006 whose board worried that an annual spend-out of more than 5% per annum might be perceived as risky stewardship now had to deal with the news that with or without increased endowment expenditures, by 2009, endowments had plum-

meted as much as 25% to 33% in less than a year. Furthermore, the unpredictability of stock portfolios for nonprofit organizations were exacerbated by the real and symbolic shocks that surfaced in December 2008 with revelations of the fraudulent promises and practices of Bernard Madoff. The consequences of the bogus investment schemes had disproportionate impact on numerous donors and recipient educational and charitable foundations represented the second of a double whammy on the customary generosity of nonprofit organizations in the United States. As Diana B. Henriques outlined in painful detail in her December 19, 2008 article in the *New York Times*, one crippling effect of the Madoff scheme was that it “kept rippling outward, across borders.” Nonprofit organizations were particularly at risk. It meant substantial loss of resources for program support plus the crisis of confidence and uncertainty that diffused beyond the literal financial losses. The vacillations taking place literally before our eyes and in our own brief research time between 2007 and 2009 reinforces the compelling need for foundations and donors to think critically and thoughtfully about the trajectories of time and money in fulfilling foundation goals.

Edgar Allan Poe wrote in his classic short story, “A Descent into the Maelstrom,” that the best way one could possibly survive the terror and danger of a storm at sea was to tread water and adopt a sense of bemused attachment to the predicament in which one was unexpectedly engulfed. Indeed, this literary message shapes the tone of our research. In other words, the approach of this study is to probe, to be aware of, but not engulfed or drowned by, the dramatic – and markedly different—events and climates of philanthropy between 2006 and 2009. We wish to analyze thoughtfully the enduring, substantive questions of endowment lifespan that have been brought into the national, public spotlight by the philanthropic maelstrom caused by the convergence of the dramatic positive and negative events of recent years. To do so we have undertaken detailed case studies of five selected nonprofit foundations whose singular and combined legacy is to provide contemporary donors and foundation boards and staff with useful context for their deliberations about appropriate, effective duration of their endowments.

The case studies presented in this report are neither random nor typical. Rather, they were chosen after we gleaned the records and missions of numerous foundations. Two of the case studies are distinctly and deliberately historic in character: the Julius Rosenwald Fund, 1917 to 1948; and the General Education Board, 1903 to 1961. The remaining three case studies are contemporary in scope – and include, respectively, the Lucille P. Markey Charitable Trust, the Mary Flagler Cary Charitable Trust, and the Corella and Bertram F. Bonner Foundation. The accumulated and collective information and insights from these significant, selected cases may, we hope, provide a lens by which those involved in American philanthropy can connect past and present so as to foster good deliberations and decisions in the future of foundations.

## Case Study of the Julius Rosenwald Fund, 1917 to 1948

### Overview:

The Julius Rosenwald Fund was established in 1917 with a charter granted by the state of Illinois establishing it as “a corporation not for profit” which was authorized “to receive and disburse funds for philanthropic causes.” Its formal purpose was commitment to “the well being of mankind.” Its endowment was made possible by the donations of its namesake, Julius Rosenwald, who was President and a major stockholder of Sears, Roebuck and Company in Chicago.

Rosenwald’s initial experiences in philanthropy were his acts of private giving as an individual. This included an interest in and commitment to race relations, with particular emphasis on support of educational programs to assist Blacks in the segregated South. Most influential in this socialization into large scale philanthropy was his acquaintance and then friendship with Booker T. Washington. Central to this initiation and interest was Rosenwald’s site visits to Tuskegee Institute in Alabama, where he was hosted by Booker T. Washington. Rosenwald also gave generous support to Jane Addams’s Hull House and numerous other progressive social projects in Chicago.

In 1915 Rosenwald explored possibilities and plans to transform his individual giving into a formal institutional setting, which culminated with the creation of the Julius Rosenwald Fund. It was distinctive among the emerging, major foundations of the era in that it was housed in Chicago – whereas most, such as the Rockefeller Foundation, the General Education Board, and the Carnegie Foundation for the Advancement of Teaching, had their headquarters in New York City. The Julius Rosenwald Fund also was distinctive, perhaps unique, in its design to be a limited life foundation that would exist for only one generation. It was scheduled to be dissolved and all its endowments appropriated to charitable projects by 1948. This feature was unusual in that it was in marked contrast to the historic Anglo-Saxon tradition of perpetual endowments. According to the final reports published in 1949, between 1917 and 1948 the Julius Rosenwald Fund made appropriations of \$22,249,624 dollars to educational and charitable programs.

### Biography of the Donor:

Julius Rosenwald was an important figure as an individual and as a type in American public life. Thanks to Peter M. Ascoli’s superb book published in 2006, *Julius Rosenwald: The Man Who Built Sears, Roebuck and Advanced the Cause of Black Education in the American South*, we have had the benefit of a fresh, thorough biography based on primary sources and archival documents heretofore overlooked. Rosenwald, the son of parents who were Jewish immigrants from Germany in the late 19th century, represented an archetypal American success story of the “self made man” who had not had opportunity for public schooling beyond elementary grades. He learned about the clothing industry through several jobs in the Midwest and in New York City. His ultimate commercial success was due to his acumen at bringing systematic management to the booming, unprecedented business operation that coordinated mass production and



catalogue sales at Sears, Roebuck. In acquiring commercial success and wealth he also demonstrated a remarkable commitment to public service from private donations. In other words, Rosenwald believed that wealth brought with it social conscience and responsibility.

In addition to founding and funding the Julius Rosenwald Fund, Rosenwald himself continued to make generous individual gifts to numerous initiatives, with particular commitment to the museums, schools, universities, and recreational facilities in his home city of Chicago. Although Rosenwald met little success in his endorsement of local political candidates, he did gain appreciation and respect at a national level, often being invited by the President of the United States to be a guest at the White House. His national profile also included a goodwill tour of duty with the United States armed forces in France and Belgium during World War I. The combination of his business success at Sears, Roebuck and his innovative approach to large scale philanthropy made him a public figure both in his immediate metropolitan base of Chicago and also, nationally. Ironically, he was a private person who did not seek publicity and remained understated and modest in his own round of family life. His selected ventures into electoral politics, especially in Chicago, were not successful and tended to reaffirm to him his emphasis on private philanthropy as his most effective means for inducing positive societal changes that followed from his innovations in institution building. In his latter years he recognized the need to incorporate expertise and systematic planning into his formal charitable activities. Julius Rosenwald died in 1932, about sixteen years before his beloved Fund was scheduled to conclude its projects.

### **The Fund's Principles and Their Legacy**

Julius Rosenwald's pioneering advocacy for the limited life foundation in the early 20th century is important and influential. The programs and foundation that bear his name led by example and provided a good model for others to heed. One of our challenges is to bring renewed attention and respect to his landmark work. Although the Rosenwald Fund is famous and familiar to earlier generations of philanthropists and foundation officials, it is worthwhile for new cohorts of professionals and donors to rediscover and review with a fresh eye the essential principles that Julius Rosenwald advocated and then put into practice.

Having done that, our second emphasis is to be on the alert for other less obvious lessons or implications that the Rosenwald Fund case might have for foundations and philanthropic institutions in the 21st century. So, in trying to discern some implications for policies and practices today, the question that kept resurfacing was: "What is the appropriate lifespan of the foundation?" This secondary question is significant because the historical case of the Rosenwald Fund illustrates that commitment to the principle of a limited life foundation is intriguing and sound – and carries the under-appreciated reminder that the net effectiveness of such a decision will be shaped in large measure by the congruence of the foundation's goals and the commensurate decision as to how much time ought be allotted to achieve optimal and realistic achievements.

The foremost legacy of Julius Rosenwald for American philanthropy was his *sui generis* observation that establishing perpetual endowments was neither an effective nor responsible principle for stewardship of wealth. He believed that a donor ought to concentrate money, ideas, and strategies to address projects and problems in a forthright manner. The 1949 retrospective report on the Rosenwald Fund, titled *Investment in People*, concluded on page 209 with the following observations by the long time President of the Fund, Edwin R. Embree and his co-author, Fund research associate Julia Waxman:

At the close of the work the trustees and officers were more than ever convinced that Mr. Rosenwald had been wise in his stipulation that the foundation should complete its work in a generation. They felt that the Fund had been more effective with a short life than it could have been as a perpetual endowment. Its officers and trustees were not preoccupied with saving funds and conserving capital. They did not have time to grow stale nor to build themselves into a routinized bureaucracy. They were able to throw their full resources into the work that needed to be done. Most important of all, because its life was short, the Fund was constantly striving to build all its effort into the continuing forces of society. The educational programs were created from the very beginning as parts of the public systems of schools and colleges or as institutions with a constituency so wide as to assure continued support.

During its thirty year life, 1917 to 1948, the Julius Rosenwald Fund sponsored projects in education, health and medical services, race relations, and various other areas for a total amount of slightly more than \$22 million. Annual expenditures were remarkably stable and consistent, almost always close to the mean of about \$700,000 per year. The signature program of the Fund was the school building project in which over \$5 million was devoted to stimulating matching grants at the grass roots level for construction of five thousand sound, safe, attractive public school buildings for African-American children in those states whose educational systems were by law racially segregated. Indeed, the so-called “Rosenwald School” would become the well known icon and symbol of Julius Rosenwald’s individual and corporate philanthropy. The school buildings were the hub and heart from which numerous related initiatives in social and educational change would emanate. This hallmark program provided the most visible, tangible and enduring sign of the Fund’s fidelity to Julius Rosenwald’s principle of the efficacy of a finite lifetime for a philanthropic foundation. As such, the Rosenwald has justifiably endured as a pioneer and an example of “best practices” in limited life philanthropy in the twentieth century.

Worth noting is that Julius Rosenwald as an individual donor had already set this initiative into motion in 1912-1913 via his generous personal donations, prior to the formal chartering of the Rosenwald Fund in 1917. This is a significant detail because it provides an historical reminder of the distinction between individual giving and institutionalized philanthropy. On balance, the legendary statuses of the Fund and its namesake major donor and prime mover are justified and have stood the historical test of time. When it comes to the schools that the Rosenwald

Fund succeeded in helping to build for African-Americans in the South, obviously Trust officials and Julius Rosenwald himself could justifiably say “mission accomplished.”

### **Analysis: Program Effectiveness and Setting the Endowment Lifespan**

Having reaffirmed the deserved high esteem for the Rosenwald Fund, we have analyzed the Fund’s history and operations for other, perhaps overlooked consequences. One implication is for donors and foundation officials to consider the question, “What exactly is the appropriate life of a nonprofit organization that chooses not to have a perpetual endowment?” Put another way, the critical concern is, “Can a foundation expend all assets and dissolve itself too soon?” Our analysis of archival documents suggests that the image of a steady, smooth operating Rosenwald Fund over thirty years is deceptive. In fact, a crucial finding is that the life span of the Fund was bifurcated into two markedly different phases. The first, from its founding in 1917 up to 1932; and, second, a new pattern or organizational behavior from 1932 until the pre-ordained dissolution of the Fund in 1948. This temporal split was perhaps in part by design; but also, in response to unexpected stressful external events which have significant lessons and legacies for foundations today.

In reading secondary sources on the biography of Julius Rosenwald, especially Peter Ascoli’s excellent 2006 book, along with periodic and annual reports for the Julius Rosenwald Fund compiled by Edwin R. Embree, a key point is that 1932 was a watershed year due to three crucial intertwined events: first, in accordance with decisions made by the Fund board and president, it was the end of the famous school building program; second, 1932 was the year of the unexpected reduction of Rosenwald Fund endowment due to its investments in Sears Roebuck stocks that had plummeted from a high value of \$190 per share in 1929 to \$33 dollar per share; and, third, the death of Julius Rosenwald himself in 1932 indelibly altered the cast and script of the Rosenwald Fund. In one fell swoop, the acclaimed initiative had lost its visionary founder, major donor, the bulk of its assets, and signature project. One bittersweet finding, then, is that foundations and donors who have been bruised and battered in the stock market decline of 2008 may find a small measure of consolation and company in learning that even such historically great philanthropies as the Rosenwald Fund were so depleted that its ability to continue its work was in question. Julius Rosenwald did want the Fund to end – but in 1948 by design, not in 1932 by accident.

Even though the annual amount of monies the Rosenwald Fund awarded were remarkably consistent – usually about \$700,000 per year from 1917 to 1949 – the vitality of the Fund changed demonstrably over time, starting with the watershed year of 1932. What comes across to us from these documents and sources is that after Rosenwald’s death along with the official decision to end the school house construction project, the Rosenwald Fund declined markedly in focus and, perhaps, effectiveness in the pre-ordained final fifteen or so years of its operation. There is no sign of a central program that henceforth defined the Fund’s mission or that provided a gyroscope that gave coherence to its varied projects. The Fund did make important contributions in public thinking about health care with its pilot projects that were forerunners to Blue Cross-Blue Shield. Involvement in education for Blacks in the South continued by means

of varied scholarship programs, sponsored conferences and capital projects at historically Black colleges and universities and so on. Yet none of these approached the stature and cohesion of the earlier program on building the “Rosenwald Schools.” At best, the Rosenwald Fund had diversified. At worst, its initiatives were sufficiently scattered that by 1948 it would be difficult to ascertain exactly how and where the Fund had made its mark in the life of the nation. Even though its appropriations and endowment were large, they were miniscule when compared to the resources of the major foundations based in New York City, such as the Rockefeller Foundation, the Carnegie Foundation, and the General Education Board. This relatively small size at least in the national arena underscored the importance that the Rosenwald Fund needed to focus if it were to be significant in its impact.

The timing of this change in the early 1930s is important because the second half of the finite life span of the Rosenwald Fund coincided with the extended period when some major foundations elsewhere were bringing increased attention and resources to issues of race relations and education in the United States, especially in the South. These were good companions to the primary program of school building that characterized the Rosenwald Fund up to 1932. The General Education Board drew from Rockefeller based money to reform public education. And, by the late 1930s the Carnegie Foundation was sponsoring Gunnar Myrdal’s landmark research on race relations in the United States, published in 1944 as *An American Dilemma*. Hence, the original Rosenwald Fund program focusing on schooling for African-Americans in the South would seem to have been well poised to be part of this accelerating effort among major foundations – at the very time where the Rosenwald Fund officers were winding down the focused school project.

The official summary of the termination of the Rosenwald School program in 1932 shows a glowing report card, as mentioned earlier: namely, funding of over \$4 million that led to construction and operation of more than 5,000 new school houses in the rural South. That net report suffices, however, only if one relies on counting buildings as the result or end product. Even Rosenwald and Fund officials such as Edwin R. Embree noted that their actual goal always was to be more – and more significant -- than bricks and mortar. The over-arching purpose was to promote better race relations among whites and Blacks in the South throughout fifteen Southern States. This left 16 years until the Fund was to be dissolved in 1948. This left two questions unanswered: first, what was the full, complex impact of the school building program? and, second, what would be its replacement that henceforth would provide clarity and guidance for the Fund until its 1948 dissolution?

Rosenwald Fund officers believed that 1932 was an appropriate time to stop the school building program. They wanted to make certain that state and local education officials in the South would not mistake the Rosenwald Fund schools program as an excuse or justification to shirk responsibility for implementing a systematic tax revenue program to assure public support of public schooling for Blacks. One research question that does surface for our study is, “What if the Rosenwald staff had incorporated better and more sustained evaluation -- and, perhaps -- had cooperated more with the General Education Board and the Carnegie Foundation on

their insights and findings about what was going on in public education in the South?” In other words, if 1932 were an appropriate time to stop the “Rosenwald School” program, then why not devote substantial time and resources to analyzing from multiple perspectives what would be the long term contributions – and limits – of this distinctive project?

Review of the budgets and reports indicate that between 1932 and 1948 the Rosenwald Fund sponsored relatively little in follow-up studies of the consequences of their school building program. Nor did we find much evidence of sustained sponsorship of studies to respond systematically to the public policy issues of state funding for segregated public schools – the sticking point that led the Fund to discontinue its highly visible, long term project. Did, for example, the addition of the Rosenwald schools indicate perhaps that racially separate schools could fulfill the claim of “separate but equal”? The portfolio of Rosenwald Fund projects and initiatives from 1936 to 1948 appears to be a smorgasbord – each, perhaps, worthy; but with no discernible convergence, energy or unifying goals. Support of new programs and facilities, such as museums, at the University of Chicago coexisted along with new initiatives in health care systems, occupational diseases, and hospital construction. Concern about the abuses of prejudice that originally focused on race relations in the South was extended to include studies of discrimination and exclusion in Hawaii and in Asia.

### **Implications for Foundation Planning: Evaluation and Cooperation**

The favorable publicity and fame of the Fund’s “Rosenwald Schools” project probably had one unexpected pitfall: it projected the image of the Rosenwald Fund as a large, wealthy foundation and, hence, put it by association in the prestigious, select company of a handful of elite philanthropic organizations. . This paradox of success was problematic in that the Rosenwald Fund’s endowment was small when compared to the endowments of the General Education Board, the Rockefeller Foundation, and the Carnegie Foundation. Unlike the foundations with which it had come to be associated, it was unlikely that the Rosenwald Fund could sustain major commitments in a wide range of new initiatives. However, one prospect might have been to leverage its resources by linking its initiatives with those of the truly large foundations.

One might argue that collaboration and cooperation across foundations was virtually unknown in the 1930s. However, one also must note that interfoundation relations, albeit unusual, was prominent in the affairs of the Rosenwald Fund in the early 1930s mainly because the Fund was in dire financial straits. Rosenwald Fund president Edwin R. Embree, himself a former staff member of the Rockefeller Foundation, made an unusual effort to call on the New York City based foundations for financial assistance. The large foundations in New York City grumbled, but eventually did provide the loans that allowed the Rosenwald Fund to meet annual operating expenses and pay off numerous debts. If inter-foundation collaboration could work for this purpose of reducing financial exigency, why not for matters of research and evaluation of programs as well?

## Conclusion

The case of the Rosenwald Fund in the second half of its existence provides the lesson or reminder that in the 21st century good stewardship requires inclusion of systematic program evaluation. It is imperative to review continually the connection between mission and broad goals and the performance measures of the specific projects. Incorporating these practices is especially crucial to a limited life foundation where, literally, time is of the essence. To Julius Rosenwald, a central aim of his philanthropy was to improve relations between the races in the American South. As historian James Anderson has reminded us in his 1988 study, this undertaking was both large and contentious in its design, both to whites and Blacks of the era. The means upon which Rosenwald and the subsequent Fund agreed was that of constructing new school buildings for African-American children who lived in dual race segregated communities and school systems throughout the South. Clearly, the annual reports and final report indicate accomplishment – as measured by the litmus of school construction.

A problem is that there was a wide gap between the Fund's broad goals and its actual work. Was a concrete accomplishment, such as building schools, an end – or, was it a means to an end? Many of the Trust reports and accounts emphasize a positive social outcome of many Rosenwald Trust ventures in local communities, such as indications of cooperation, good feeling, and a record of engagement and self-determination among members of the African American community. This is important and good. However, from the perspective of promoting quality education in a racially segregated system, it is hard to know how well or how much difference the Rosenwald school buildings made as would be measured today with systematic assessment of student achievement and student progression to high school, college, and graduate and professional studies. Digging through the final reports of the Rosenwald Trust what one finds is that the preference for bricks and mortar overwhelmingly trumped more systematic analysis. One does find an intriguing but isolated study on inequities in state education financing – but it seems not to have generated any momentum, either for additional studies or policy recommendations

The concluding observation, then, is that a limited life foundation will be most effective if its broad vision is accompanied by reasonable goals – and criteria by which to monitor whether or not those goals have been genuinely fulfilled. Above all, setting the life-span of the endowment has potential for optimal effectiveness when it is determined in part by realistic congruence with the resources available and the likelihood of solving problems identified by the foundation.



## Case Study of the General Education Board (GEB), 1903 to 1960

### Overview:

The General Education Board (GEB) was established in 1903 by John D. Rockefeller. Its broad charter was to sponsor and support aid to education in the United States “without distinction of race, sex or creed.” According to the archivist of the Rockefeller Related Organizations, its original program included an array of institutional and programmatic funding – including college and university endowment grants; fellowships; assistance to developing state public school systems; and, contributions to colleges and universities for annual operating expenses. The influential figure in the creation and scope of the GEB was Frederick T. Gates, longtime philanthropic advisor to John D. Rockefeller. Although the formal charter and mandate were broad and at one time or another included assistance to educational programs in each and every state, the initial emphasis of the GEB was to work to improve education in the South. Furthermore, this often included focus on enhanced public education for Blacks in those states characterized by dual school systems defined by race and prescribed by state law.

Foremost among its early initiatives was to promote the establishment of public high schools in Southern states. It did so by means of direct grants and also by assembling teams of experts in planning and development so as to create within these states public and legislative support for extending public schooling to include high school as part of a permanent system funded by regular taxation. After 1920 the GEB extended its projects to numerous economic and social issues in the South which were supplements and complements to its original emphasis on public education. It included matters of health (e.g., the eradication of hook worm), regional diet and regional agriculture. Later, medicine – including international medical care and health systems – became integral to GEB priorities.

Initial and influential leadership for the GEB was provided by Wallace Buttrick. One of the interesting innovations Buttrick championed was grass roots field work. GEB representatives devoted a great deal of time to canvassing the regions and sites where they were initiating new projects. This connection and diplomacy were especially important as Northerners undertaking educational reforms in the South. At the highest level of the foundation, Frederick T. Gates brought to the GEB some influential, innovative principles and practices. He emphasized systematic planning and evaluation in assessing the effectiveness and worth of philanthropic projects. Under his leadership the GEB represented what was then called “scientific philanthropy,” an approach that institutionalized professionalism and planning in large scale gifts and projects. The case of the GEB is pertinent to the study of philanthropic endowment spend downs for two reasons. First, in 1920 John D. Rockefeller loosened the GEB’s constraints on limited annual spending with the explicit intent of having its board and officers devote substantial endowment

resources to significant problems immediately. Second, the GEB was guided by a planned phase out and spend down. In 1940 all projects except for selected ones dealing with the education of Blacks in the South were brought to closure. These remaining programs were scheduled to end in 1960, at which time the GEB would be dissolved. The GEB appropriated slightly more than \$321 million for its sponsored projects from its founding in 1902 and its dissolution in 1960.

### **Biographical Sketch of the Donor:**

John D. Rockefeller stands as one of the archetypes of the industrialist and philanthropist whose ventures and organizations introduced unprecedented large scale and scope that transformed the economy, institutions, and social patterns of the United States, starting in the late 19th century. Numerous biographies, both critical and celebratory, invoke such terms as “titan,” “colossus,” and “giant” or emphasize that the Rockefeller philanthropy was “anointed with oil” – all to capture and then convey the impact of Rockefeller (see, for example, Chernow, 1998; and, Segall, 2001).

### **Biographical Sketch of the Philanthropic Leader:**

Frederick T. Gates warrants particular biographical mention even though he was not a donor. Gates is important because he was one of the foremost pioneers in American philanthropy, both as a fund raiser and, later, as a gatekeeper for John D. Rockefeller’s varied, large projects. In reviewing Gates’ early professional life one finds that he “wrote the book” for an audience of serious fund raisers. He set forth in no uncertain terms standards of conduct and effective strategy, much of which remains vital a century later. And, if one considers the adage, “It takes one to know one,” Gates was well-suited to sift and screen the myriad supplicants who besieged such wealthy figures as John D. Rockefeller and Andrew Carnegie. Gates, the son of a Baptist minister, acquired experience in raising money for churches and church-related schools.

In 1888 he was appointed secretary of the newly formed American Baptist Education Society. His work there included his plans and advocacy for creating a great Baptist university. In 1889 Gates met John D. Rockefeller, himself a Baptist. Gate’s university vision impressed Rockefeller – and was integral to the founding of the new University of Chicago. In addition to this specific achievement, Gates’ great contribution in the formative years of large scale philanthropy was to combine religion with his genius for organizing and implementing complex programs that led to solution of significant problems. He was a pioneer in the development of professional expertise in foundations and philanthropy.

Frederick T. Gates was one of Rockefeller’s principal advisors at Standard Oil. Eventually this led to Rockefeller’s reliance on Gates about investments and philanthropic ventures. He was the principal architect in mapping out the vision and mission of the General Education Board. And, later, Gates would serve as president of the GEB.



## Analysis

The General Education Board, one of the historically famous undertakings in the 20th century, is a paradox in American philanthropy. Some reasons for this observation are as follow:

- It had strong “brand recognition.” The official name of the General Education Board was nationwide and longtime recognized as GEB. Yet its identity was often blurred or confused -- with no recognition of the Rockefeller funding in the name; or, to another extreme, when it was associated with the Rockefeller philanthropy, it often was mistakenly assumed to be a program under the auspices of the Rockefeller Foundation (which it was not). Indeed, John D. Rockefeller, Sr. provided funding for the establishment of the GEB prior to the founding and chartering of the more famous, more recognized and enduring Rockefeller Foundation.
- It was pervasive but not perpetual. The annual and cumulative money the GEB provided for educational innovation and partnerships was one of the largest examples of philanthropy in the United States. For several generations of educators and reformers and planners who came of age in the 20th century, it was unlikely many could remember when the GEB was not in operation. And, its presence was known nationwide. Hence, it was pervasive. Its name and lack of individual or familial identifier often led it to be regarded as perhaps the United States’ equivalent of a Ministry of Education or a federal agency. Given the limited presence of the federal government in educational policies and programs in the early 20th century, the GEB may well have filled that void to be tantamount to a surrogate for a federal and national presence in educational programs. Yet often overlooked is that it was neither a perpetual endowment nor a permanent foundation. Chartered in 1902 and operating by 1903, the GEB deliberately and voluntarily phased itself out. Furthermore, it did so with specific, detailed plans for winding down that were drafted and put into place around 1950 to assure adherence to the explicit goal of closing its shop and its books in 1960. So, it lasted a long time -- but from its start was never intended to be a perpetual foundation. John D. Rockefeller Sr. was quoted as saying that “forever is an awful long time . . .” -- taken as a signal that the proposed GEB would be long term and also *finite* in duration.
- The GEB relied from start to finish on substantial investment in evaluation, field work, assessment, and review. This included its own sponsored studies, its periodic reports, and its evaluations of the work and progress of those foundations and institutions to which it made substantial grants. This was in marked contrast to the Rosenwald Fund, as noted in the preceding case study.
- The GEB often attempted to minimize devoting its resources to its own infrastructure – relying often on providing grants to other, existing foundations and educational programs.

- The GEB was a pioneer in large-scale educational philanthropy. In its 58 years of existence it awarded over \$324 million for varied and diverse educational programs.
- The GEB emphasis was on policies, programs, and people – with little concern about actual bricks and mortar construction of schools or other facilities. In education, for example, one of its initial and foremost aims was to promote the idea of state and local governments committing to the systematic creation of the public high school. Similarly, in its substantial support of agricultural programs, the aim was to increase agricultural productivity in the South so as to reduce poverty.

### **Conclusion:**

One recurrent allegation about John D. Rockefeller, Sr.'s impact on the nation's economy was that his industrial empire showed what was called the "curse of bigness." In contrast, the experience of Rockefeller's support and choice of leaders for the General Education Board illustrated a "blessing of bigness." The abundance of resources Rockefeller provided for the GEB enabled it to take on and persist with addressing significant issues and reforms in American education. What stands out as remarkable about the GEB was its long-term combination of thoughtful, informed groundwork provided by experts then followed by perceptive and resilient decision-making as it monitored the progress and problems of its forays into education, agriculture, and medicine. In lesser hands, the huge endowment might have been squandered. Evidently, John D. Rockefeller, Sr. did not meddle much into GEB affairs, as he had selected carefully and wisely in his choice of Gates, Buttrick, et al. as the ones who steered the course of several large, inter-related programs. When his son, John D. Rockefeller, Jr. became active in working with GEB officers, his intervention often was in thoughtful, helpful ways to assure that sponsored programs received ample funding in a timely manner. According to Raymond B. Fosdick in his 1962 book about the GEB, *Adventure in Giving*, between 1932 and 1952 the GEB initiated a succession of measures intended to increase the fluidity and liberalization of endowment grants (pp. 318-319).

Most charters and mission statements for nonprofit organizations and foundations lean toward language that is simultaneously inspiring and vague. One obvious explanation for this tendency is that it provides foundation boards with latitude in selecting programs to sponsor. And, it also suggests genuine aspiration to do good works. In the case of the GEB, the mission statements were not gratuitous. The GEB over six decades had the combination of funding, expertise, and commitment to make substantial headway in working "to extend, if they could, the boundaries of education here in America, without distinction of race, sex, or creed." (Fosdick, p. 325).

Among the numerous initiatives and accomplishments of the GEB, one that stands out exemplary in its magnitude, difficulty, and eventual success was the commitment to nurturing the comprehensive public high school as an integral, widespread institution in American society. Most of the GEB work in this line focused on public school systems in the Southern states – including both all-white and all-Black public high schools. It did also have implications in all states nationwide. To suggest the glaring void the GEB set out to fill was that in 1909 there

were a grand total of seven public high schools in the entire state of Georgia. By the post-World War II period and certainly with the winding down of the GEB in 1960, public high schools in Georgia and other previously under-built states had become an expected institution in virtually all counties and communities. The GEB hardly can claim – nor seek to claim – that it was entirely responsible for this institutional innovation and extension. The GEB was, however, involved and integral in concert with variety of private local groups, other foundations, and state governments on this venture precisely during the decades in which public high schools came of age.

The GEB's original focus was on public schooling for Blacks in the South. This topic remained during the entire lifespan of the GEB. However, as historians Morse Anderson, Eric Morse and Alfred Moss noted in *Dangerous Donations*, their 1999 study of Northern philanthropy and Southern Black education from 1902 to 1930, *Dangerous Donations* the GEB leaders faced a crucial dilemma. The issue was whether resentment by Southern governors and legislators to GEB attention exclusively to schooling for Blacks would derail GEB work? The GEB directorate was sufficiently resilient and pragmatic to heed this warning and make a crucial change in their projects – namely, the inclusion of the shortfalls and problems of all public education in the South – both for Black and white students.

Along with institution building, the GEB invested wisely and generously in long-term research that would both analyze their contemporary initiatives and also provide critical planning guides for the future. An excellent example of this investment was the GEB's support of the work of sociologist Howard Odum at the University of North Carolina in the comprehensive study of regional culture and race relations in the American South. Not only did Odum's projects illuminate systematically and deeply social patterns in the South, it had the positive secondary effect of bringing sponsored research and advanced scholarship to a high level that endured – and brought national respect to social science research conducted by faculty and graduate students at universities in the South. (Wells, 2001). In sum, the GEB's six decades of attention to regional change and extension of public schooling were imperfect yet remarkable in their scope and endurance. It was an excellent example of private philanthropy stimulating work for the public good that most likely would not have taken place otherwise.

## **Case Study of the Lucille P. Markey Charitable Trust, 1983 to 1997**

### **Overview:**

Lucille P. Markey, grande dame of Kentucky's famed Calumet Farm, producer of eight Derby winners, knew a thing or two about running hard and finishing strong. Favoring impact over longevity, Mrs. Markey directed her lawyer, Louis Hector, to devise a charitable trust into which the bulk of her substantial estate would pour and then be paid out in short order. In keeping with the terms of her will, which she signed in 1975, the Lucille P. Markey Charitable Trust operated for only 15 years, beginning in 1983 and ending in 1997. During its decade and a half of operation, the Markey Trust distributed over \$500 million in support of biomedical research.

## **Biographical Sketch of the Donor:**

Lucille Parker Markey was born in rural Lewis County, Kentucky, but grew up in Missouri. In 1919, she married Warren Wright, whose father, William Wright, had founded the Calumet Baking Powder Company. The younger Wright, who had become president of the company, sold it in the late 1920s to the firm that would become General Foods for the princely sum of \$32 million. In 1931, Warren Wright inherited the 400-acre trotting horse farm that his father had purchased in 1924 in the heart of Kentucky's Bluegrass region and which he had named Calumet Farm. Warren and Lucille Wright chose to make Calumet Farm their primary residence and quickly set about building it into a Thoroughbred powerhouse.

Following Warren Wright's death in 1950, Lucille took over management of the farm. In 1952, she married Adm. Eugene L. "Gene" Markey, Jr. A novelist, screenwriter, and movie producer in the 1930s, Markey was also a member of the U. S. Naval Reserve. His active duty service during World War II won him numerous commendations and medals and propelled him to the rank of Rear Admiral. After the war, Markey returned to Hollywood, where his congenial personality and war-hero status assured him a prominent role in society. Markey had been married for relatively brief periods to three actresses previously, including Joan Bennett (1932-1937), Hedy Lamarr (1939-1941), and Myrna Loy (1946-1950), before settling into the long and happy union with Lucille that would last until his death in 1980, two years prior to hers. While Gene and Lucille Markey had other residences, notably in Miami, Florida, where the charitable trust would be headquartered, they were more prominently identified with Calumet Farm and its stable of winning Thoroughbreds in Kentucky's historic Blue Grass region.

That identification notwithstanding, much of Lucille Markey's wealth came from oil and gas interests she also inherited from Warren Wright. One of the Wright-owned oil fields was the Waddell Ranch near Odessa, Texas. Dickason and Neuhauser (1999) report that at one point following the Arab oil embargo of the early 1970s, petroleum prices rose so high that Mrs. Markey's income reached \$2.75 million a month. During the 15-year life of the Lucille P. Markey Charitable Trust, resolution of a court battle between Gulf Oil Company and the owners of Waddell Ranch in favor of the owners added substantially to the amount of money available to the Trust for distribution. (National Research Council, 2004)

As the Markeys grew older and endured various physical afflictions associated with the aging process, Lucille's charitable interests turned increasingly to human health. Illustrative of this are the gifts she made in her lifetime to Rockefeller University to further arthritis research and to the University of Kentucky, where Gene Markey was treated for colon cancer, to establish the Lucille P. Markey Cancer Center.

In Louis Hector, Lucille Markey was fortunate to have an attorney who was not only sympathetic to her interests but also sufficiently wise to help her narrow her focus from a general interest in a broad field (human health) to a specific agenda for her philanthropy. That specific

agenda was basic medical research. At Mrs. Markey's behest, and following extensive consultation with experts in medical education and research, Louis Hector developed a vision of what needed to be done and an approach to the use of philanthropic funds to accomplish it.

Mrs. Markey died in 1982 at age 94, and the Lucille P. Markey Charitable Trust began operations in 1983.

### **History of the Trust:**

The assets of the Lucille P. Markey Charitable Trust were of sufficient magnitude to have made it one of the nation's largest perpetual foundations. However, a statement made by Louis Hector in a 1984 interview with a *New York Times* reporter suggests that Lucille Markey viewed perpetual foundations as permanent memorials to the donors who founded them. As such, they held no attraction to her. "Mrs. Markey was not interested in a permanent memorial to herself," stated Mr. Hector. (Teltoch, 1984) Nor did she want to support a permanent bureaucracy. Instead, she wanted her money applied to grants and put to work. And she wanted it to be administered by people she knew and trusted to honor her intentions. (Auerbach, 1994) For these reasons, she limited the life of the Markey Trust to 15 years and the number of trustees to five.

The seven years that passed between the time she signed her will and her death in 1982 gave Louis Hector, who became chairman of the Markey Trust and whose vision guided it from its inception, time to plan how to spend Mrs. Markey's money both quickly and wisely. The initial meeting of the Board of Trustees was held in October 1983. Present at that meeting were Laurette Heraty, who had been a secretary in Warren Wright's Chicago office; Louis Hector, Mrs. Markey's Miami attorney and collaborator who had drafted her will; William Sutter, Warren Wright's Chicago attorney and an expert in oil and gas leasing; and Margaret Glass, the Calumet Farm office manager in Lexington, Kentucky who had worked closely with Mrs. Markey over the years. Subsequently, George Shinn, a former president of Merrill Lynch and CEO of First Boston Corporation, was tapped to fill the position that had been left vacant by the death of Gene Markey. In 1989, Dr. Robert Glaser, former dean of the Stanford University School of Medicine, was elected a trustee when Laurette Heraty retired from the board. Dr. Glaser, who had experience in both medicine and philanthropy, became the director of medical sciences for the Trust and played an important role in guiding the implementation of the Trust's program. (National Research Council, 2004)

The Markey Trust opened its headquarters office in Miami, Florida on January 1, 1984. In addition to having a streamlined governance structure, an early decision by the trustees to make fewer but larger grants meant a smaller staff, which was supplemented by extensive use of consultants. (Dickason & Neuhauser, 1999)

Realizing that other institutions were addressing the clinical aspects of health care, Mrs. Markey had decided that her estate should be dedicated to basic, as opposed to targeted, bio-

medical research. One of the first activities of the Trust in 1984 was to hold a series of three “think tank” meetings with distinguished biomedical researchers in California, New York, and London. These conversations were the genesis of what would become the Trust’s best-known program. The Markey Scholars Awards in Biomedical Sciences program, which was announced in late 1984, provided long-term financial support for postdoctoral fellows and young faculty members. The program was soon expanded to include funding for outstanding young researchers from the United Kingdom and Australia, who were named visiting fellows and supported for two years as postdoctoral fellows at U.S. research institutions. The trustees would ultimately allocate a total of \$63,093,900 to funding the Markey Scholars and Fellows awards, the first of its three major program categories. (National Research Council, 2004)

In the fall of 1985 the Trust launched the Research Program Grants initiative. The largest of the three major grants programs, the Research Program Grants were designed to enable established investigators with proven records of excellence to address important issues in the biomedical sciences. These grants were made to institutions. In addition to supporting the work of established scientists, they assisted in the establishment, reorganization, or expansion of significant biomedical research centers or programs. During the life of the Trust, these grants would account for \$325,338,175 of its total funding. (National Research Council, 2004)

The General Organization Grants program, the third of the Markey Trust’s three broad categories of funding, began in 1988. It was designed to address the gap that had developed between fundamental biological research and clinical research. The problem, referred to as the “bed-bench gap,” stemmed from the fact that an insufficient number of clinical researchers was being produced to translate the discoveries of biomedical science into practical medical practice. The solution was to encourage more students to pursue translational research. The Trust awarded a total of \$62,121,700 to improve education and training of Ph.D.s and M.D.s who were planning careers in biomedical research to better prepare them for basic clinical research and research in molecular medicine. The process of bridging the gap between biomedical research and its clinical application involved bringing about organizational change within recipient institutions, thus the name General Organization Grants. (National Research Council, 2004)

In addition to the three major grant programs, during its 15-year lifetime, the Trust awarded a number of miscellaneous grants, many of them to continue support provided by Lucille Markey during her lifetime. The Markey Trust officially closed its doors in June 1997. Between 1983 and 1997, the Trust gave a total of \$507,151,000 to basic medical research and research training. The total value of the Trust was \$545,520,000, which included \$149,565,000 in investment income. Its administrative and operational costs amounted to \$29,087,000, or approximately 5 percent of the total trust. Additional expenses included \$10,529,000 in investment and mineral depletion costs. (National Research Council, 2004)

In 1997, as the Markey Trust was nearing its end, the trustees asked the National Research Council (NRC) of the National Academies to evaluate the Trust’s approach to supporting programs in basic biomedical science. A primary objective of the evaluation was to determine if the Markey Trust might serve as a model of philanthropy. Agreeing to undertake this study the



National Academies established the Committee on the Evaluation of the Lucille P. Markey charitable Trust Programs in Biomedical Sciences. The Committee's report, *Bridging the Bed-Bench Gap: Contributions of the Markey Trust*, was published by the National Academy of Sciences in 1994.

In addition to finding that the Markey Trust is indeed a good model that could be used to encourage additional private funding of biomedical research, the Committee drew three specific conclusions:

- The terms of Mrs. Markey's will were fulfilled.
- The funds were distributed appropriately for training and organizational change.
- The Trust took funding risks with potential rewards, many of which paid off in the form of institutional changes and better training opportunities.

(National Research Council, 2004)

### **Analysis:**

Lucille P. Markey's decision to limit the life of her eponymous foundation (charitable trust) to 15 years yielded several beneficial outcomes. Administrative and operational costs were kept low, allowing more of the Trust's total value to be directed to its mission. Distributing all of the Trust's funds over a limited period of time meant that more funds could be distributed in a given year. And, by awarding larger grants, the Trust was able to produce a greater impact on institutional behavior, to facilitate organizational change, and to enable training programs to be established. Moreover, the relatively short lifespan of the Trust meant that the trustees started with the end in mind and never lost focus or their enthusiasm for fulfilling the donor's intent.

A potential downside to a limited life foundation is that trustees and staff have less time to learn from their mistakes. This potential downside could cause a limited life foundation to be overly cautious in its grantmaking. This danger notwithstanding, the Markey Trust took risks that paid off. No doubt the Trust's heavy reliance on consultants and frequent conversations with experts in the field helped it avoid costly mistakes.

Jim Collins, author of *Good to Great* (2001) urges those who would lead successful organizations to make sure they get the right people on the bus (and, conversely, to get the wrong people off the bus). By "the right people," Collins means people who are highly motivated to produce the best results and who are self-directed. The importance of Louis Hector and Dr. Robert Glaser to the Markey Trust's success cannot be overstated.

Another factor in the Trust's success was the choice made by Mrs. Markey, with the assistance of Louis Hector, to narrow her focus to supporting basic biomedical research as the Trust's mission. In his book, *The Foundation: A Great American Secret* (2007), Joel Fleishman recommends that those who

command philanthropic wealth be strategic in deploying their resources and focus on problems that are ripe for solution. In choosing to focus on basic biomedical research, Mrs. Markey made an important strategic decision that helped assure the effectiveness of her philanthropy.

### **Conclusion:**

The Lucille P. Markey Charitable Trust provides an excellent example of high impact philanthropy. The fact that the Trust's life was limited from the outset by the donor was a significant factor, albeit not the only one, in this outcome. Equally important were Mrs. Markey's choice of trustees and a problem for the Trust's mission that was ripe for solution.

## **Case Study of the Mary Flagler Cary Charitable Trust, 1968 to 2009**

### **Overview:**

After 41 years of operation, the Mary Flagler Cary Charitable Trust officially closed its doors on June 30, 2009. While granting the trustees discretion to terminate the Trust whenever they deemed it appropriate, Mrs. Cary's will limited the life of the Trust to a maximum of 50 years. The trustees decided in 1997 that the Cary Trust would spend down over the next 12 years and close in 2009. Given the Trust's practice of providing long-term operational funding to its grantees, developing a plan for an orderly closing – one that would strengthen, rather than weaken, its beneficiaries – was a priority of the trustees. Reflecting the donor's interests, the Cary Trust focused its grantmaking on music in New York City and on the conservation of natural resources during its lifetime and distributed a total of \$334,245,969, including \$228,372,789 in annual grants and \$105,873,180 in terminal grants. (Waleson, 2009)

### **Biographical sketch of donor:**

Born in 1901, Mary Flagler Cary was the eldest of the three daughters of Annie Louise Lamont and Harry Harkness Flagler. Her mother was the heiress of financier Charles Lamont and her father was the only surviving child of Henry Morrison Flagler, an associate of John D. Rockefeller, Sr., and one of the founders and principal stockholders of the original Standard Oil Company. Henry Flagler was also a major developer of the east coast of Florida.

For most of the last two decades of Henry's life, he and his son were estranged. The cooling of their relationship began when Henry married Alice Shourds, a former actress and alleged nurse to Harry's mother in the months prior to her death. This issue notwithstanding, the interests of father and son could hardly have been more divergent. A hard-driving businessman and entrepreneur, Henry shifted his focus from New York and the petroleum industry to building what would become the Florida East Coast Railroad and a string of luxury hotels he envisioned luring wealthy tourists to the Sunshine State. Meanwhile, the son found the intellectual and cultural life of New York City more to his liking. A founding member of The Walpole Society, Harry also was for many years president of the New York Philharmonic. His alienation from his father



cost Harry considerably in the distribution of his father's estate, the great bulk of which went to Henry's third wife, Mary Lily Kenan Flagler, and members of her family. Although Harry received only a small portion of the estate, earlier gifts from Henry and his wife's inheritance had provided him the financial resources to pursue his interests at leisure. (Campbell, 1996)

Because of Harry's involvement with the Symphony Society and the New York Philharmonic, leading conductors, composers, and performers were frequent guests in the Flagler home. Mary was very close to her father and shared his passion for music. Together, they began what would become an extraordinary collection of books, autograph music manuscripts, letters and documents representing virtually every classical composer, paintings, photographs, and other musical memorabilia; she would add to this collection throughout her life. In the Cary Trust's final report (*A Trust Fulfilled*, 2009) Heidi Waleson notes that the Mary Flagler Cary Music Collection's value was estimated in 2005 to be in excess of \$100 million. Among Mary's early philanthropic interests was the National Orchestral Association, which she co-founded with the conductor Leon Barzin in 1931 and supported for the rest of her life. The primary purpose of the National Orchestral Association, which no longer exists, was to train advanced music students in orchestral playing.

Mary's childhood and youth were divided between Manhattan and the family's estate, Edgewood, in Millbrook, New York. Following Mary's marriage to Melbert B. Cary, Jr., in 1923, the couple decided to create their own estate near Millbrook. During the 1930s, they purchased 14 farms and other properties surrounding the Cannoo Hills west of the village. Eventually, the couple's Cannoo Hills estate grew to more than 1,900 acres. They built a cottage, which they named the Tea House, atop one of the two hills. ([http://www.eostudies.org/about\\_history.html](http://www.eostudies.org/about_history.html)).

Melbert Cary, who also was an avid collector, was interested in the art of printing. He founded a type-importing company and his own press, the Press of the Woolly Whale, which won many design awards for the books it published. Melbert Cary assembled a library of 2,300 volumes about printing, various paintings and pictures, and typefaces – some rare – representing over 500 years of the art of printing.

Together, Melbert and Mary Flagler Cary collected playing cards. This unusual collection ultimately included 2,600 packs of cards, 460 sheets, and 150 woodblocks and metal plates. Waleson reports that the collection included such rarities as illuminated tarot cards from fifteenth century Italy.

The Carys had no children. Following Melbert's sudden death in 1941, Mary became somewhat reclusive. She spent much of her time at Cannoo Hills, where she took a particular interest in its trees and landscape. While living quietly, she continued to add to her collections and to support the music organizations, especially the National Orchestral Association, that were important to her.

In planning for the ultimate disposition of her estate, Mary Flagler Cary's immediate concerns were to preserve the collections that she and her father, her husband, and she and her husband had assembled, to protect the Cannoo Hills estate from development, and to perpetuate her sup-

port of the music organizations that had long been of interest to her. Among her closest advisors were her father's attorney, Edward S. Bentley, and her own lawyer, Herbert J. Jacobi, who drafted her will. According to Edward A. Ames, managing trustee of the Mary Flagler Cary Charitable Trust from 1975 to 2009, Mrs. Cary had originally wanted a very limited-life trust, one that would be co-terminus with the lives of the two lawyers, Bentley and Jacobi, whom she wanted to serve as trustees. The two lawyers persuaded her to extend the life of the trust to a maximum of 50 years, so that the trustees would have sufficient time to develop strategies and plans that would enable them to ensure that the Mary Flagler Cary estate would have greater impact. In response, Mrs. Cary said that the trustees could support any of the causes she had supported in the last ten years of her life, but that this instruction was not intended to bind them in any way.

Mary Flagler Cary died in December 1967. Having no descendants, the majority of her estate devolved to the Trust, which was established in January 1968.

### **History of the Trust:**

Mrs. Cary's residual assets, inheritances from her mother's and father's families, were paid out by the estate into the Trust between 1968 and 1973. They totaled \$72,482,155 and were invested as the Trust's capital assets. (Waleson, 2009)

Attorneys Edward S. Bentley and Herbert J. Jacobi were among the four original trustees of the Mary Flagler Cary Charitable Trust. They were joined by Frank B. Stubbs, a family friend, and Helen LaFetra Stanton, a close friend of Mrs. Cary and fellow National Orchestral Association board member. Mrs. Stanton, who served as a trustee from 1968 until 1985, had been a bridesmaid in Mrs. Cary's wedding. Edward A. Ames, a trustee and manager of the Cary Trust from 1975 to 2009, said in an interview that Mrs. Stanton was an important and powerful trustee who for many years had the final say on what Mrs. Cary's wishes would have been. Mr. Ames' comment illustrates the importance the trustees attached to remaining faithful to the donor's intent in their administration of the Cary Trust.

The trustees' initial concern was to place Mrs. Cary's collections and Millbrook land (i.e., Cannoo Hills estate) with nonprofit organizations that would preserve and use them for educational purposes. The Mary Flagler Cary Music Collection was donated in its entirety to the Morgan Library and Museum in New York. The Melbert B. Cary, Jr. Graphic Arts Collection was given to the Rochester Institute of Technology. The Cary Collection of Playing Cards was placed in Yale's Beinecke Rare Book and Manuscript Library. The Press of the Woolly Whale and a complete set of the books it had printed were also given to Yale. With the collections came grants from the Cary Trust to endow their maintenance and preservation.

A more formidable challenge for the trustees was the disposition of the Millbrook land in accordance with Mrs. Cary's wishes and her will, which specified that it should be used for conservation purposes. After considering various options, the trustees accepted a proposal, in 1971, from the New York Botanical Garden to establish the Mary Flagler Cary Arboretum there

as a division of the Garden. Over the next decade, the Cary Trust funded the development of infrastructure and the hiring of staff to support the arboretum.

In the late 1970s, a committee of distinguished scientists was assembled to assess the progress and direction of the Mary Flagler Cary Arboretum. Recognizing even greater potential for the arboretum, the committee suggested the creation of a center for ecological research and education. Under the direction of Dr. Gene E. Likens, the Institute of Ecosystem Studies (IES) was founded at the site in 1983. In the quarter century after its founding, IES gained international recognition as a leader in ecological studies. It offers state-of-the-art laboratories to a scientific staff of more than 15 Ph.D. scientists, who have compiled an influential publication record.

A decade later, in 1993, the Institute of Ecosystem Studies became an independent not-for-profit organization, although the New York Botanical Garden retains the right of reacquisition should IES ever stop operating for its chartered purposes at the arboretum. The Millbrook land, known first as the Cary Arboretum and later as the Institute for Ecosystem Studies, became and remained the Trust's largest single commitment in annual funding. The IES also received the lion's share of the Trust's final distribution of its assets, a terminal endowment grant of approximately \$70 million. In recognition of the Trust's role as founder and sustainer of the Institute, its name was formally changed to the Cary Institute of Ecosystem Studies in January 2008.

Other early grantmaking by the Cary Trust included support of the National Orchestral Association, the Metropolitan Opera, and various other organizations – some, but not all, related to music – that Mrs. Cary had supported in the last years of her life. In conservation, in addition to its support of IES, the Trust worked with The Nature Conservancy to acquire the barrier islands off the coast of Virginia's Delmarva Peninsula. However, the trustees recognized the need for a more focused and intentional approach to grantmaking. In 1975, following the death of Edward Bentley, the trustees asked Edward Ames, who had been a program officer with the Ford Foundation and a consultant to the Cary Trust on conservation grants, to become both a trustee and the Trust's full-time manager. Ames opened the Cary Trust's first office and helped craft policies that narrowed the Trust's grantmaking to music and conservation, with a focus on organizations for which smaller grants would be most valuable and effective. Over the life of the Trust, about two-thirds of its annual grants budget went to the Institute of Ecosystem Studies. The remaining third was divided roughly in half between music and conservation. In music, the Trust concentrated exclusively on New York City; in conservation, it focused on coastal protection.

To complement Edward Ames' expertise in conservation, the Trust engaged Gayle Morgan, first as a consultant and later as a full-time member of its staff, to administer its grantmaking in music. Morgan, who also was a former program officer at the Ford Foundation, was – and is – a highly regarded expert on the New York City music scene. Under her guidance, the music program shifted away from the practice of funding a few institutions with large grants to one of providing smaller grants to many smaller groups. Consequently, over time, the Trust discontinued its grants to the Metropolitan Opera and the New York Philharmonic, both of which received final endowment gifts in 1980, and even its funding of the National Orchestral

Association. This shift enabled the Cary Trust to take more risks with its grantmaking and to create a three-pronged music program, providing grants for Performance (small and mid-size orchestras, opera companies, and other ensembles), Contemporary Music (ensembles and presenters), and Education (community music schools and youth orchestras and choruses). Undergirding this new approach to the Trust's grantmaking in music was the conviction that it is the diversity of composers and musicians and the many smaller groups that give the New York music scene its vibrancy. The Trust also came to realize that what many of these groups needed most was operating support. By the time of the Trust's termination in 2009, there were about 60 grantees in the three categories.

Planning for the final music program grants began in 2005. To cushion the blow of the Trust's departure, final matching grants were awarded to 34 of the institutional grantees; in the end, 92 percent of the Trust's matching funds were paid out as planned. The trustees also decided to endow with large legacy grants the Cary Trust's special programs. Endowment grants were awarded to Meet The Composer to perpetuate the Trust's support of New York-based composition projects and to support small ensembles. The Trust also awarded endowment funds to the American Music Center to continue its support of both the Recording Program and Live Music for Dance. Additionally, a large termination grant was awarded to the Orchestra of St. Luke's to assist with the cost of developing a rehearsal and community space for a number of orchestras and choruses, many of which the Trust had supported over the years. When added to the \$5 million gift from St. Luke's board member Joseph DiMenna, the Trust's \$3 million acquisition grant enabled St. Luke's to purchase three floors in a building on West 37th Street; the Baryshnikov Arts Center owns and occupies the other half of the building. Slated to open in 2010, the DiMenna Center for Classical Music's main rehearsal space will be named for Mary Flagler Cary. The Trust also has provided a \$1 million reserve fund that will help subsidize rental fees so that groups of all sizes will be able to take advantage of the acoustics and other amenities of the new center.

With regard to the conservation program, despite the Cary Trust's early success in working with The Nature Conservancy to acquire 14 barrier islands off the coast of Virginia's Delmarva Peninsula, by the mid-1970s it had become clear that given the Trust's limited resources, large-scale acquisition projects were not sustainable indefinitely. At the same time, the Trust would continue to support The Nature Conservancy in its efforts to create a new model for landscape-scale conservation at the Virginia Coast Reserve, the 51-mile long preserve that includes those 14 barrier islands. This new model sought to take into account a variety of factors, human and otherwise, that surround nature preserves and influence their health and welfare. As a result of its long-term, productive collaboration with The Nature Conservancy on this and other projects, the Conservancy received 58 percent of the Cary Trust's conservation funding over the 41-year life of the Trust.

Lessons learned in funding the Virginia Coast Reserve would prove useful at two other large ecosystem sites, the Florida Keys and the ACE Basin, both of which received funding from the Cary Trust. The Florida Keys National Marine Sanctuary includes 2,800 square nautical miles surrounding the Keys and protecting North America's only living coral barrier reef. The ACE

Basin in South Carolina, which had been largely under private ownership and is located between Charleston and Beaufort, SC, is a 350,000-acre watershed drained by the Ashepoo, Combahee, and Edisto rivers. In this project, the Cary Trust collaborated with and provided grants to The Nature Conservancy, the South Carolina Coastal Conservation League, Ducks Unlimited, and the Low Country Open Land Trust to protect the ACE Basin.

In addition to its support of organizations involved in coastal protection through land acquisition, especially The Nature Conservancy and the National Audubon Society, the Cary Trust became a leading source of funds for burgeoning environmental law groups such as the National Resources Defense Council, the Conservation Law Foundation, and the Sierra Club Legal Defense Fund, which brought pioneering cases in the field.

While the Cary Trust placed a high value on the protection of coastal barrier islands and the ecosystems that support them, a New York City-based foundation concerned with environmental issues could not entirely ignore its surroundings. Accordingly, in the late 1980s, the Cary Trust launched its Urban Environment program. As with its other conservation grants, the Trust chose to collaborate with organizations that would find smaller grants valuable and effective. In launching its Urban Environment program, the Trust chose to fund the Neighborhood Environmental Action Awards Program, developed in collaboration with the Citizens Committee for New York City, and the Neighborhood Open Space Management Program at the Trust for Public Land. With the Cary Trust's last substantial grant in the Urban Environment program having been made in 2004, the program ended before the Trust began making its termination grants.

The decision made in 1997 to terminate the Cary Trust in 2009, nine years earlier than required by Mrs. Cary's will, was made for pragmatic reasons. First and foremost, the trustees agreed that the Cary Trust had fulfilled its mission and purpose. Also, none of the trustees serving in 1997 believed he or she would still be serving in 2018, which would require enlistment of new trustees who would be even further removed from the donor and her intentions for the Trust. Additionally, according to Edward Ames, the trustees realized that there was economic risk in continuing to operate the Trust. Having made a risk-versus-return calculation, the trustees decided in 1997 to terminate in 12 years.

After deciding to terminate the Trust early, the trustees then turned their attention to developing a strategy for termination that would minimize the impact on grantees. Given the Trust's practice of providing operational support to its grantees, the trustees were aware that the Trust's termination could, in fact, have a very detrimental impact on those organizations. To offset that possibility, the trustees' principal strategy for paying out the Trust's assets was to offer matching grants to grantees so that they could build endowments to ensure the same stream of income that had come to them in the past in the form of annual grants. In order to implement this strategy, the trustees decided to hold the capital and distribute all the assets in large termination grants, all at once at the end. This plan enabled the Trust to continue providing annual grants to its grantees while they were raising matching funds that would qualify them for final endowment grants from the Cary Trust's assets.

As June 30, 2009, approached, the trustees engaged Heidi Waleson, opera critic for the *Wall Street Journal* and author of several publications about foundations, to write the Trust's final report. Reflecting the conclusion first reached by the trustees in 1997, the final report is titled *A Trust Fulfilled: Four Decades of Grantmaking by the Mary Flagler Cary Charitable Trust* (2009).

### **Analysis:**

Time has proven the counsel given to Mrs. Cary by Edward Bentley and Herbert Jacobi to have been wise. While 50 years was more time than was needed, had the life of the Mary Flagler Cary Charitable Trust been limited to only a few years, the trustees would not have had time to develop an agenda that would have ensured the Trust of a significant impact.

Since there was no plan for achieving Mrs. Cary's wishes in place at the time of her death, and the original trustees served in that role as a secondary activity at best, had the Trust's life been limited to only a decade, the Trust would have established a fine arboretum at Millbrook, NY, but not the major scientific institution that the Cary Institute of Ecosystem Studies has become. Also, much of Mrs. Cary's estate might have been apportioned to a small number of already well endowed music institutions (e.g., the New York Philharmonic, the Metropolitan Opera) without having had any impact on new composers or small music groups. Moreover, the Trust's impact on conservation would surely have been limited to its good work in collaborating with The Nature Conservancy to purchase the 14 barrier islands off the coast of Virginia's Delmarva Peninsula.

It is to the credit of the second generation of trustees, and especially to the leadership of Edward Ames, that they sought always to be guided by Mrs. Cary's philanthropic interests and intentions, even as they interpreted and reinterpreted those intentions over time. The best indication of their fidelity to donor intent is their decision to terminate the Trust nine years earlier than required by Mrs. Cary's will. Given the relatively small size of the Cary Trust, the trustees also are to be commended for their strategy of making smaller, high-impact grants to organizations that would find such grants valuable and effective. Also, the Cary Trust's willingness to take risks with emerging and small organizations and to make grants of operational funds speaks well of the trustees' commitment to strengthening its grantees and furthering their missions.

Nevertheless, the fact that the Cary Trust's trustees could make the decision in 1997 to terminate because the Trust's mission and purpose had been fulfilled suggests that with better prior planning, the Trust's life might have been limited to 25 years or less without diminishing its impact. The key element in planning for a limited-life foundation, or charitable trust, appears to be deciding in advance who will administer or lead the trust. Clearly, Louis Hector's readiness to lead the Lucille P. Markey Charitable Trust was a key factor in its effectiveness. By the same token, had Edward Ames been on board as managing trustee of the Cary Trust from the outset, the Trust might well have achieved even greater impact in its grantmaking and might have done so in fewer years.



Finally, it is important to bear in mind that foundations are funding intermediaries. In instances where the trustees have decided what that foundation's work is going to be (i.e., what programs and projects it will fund) and where they have identified the organizations that will benefit, there is less justification for the continued existence of an intermediary. As is illustrated by the Cary Trust and Bonner Foundation, a more efficient and effective use of the funds is to distribute them as endowment grants to those organizations that are its grantees. This is especially true if those grants can be used as leverage (i.e., challenge or matching grants) for building even more substantial endowments for the grantee organizations.

### **Conclusion:**

During the 41-year life of the Mary Flagler Cary Charitable Trust (1968-2009), a testamentary trust with a maximum life of 50 years, the Trust created a major scientific institution, the Cary Institute of Ecosystem Studies, and developed two critically important program areas: landscape-scale conservation along the east coast of the United States and music in New York City, with an emphasis on mid-size musical institutions and contemporary work. By 1997, the trustees were able to determine that the Cary Trust's major goals had been largely met and its purpose sufficiently fulfilled to begin planning ahead of schedule for the Trust's termination on June 30, 2009. Other reasons for this decision were the desire to avoid appointing successor trustees and to protect the Trust's assets from the vagaries of economic fluctuations. Having made the decision to terminate, the trustees then developed a plan for strengthening its grantees so that the impact of the Trust's termination would be minimized. They did so by offering final endowment grants, many in the form of matching grants, to its key grantees, many of which had regularly received operational support from the Cary Trust in the past.

## **Case Study of The Corella and Bertram F. Bonner Foundation, 1980 to 2010**

### **Overview:**

Established in 1980 and fully activated in 1989, The Corella and Bertram F. Bonner Foundation will spend down and cease operations in 2010. The Bonners established their eponymous foundation during their lifetimes, which enabled them to define its mission and to engage staff and trustees to implement their philanthropic vision. The Bonner Foundation's two signature programs are its Crisis Ministry Program, which seeks to end hunger in America, and the Bonner Scholars Program, which provides scholarships to financially needy students who commit to at least 10 hours of community service per week during the school year and to engage in summer service internships. In a recent 11-year period, the Foundation provided \$9.5 million in grants through its Crisis Ministry Program and \$12 million through the Bonner Scholars Program. Although many of the details of the Bonner Foundation's termination plan have yet to be made

public, recent actions by the Foundation suggest that it will distribute its assets (\$84,250,967 on June 30, 2008) in the form of endowment grants to key grantees.

### **Biographies of donors:**

It has been observed that philanthropy is both private expression and public action. (Frumkin, 2006) Giving is the private expression of individuals who choose to express their values in this manner; philanthropy, giving in the aggregate, is public action for the common good. The mission and funding priorities of the Bonner Foundation are a case in point. Having themselves come from underprivileged backgrounds, Corella and Bertram Bonner were always sensitive to the needs of the underprivileged, especially their need of adequate nutrition and of educational opportunity – food for the body and the mind. Moreover, they were people of faith and the institutions they favored in implementing their philanthropic vision were congregations and colleges.

Bertram F. Bonner was born into a family of limited means in the urban North; Corella Allen was born into similar circumstances in the rural South. He was born in Brooklyn, NY, in 1899; she was born in the tiny community of Eagen, Tennessee, in 1911. Their paths would cross in New York City in 1938, and they would marry four years later in 1942. Photographs from the early years of their marriage bear witness to the fact that they were a handsome couple. In addition to being born into families that were “without a dime,” to use one of her phrases, Corella and Bertram shared other similarities, including a love of sports – an early shared interest. Both went to work at a young age and were forced to pursue their educations at odd hours around their work schedules. Both earned the respect and confidence of their employers, who gave them significant responsibilities when they were still quite young. Theirs was a good fit and the marriage lasted for more than a half century, until his death in 1993.

Having been born and raised in one of the boroughs of New York City, Bertram’s innate interest in business led him, while still in his teens, to Wall Street, the nation’s financial capital. By his early 20s, Bertram was making loans on behalf of his employer to builders and real estate developers. He found their work so intriguing that he soon shifted from finance to construction and real estate development. His career as a builder spanned more than 50 years and included developments in New York City and Long Island; Norfolk, Richmond, and Roanoke, VA; and Franklin Township, NJ. In all, he built more than 30,000 homes and apartments.

Although Bertram Bonner left Wall Street at an early age, he never lost his enthusiasm for investing. In fact, it was his success as an investor, in particular, that made the Bonner Foundation possible.

As with many other American philanthropists, Bertram Bonner’s strong sense of Christian stewardship was an important motivator for his giving. His sense of stewardship and the obligations of those to whom much is given are evident in several of his often repeated sayings – e.g., “displace despair with opportunity”; “help the person who is hurting”; “often the best way to help someone is to give them the opportunity to help themselves.” The latter of these sayings



reflects what the medieval Jewish philosopher Maimonides regarded as the highest form of charity. (Salamon, 2003)

Growing up in the rural South, Corella Allen lived a transient life, moving from one small, coal-mining town to another in Tennessee, West Virginia, and Kentucky. Finally, when she was 14 years of age, Corella moved with her mother and two younger siblings to Detroit in search of greater opportunity. She and her mother both found employment in Detroit. In addition to working and going to school, Corella helped care for the younger children, making sure they were fed and in school when they were supposed to be. After graduating from high school, Corella attended Wayne State University at night so that she could work during the day.

Because of her industriousness and personal integrity, Corella, too, was given significant responsibility at an early age by her employer, first in Detroit and then in New York. Over the years, she worked her way up from cashier to manager, and in 1936 she was transferred to the Statler chain's New York City hotel. Two years after her arrival in New York, she met Bertram Bonner, whom she would marry in 1942. Corella Allen Bonner was a widow for nine years following Bertram's death in 1993 until her passing in 2002.

In the early years of their marriage, the Bonners resided near his developments, which required his presence. During these years, they lived on Long Island, in Virginia, and in Florida. In the mid-1950s, they acquired land and built a permanent home in Princeton, NJ.

In 1952, when the Bonners were living in Fort Lauderdale, FL, Corella and the wife of the minister at the Presbyterian church they attended began a program to distribute food to families in need. This was the genesis of a charitable concern the Bonners shared and a cause to which they would become increasingly committed over time. In 1977, the Bonners launched the Crisis Ministry Program of Princeton in conjunction with the Rev. Bland Aldrich, a young associate pastor of Nassau Presbyterian Church, where they were members. The program of distributing food to the destitute soon became a community activity which extended its services to the needy in nearby Trenton. (Selden, 1998) Eventually, the Crisis Ministry Program would become one of the two signature programs of The Corella and Bertram F. Bonner Foundation.

### **History of the Bonner Foundation:**

Although initially incorporated in 1980, The Corella and Bertram F. Bonner Foundation was not fully activated until 1989, by which time the Bonners had transferred much of their wealth to it. Also, in 1989, the Bonners recruited Wayne Meisel to become executive director, later president, of the Foundation. The Bonners had known the then 29-year-old Meisel since the 1960s when he was a child and his father was pastor of the Nassau Presbyterian Church. Most importantly, they knew he shared their values and that he would provide strong leadership for their Foundation.

In addition to having the confidence of the Bonners, Wayne Meisel brought extensive experience in helping students organize for community service to his new role. As an undergraduate at Harvard, he was awarded a John Finley Traveling Fellowship in 1982. For his fellowship experience, Meisel walked from Maine to Washington, D.C., visiting some 70 college and university campuses along the way to champion student involvement in community service. A year after graduating with honors from Harvard, he founded the Campus Outreach Opportunity League (COOL) in order to continue the work begun on his walk.

Meisel has remained head of the Bonner Foundation since first joining it. Over the years, he has taken advantage of his location to pursue a degree from Princeton Theological Seminary and ordination as a minister of the Presbyterian Church, USA.

The first major initiative of the Bonner Foundation was an expansion of the Crisis Ministry Program that the Bonners had begun at their church. Their intention for the Crisis Ministry Program was to offer support to congregations and coalitions of churches that develop community-based programs that show leadership in the fight against hunger in their community. They hoped that the financial assistance the Foundation provided would in turn generate new support in both dollars and involvement on the part of church members and the entire community. The Crisis Ministry Program's mission is "to provide food for the hungry while encouraging congregations to build relationships and strengthen their outreach programs" (Selden, p. 5).

In addition to churches in Princeton, the first Crisis Ministry grants were to churches in New York City, Minneapolis, MN, and Delray Beach, FL. In 1990, the Foundation launched a national grants program, and by the second year of the program, 150 local congregations and coalitions of churches were participating.

After two years, the Bonner Foundation expanded its approach yet again by initiating its Partnership with the Food Banks Program. For six years, the Foundation made larger grants to over 150 individual Food Banks to provide funds for congregations identified by the Food Banks. This program was subsequently retrenched in favor of increased direct grants to congregational agencies.

In conjunction with the Crisis Ministry Program, the Bonner Foundation has sponsored conferences and workshops on the individual and social deterioration that results from hunger. It also made a grant to New Jersey Harvest to support distribution of previously unharvested food that was grown in the state.

According to the Bonner Foundation's website, it awards \$625,000 annually in grants to congregations and community-based hunger relief programs across the country.

With the emergence of institutional philanthropy (i.e., foundations) in this country, a clear distinction has grown between the terms "charity" and "philanthropy." Whereas charity is rooted in religion and engages individuals in concrete acts of compassion toward others, philanthropy, which can be either secular or religious, focuses on change and the reform of society. The two concepts need not – and should not – be incompatible, of course. In fact, they have

been compared to the two commitments physicians make in taking the Hippocratic Oath: One vow is to relieve pain and suffering, the other is to cure disease. (Gross, 2003)

In similar fashion, the two signature programs of the Bonner Foundation – Crisis Ministry and Bonner Scholars – embrace both charity and philanthropy. In feeding the hungry, the Crisis Ministry Program is pure charity. In enabling financially needy young people to obtain a college education, the Bonner Scholars Program is an expression of philanthropy. In their design and implementation, the two programs are united by the common theme of community building.

The evolution of the Bonner Scholars Program is also an interesting story. Its genesis can be traced to an ophthalmological exam at the Mayo Clinic. In conversation with Mrs. Bonner, the doctor doing the exam mentioned that his wife had attended Berea College, which is in Kentucky near where she had lived as a child. Berea, as the doctor reminded Mrs. Bonner, is a work college that does not charge tuition to its students, all of whom are financially needy. In the aftermath of this exam, Mrs. Bonner suggested to her husband that they should make a gift to Berea. They did, and the next year, they made an even larger gift, which prompted a visit to Princeton by Berea president John B. Stephenson. That visit was the beginning of a close friendship between the Bonners and Dr. Stephenson.

In collaboration with the Bonners, Dr. Stephenson helped devise the principles on which the Bonner Scholars Program would be established. He also presided over the initial Bonner Scholars Program, which was established at Berea in 1990. Moreover, Dr. Stephenson helped select the first group of 11 additional schools that in 1991 were invited to participate in the program. All but one of the initial group of colleges chosen to host the Bonner Scholars Programs were located in the Appalachian region. Eleven more colleges were chosen in 1992, bringing the number of participants to 23 schools in 12 states. Eventually, that number would grow to 27 colleges and universities.

The Bonner Scholars Program reflects another of Bertram Bonner's sayings, to wit: "Chance favors the prepared mind." However, in addition to improving the life chances of the students who become Bonner Scholars, the program also seeks to improve the communities where these students are enrolled in college and where they will live in later life. Eligibility to be a Bonner Scholar is based on three basic requirements: 1) above average academic record, 2) proven financial need, and 3) the student's ability to demonstrate that he or she has held a role(s) with significant responsibility at home, church, school, or community.

The colleges that have been chosen to host the Bonner Scholars Program on their campuses have been expected to share the Foundation's goal of "changing the world through access, education and the opportunity to serve." The hallmark of the Bonner Scholars Program is that students who become scholars commit themselves to 10 hours of community service per week during the school year and to summer service through internships. Host colleges are expected to provide the necessary services to keep their Bonner Scholars in school through graduation and to provide them, as well as other students, opportunities to serve others. Part of the way these obligations are fulfilled is through the appointment of an on-campus Coordinator of the Bonner

Scholars Program, who works with the students and arranges service opportunities through community agencies.

Prior to Bertram Bonner's death in 1993, he decided to endow the Bonner Scholars Program at seven of the participating colleges. Those schools were awarded \$4.9 million challenge grants that required them to raise an additional \$1 million. The resulting \$5.9 million restricted endowments were sufficient to provide 80 student scholarships (20 per class) equal in amount to what students could earn through on-campus College Work-Study Program jobs (a federally funded aid program) working 10 hours a week. The endowment also provided partial support for the campus coordinator and a limited amount of program funding. Some of the participating schools raised more than the required \$1 million in matching funds in order to increase the number of Bonner Scholars on their campus.

Had Mr. Bonner lived longer, the Bonner Scholars Program would have been endowed at more of the participating colleges. In fact, never having intended for the Foundation to be perpetual, he most likely would have directed the spend-down of the Foundation's endowment and its termination. However, at his advanced age, time ran out without his having made the necessary decisions or his having given explicit directions to the trustees regarding his intentions. Following Mr. Bonner's death, the Foundation decided to extend its practice of making annual grants with long-term commitments, instead of endowing the Bonner Scholars Program at more of the participating colleges.

This decision was made in no small part because of Mrs. Bonner's interest in becoming more actively and directly involved in the Foundation's affairs. With Bertram overseeing the Foundation's affairs in much the same way as he had managed his business interests, there was less opportunity for Corella to play a leading role while he was living. After his death, however, she not only became chair of the Foundation's board of trustees but she also assumed an active role in its day-to-day operations. She would remain active until her sudden death in 2002.

The Bonner Foundation has been more than just a funding source for its grantees. Its staff has helped many of the participating institutions develop courses and infrastructure for community-based research. The Foundation also has participated in developing leadership programs for Bonner Scholars and students in its Bonner Leader Program (discussed below). Additionally, in order to facilitate the exchange of ideas, the Foundation regularly convenes meetings of presidents, campus coordinators, and students. The Foundation also has begun a Bonner Alumni Network as a way of nurturing the goal of widespread community service.

Part of the challenge that is regularly put to Bonner Scholars and Leaders is for them to be a model for others in the academic community. The Foundation staff has also taken this challenge to heart, producing journal articles and monographs on community service for college students and community-based research as a learning tool. Incorporated into much of this literature are the results of effectiveness studies sponsored by the Foundation, which has been rigorously committed to assessing the effectiveness of the programs it sponsors. Also, in his role as president of the Bonner Foundation, Wayne Meisel has continued to sound the trumpet, first

taken up when he was an undergraduate, for college students to participate in meaningful acts of citizenship and for other Americans to respect them for doing so.

Over the past two decades, student volunteerism, community service, community-based research, and civic engagement have become common themes on the American campus. The Bonner Foundation has been at the forefront of this movement, often leading the way. Not surprisingly, other colleges and universities have wanted to participate in the Bonner Scholars Program. Although the Foundation's limited resources have prevented it from greatly expanding the number of participating colleges, neither its staff nor trustees have been insensitive to the demand. In 2000, with the support of a FIPSE (Fund for the Improvement of Post-Secondary Education) grant, the Foundation created its Bonner Leader Program. While funding comes from various sources, including Work-Study, AmeriCorps, and institutional funds, the Leader Program allows institutions to replicate the Bonner Scholars Program on their campus without substantial financial support from the Foundation. Within a few years, 47 colleges and universities were participating in the Bonner Leader Program.

Just weeks prior to her sudden death in July 2002, Mrs. Bonner began conversations with some of the trustees about spending down the Foundation's endowment and terminating its operation. Perhaps she was feeling her own mortality and remembering that Bertram had intended for the Foundation to sunset prior to his death. One cannot know for sure. We do know that the trustees were mindful of the fact that whenever the process began, it would take several years to orchestrate a smooth closing of the Foundation. Nonetheless, they delayed a formal decision about the future of the Foundation until 2004. At that time, they decided on a six-year timeframe, setting 2010 as the year in which the Bonner Foundation would terminate.

Having decided on a schedule for sunseting, the trustees then engaged the Foundation Strategy Group (FSG), founded in 1999 by Mark Kramer and Harvard Business School professor Michael Porter, to assist them in developing an exit strategy and action plan. While many of the details of that plan are still being held in confidence, the Foundation has resumed the practice of gradually endowing the Bonner Scholars Program at the participating colleges. Nonetheless, there are questions that are yet to be publicly answered regarding the future of what has been called The Bonner League – i.e., the group of 27 participating colleges that host the Bonner Scholars Program. Will any provision be made for continuing the annual meetings of campus coordinators and students in the future? These gatherings have given the Bonner Scholars Program a more prominent identity, they have facilitated a useful exchange of ideas, and they have reinforced the sense among students that they are part of a much larger movement.

Although transferring endowment assets from the Foundation to the participating colleges is a fairly straightforward way to perpetuate the Bonner Scholars Program, ensuring the continuation of the Crisis Ministry Program is much more problematic. (How does one endow a soup kitchen?) Nevertheless, according to Wayne Meisel, the Foundation's trustees are very much committed to sustaining the Bonners's good work in feeding the hungry. In order to achieve this purpose, endowment funds may be placed with a community foundation, a church, or a church agency.

As has been evident in the other cases studied, the decision to spend down and terminate has immediate implications for a foundation's investment strategy. Projections must be made about the amount of income that will be received during the phase-out period and the value of the endowment assets that will be available for distribution in termination grants. These projections are especially important when a foundation has been providing operational support over a long term to its grantees. However, an economic recession such as that which has gripped the country for the past two years (2008 and 2009) can play havoc with those numbers. This may well account for much of the delay among the Bonner Foundation's trustees in making some key decisions or, at least, in making those decisions public.

### **Analysis:**

What may appear to have been indecision on the part of the Bonner Foundation about whether it was a limited-life or perpetual foundation for much of its existence is actually commonplace. A study undertaken by The Foundation Center (*Perpetuity or Limited Lifespan*, 2009) found that most (55 percent) family foundations do not incorporate a decision about intended lifespan into their founding documents. In other words, for the majority of family foundations, their charter neither specifies perpetuity nor includes a sunset clause. This same study found that when there is a living founder, the foundation is three times more likely to expect that it will spend down and sunset (i.e., terminate its operation). This was also Bertram F. Bonner's expectation, although he died before fulfilling it.

In the absence of a sunset clause in the Bonner Foundation's founding documents, the trustees were free to continue the Foundation's operation when, after Mr. Bonner's death, Mrs. Bonner became more actively involved in the Foundation's work and wished to see it continued. By the same token, in the absence of a perpetuity requirement, the trustees were free to act on what they understood donor intent to be in this situation and to decide in the aftermath of Mrs. Bonner's death to spend down and terminate the Foundation's operation.

While the findings of The Foundation Center study may be surprising, an even more striking finding has been reported by Francie Ostrower in a study she undertook for The Urban Institute (*Limited Life Foundations*, 2009). Ostrower found that the decision to limit the life of a foundation is more often a reflection of personal preference than it is a strategy for strengthening philanthropic effectiveness or achieving a particular philanthropic outcome. This finding, too, is well illustrated by the Bonner Foundation.

For whatever reasons, Bertram F. Bonner and, in the long run, Corella Bonner did not want to establish a perpetual foundation. While this personal preference was their prerogative, it was not tied to a strategy for more effectively ending hunger in America, increasing access to higher education, building stronger communities, or promoting a culture of service among college students. It reflected only their personal preference.



Although one cannot know with certainty, it is easy to imagine that neither of the Bonners ever considered the issue of their Foundation's lifespan from the perspective of strategy. Nor can we know if they had that it would have made a difference in their thinking. What we do know is that with the closing of the Bonner Foundation an important voice for these causes will be silenced. Fortunately, provision either has been or will be made to ensure the continuation of the key elements of both the Crisis Ministry and Bonner Scholars programs, even if the Foundation no longer provides a voice for the underlying causes these programs so ably address.

In establishing their foundation, the Bonners did a lot of things right that can serve as a model for other philanthropists to emulate. First, they set up the Foundation in their lifetimes. The founders also defined its mission to reflect their values and interests, and they participated in the design of its signature programs. And they chose a strong leader, a person they knew and trusted, to lead the Foundation. Having acted so decisively in these matters, it is somewhat surprising that they did not also deal decisively at the outset with the issue of lifespan. One of the advantages that newer generations of philanthropists have is access to organizations like the Foundation Strategy Group to assist them in thinking about lifespan in relation to strategy for achieving desired philanthropic outcomes.

### **Conclusion:**

In what ultimately will be a 30-year lifespan, The Corella and Bertram F. Bonner Foundation has sponsored two signature programs: the Crisis Ministry Program and the Bonner Scholars Program. These programs have taken innovative approaches to the Bonners's longstanding concern for the hungry in American society and their interest in helping financially needy youth obtain the advantage of a college education. The common – innovative – element between the two programs is their focus on community building.

The Crisis Ministry Program offers financial support to congregations and to coalitions of churches that tackle hunger and other manifestations of poverty in their community. The Bonner Scholars Program, which has as its motto "Access to Education, Opportunity to Serve," has made the service-based scholarship the third merit scholarship, along with academic and athletic scholarships, in American higher education.

Despite the success of these programs, the trustees of the Bonner Foundation have decided to spend down and terminate its operation in 2010. This decision reflects the intent of the founders, who did not wish for their foundation to be perpetual. Although the decision to limit the lifespan of the Bonner Foundation to three decades is unrelated to philanthropic strategy or desired outcomes, many of the actions taken by the founders in establishing their eponymous foundation represent best practice and are worthy of emulation by other philanthropists.

## Conclusion and Implications for Foundations

The tradition of organized philanthropy in the United States has long espoused and protected three cardinal rights: first, the sanctity of perpetual endowments as an essential tenet of good stewardship; second, the right of self-determination and autonomy from governmental regulation and coercion; and, third, entitlement to tax exemption and other related benefits indelibly linked to legal status as an eleemosynary institution. Foundation executives and boards tend to invoke these inviolate principles and protections in any number of discussions or issues that place nonprofit organizations into the public forum. And, in the main, these have been respected by a variety of external constituencies, ranging from the United States Congress to state legislators and to local and municipal taxing authorities.

On closer inspection, however, when one looks beyond or beneath the initial invocations one finds that foundations negotiate and renegotiate their practices, if not their policies, with government agencies and legislative bodies. This secondary layer of external relations is based on belief in the efficacy of good faith negotiations combined with a sense of fair play and mutual benefit between philanthropic organizations and government. This is mutually agreeable between foundations and governments as a means to provide reasonable room for resiliency in light of changing and even unexpected economic and social conditions. This is the context within which we place the periodic, recurrent issue of voluntary decisions by foundations to consider and perhaps to adopt some measures that allow and/or encourage a foundation to spend down its endowment and to close its formal operations within a set period of time.

One theme that emerges in the recent excellent reports by Francie Ostrower, et al, is that foundations may wish to adopt spend down and term life conditions because these increase the prospect that a foundation or trust can be genuinely in accord with the wishes of a donor. The implication is that the longer a foundation and an endowment are extended, the more likely its sponsored programs and appropriations are to stray from the donor's original intent. In our study we acknowledge and agree with this finding and line of reasoning. However, it is not the dominant argument that we address and analyze. Our policy observation and recommendation is that limitations on foundation life and provisions for endowment spend down simply make good sense as one of many options a donor and, then, the resultant foundation ought to consider in drafting their charter and by-laws. This warrants emphasis and broadcast to the nonprofit sector mainly because it is a long established strand in American philanthropy that still tends to be relatively overlooked in the conventional wisdom that guides most donors. As Caroline Preston reported in her May 19, 2009 article for the *Chronicle of Philanthropy*, "Most family foundations plan to operate forever." The crucial point is that increased and persistent information about the limited life foundation option is imperative if one wishes to deter the nonprofit sector from calcifying into a single, dominant model. Ignorance of the endowment spend down tradition and effectiveness may have caused it to be under-utilized in the past – and present.

One theme that stands out to us on the basis of our case studies is that if a foundation does opt for spending down its endowment and dissolving itself in a pre-determined period, then this decision will work well only if the foundation board and executives make a careful,



informed decision as to harmonizing the foundation goals with its available resources and a realistic definition and appraisal of the problems it sets out to solve, the programs it identifies for appropriations. The reminder is that endowment spend down and term limitations are not inherently good – or bad. These structural conditions will be appropriate and effective only if implemented wisely.

## **Foundations and Fiscal Fitness**

The case studies, both past and present, we selected for analysis share the characteristic of being success stories. Yet even within these exemplary foundations there are periodic episodes that both caution and comfort current foundation boards and directors. Namely, the possibility of unexpected decline in an endowment portfolio is hardly new in 2009. The experience of the Rosenwald Fund between 1929 and 1932 provides an apt reminder that even an established, well endowed philanthropic organization can be blindsided by adversity – and then forced to alter quickly its priorities and projects. Worth considering and discussing is one policy implication: deliberately designing a prompt spend down of existing resources provides a hedge of sorts against the erosion or uncertainty of stock holdings over a long period of time.

## **Setting the Life Span of a Foundation**

In this study we have advocated that donors and accompanying philanthropic decision-makers give consideration to limited life terms as a possible feature of a foundation. At the same time we have been careful to avoid a simplistic formula for such calibrations. A good approach is to heed the various principles Joel L. Fleishman has presented in *The Foundation: A Great American Secret*. For example, in his chapter, “Foundation Strategy in Principle,” Fleishman opens his discussion by quoting the advice of the former president of the Alfred Sloan Foundation, mathematician and executive Ralph Gomory’s advice, “The difference between success and failure is to do it right at the beginning.” Our corollary is that this should include careful deliberations that match clear, significant foundation goals with realistic estimates on time and resources.

In the spirit of Gomory’s advice, the person of wealth who is planning to establish a foundation would be well advised to invest time and effort at the outset in defining “donor intent” for her or himself. Our research has shown that it is inefficient to leave this task to the foundation’s trustees. Defining intent in terms of the change the donor (i.e., the foundation’s founder) would like to bring about in some existing status quo, which in turn will make the world a better place, will point to desired outcomes. Identifying desired outcomes will suggest strategies for achieving them, including whether the foundation is to be perpetual or limited life – and if limited life, how long the lifespan is to be.

Just as the founder should not count on the foundation’s trustees to discern or define donor intent, he/she should not rely on like-minded friends or business associates (e.g., one’s lawyer, banker, secretary) to insure that donor intent guides the foundation’s actions. Having identified desired outcomes and strategies for achieving them, the founder would be wise to engage

people with expertise and shared passion, as well as shared values, to staff the foundation and to serve on its board of trustees. This suggests, of course, that it is best for the founder to establish the foundation during her/his lifetime. Another advantage is doing so is that the founder gets to decide who in terms of trustees and staff is on the bus and, most importantly, who will drive it – initially at least.

The bottom line is that the decision about foundation lifespan should be made at the outset and stated explicitly in the foundation’s organizing documents. Additionally, the decision about lifespan should be seen as a matter of strategy for achieving desired philanthropic outcomes. Finally, especially in those instances in which the foundation is to have a relatively brief lifespan, the decision about who will assume primary responsibility for implementing its strategy (i.e., funding programs) should be known at the outset. In several notable instances, that person – the person driving the bus – has been the founder who set the foundation’s lifespan with this expectation in mind.

Our suggestion is, we think, reinforced elsewhere in Joel Fleishmans book when in chapter 11 he looks closely at specific examples that illustrate how “high impact programs” have been characterized by “leadership, focus, alignment, and measurement.” A review of the case studies presented by Fleishman both in his book and accompanying case book indicates that many (but hardly all) of the memorable, landmark accomplishments associated with foundation sponsorship have been clear, focused and finite in scope. And, the case studies presented in our study tend to reinforce and illustrate these sound principles and significant results.

## **Limited Life as an Antidote to Calcification in Carrying Out Grant Projects**

Although one of the foremost reasons for establishing a limited life endowment is to provide a deterrent to the crystallization of a foundation and its staff into a permanent bureaucracy, there is another related but distinct reason that deals not with the foundation staff and buildings, but rather, with their counterparts among recipients of foundation awards. In sponsored research and large scale projects, whether from a foundation or a federal agency, researchers and grants officers have for over a half century distinguished “soft money” from “hard money.” The former category typically represents episodic and temporary funding for a project or for an institute. “Hard money,” in contrast, denotes permanent, line item funds that are established as part of the research institution’s on-going annual budget. However, the rise of foundation funding since World War II has been sufficiently generous and enduring that at many institutions, especially universities, the line between the two categories has been blurred over time.

Put another way, after how many years does “soft money” evolve into “hard money”? There are examples of a principal investigator for a major research project to receive renewed funding over two or three decades. We argue that such longevity tends to generate its own permanent laboratories, offices, infrastructure, staff, and researchers and an organizational culture of “business as usual” so that it is virtually indistinguishable from a so-called “hard money” department or office. At worst, it is susceptible to complacency and the expectation that external support

from a foundation will continue indefinitely. The limited life foundation provides a partial antidote to this calcification in that it builds in a discipline where both donors and recipients are likely to have to discuss realistic starting and ending points for major projects and for mutual agreement on the project's ultimate goals.

## **Rethinking Essential Policy Assumptions: A Tale of Two Foundations**

“A Tale of Two Foundations” is a theme that obviously is indebted to Charles Dickens’s classic novel about Paris and London in the late 18th century. The twist for 21st century American philanthropy is to consider, again borrowing from Charles Dickens – namely, how the current decade has been the “best of times and the worst of times” for two factional, albeit prototypical, foundations. The scenario is as follows: consider two parallel foundations, circa 2002 to the present. Both foundations have an endowment of \$100 million. And, two years later, each and both foundation shows an endowment of \$70 million. The important difference is that Foundation A reduced its endowment by deliberately spending down far more than the customary 5% per annum in order to concentrate large funding on significant projects that its board thought were timely.

In contrast, Foundation B abided by customary approved practices of limiting use of endowment for project appropriations to no more than 5% per annum. At the same time it enlisted the services of an aggressive fund manager who delivered over three years an average of 15% per year gain to the foundation endowment. However, in the fourth year the investment portfolio for the foundation dropped from its original base of \$100 million to \$70 million. This, of course troubled the foundation board – but, also led to the shrug of the shoulders, “Well, the stock market was unexpectedly punishing for everyone. No one foresaw this drop. So, it is bad news – but, hey, what can you do?”

Both foundations started with the same endowment – and ended up with the same endowment – from \$100 million to \$70 million. However, Foundation A was reprimanded for its allegedly wanton behavior – dangerously dipping into capital. On balance, then, this “tale of two foundations” in what was “the best of times, the worst of times” illustrated an irony in conventional thinking and practices about endowments for nonprofit, philanthropic organizations in the United States. Foundation A opted for high impact and expanded appropriations in a deliberate effort to solve timely problems. Foundation B pursued business as usual in its conventional cautious spend down -- but combined with high risk investments.

This triggers our concern about what appears to be a problematic imbalance – namely, the relative inattention that foundation boards may give to the investment portfolio. It may be misplaced trust. It certainly is in stark contrast to the scrutiny that foundation staff devotes to reviewing, funding and then monitoring project proposals and performance. The fluctuations in the stock market during the past seven or so years that have drained foundation endowments suggest that genuine stewardship calls for more caution and oversight to be exercised in investments – and scrutiny of investment officers. At the same time foundation officials ought to at least consider giving increased to funding worthy projects generously and promptly.

To reinforce our suggested realignment, it is useful to consider the recent experience at the University of Colorado. According to Craig Karmin's July 31, 2009 story in *The Wall Street Journal*, "When the endowment chief of the University of Colorado joined boutique Wall Street firm Perella Weinberg Partners earlier this month, he didn't show up empty handed. The school's entire \$825 million endowment came with him. The transfer is unusual for two reasons, say money-management experts. The foundation that runs the endowment didn't seek competing bids. And few endowments of its size have outsourced 100% of their assets." The implication for all foundations is that "The change is the latest example of deepening ties among endowment chiefs and private-sector money managers. A number of endowment chiefs have jumped to private firms, bringing endowment assets with them." If, indeed, this practice is significant and growing in the nonprofit sector, it holds more risk for a foundation than does, e.g., the risks involved with spending down for projects.

Since nonprofit organizations share with all individuals and institutions the limited knowledge that nothing is certain except death and taxes, the intent of this factional scenario is not to be judgmental. We do think the distinctive context that shaped the respective decisions of Foundation A versus Foundation B do at very least suggest the need for more foundations and donors at least to be aware of the potential uses of endowment spend down as a responsible strategy. Meanwhile, our concern is that the principle has been confined to the syndrome of periodic rediscovery followed by institutional amnesia. Implementing this awareness of endowment spend down and limited life as viable options will require attention to two critical points: the informal education of donors; and, the formal changes in state and federal laws and regulations. And, we hope the case studies covered in this report will provide models and insights that promote this principle as an intriguing, voluntary option for foundations and nonprofit organizations in the 21st century.

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