

**GEARING UP TO SPEND DOWN:
A FOUNDATION IN THE MIDST OF PARADIGM SHIFTS**

**YEAR TWO REPORT ON THE CONCLUDING YEARS OF
THE AVI CHAI FOUNDATION**

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FOREWORD

This report is based on a thorough review of Board minutes, internal documents, and published reports of The AVI CHAI Foundation, and on a series of interviews conducted in the United States and Israel between May and August 2010.

The roughly 40 interviews included every AVI CHAI Trustee, a sampling of grantees, and nearly all staff members in the United States, Israel, and the Former Soviet Union. After review and comment by senior staff members, the initial findings were presented to the Trustees in October 2010, and their comments have been incorporated into this final draft, which was completed in January 2011.

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EXECUTIVE SUMMARY

In 2004, The AVI CHAI Foundation set itself on a course to expend its full endowment and complete its philanthropic work by the end of its 36th year, in early 2020. That work is devoted to strengthening Judaism, Jewish literacy, and Jewish tradition in North America, Israel, and the former Soviet Union, and to encouraging mutual understanding among Jews of different backgrounds and commitments. (Additional information about AVI CHAI can be found at avichai.org.) When it started the spend-down, the Foundation's Board of Trustees sought guidance from scholarly and management literature on how to govern the terminal years of a limited-life foundation. Learning that such literature was scant, the Board offered to make AVI CHAI's own experience available to researchers, allowing them to document the Foundation's choices, the challenges it faces, and the ways in which it tries to bring about an orderly, effective conclusion worthy of the generous vision of its founding donor, Zalman Chaim Bernstein, z"l.¹ This is the second in what is expected to be a series of annual installments in that research.

¹ The abbreviation, short for *zichrono livracha*, is used by Jews in mentioning the names of the departed. It means "may his or her memory be a blessing."

As 2010 began, AVI CHAI's annual grant spending totaled \$40 million. Largely as a result of the global recession of 2007-09, this amount was roughly one-third below the level on which most of the Foundation's original plans for its final decade had been based. To adjust to the downturn, staff and Trustees had undertaken a difficult, deliberate process of honing their program objectives and ranking the strategic significance of each grant against the Foundation's overall aims. This effort was especially important in Israel, where the grant budget had been reduced by approximately \$5 million annually to cover the operating costs of Beit AVI CHAI, a three-year-old cultural and educational institution that the Foundation had created and housed in a new headquarters building in Jerusalem.

In 2009, with the ranking and selection completed, AVI CHAI then began the difficult task of weaning some grantees whose support was judged, in the ranking process, not to be the most critical to the Foundation's mission and goals. Other organizations saw a reduction in the amount of their grants, with further reductions to follow. The intent of this winnowing process was not only to concentrate a diminished budget on the most significant activity, but also to keep some resources in reserve for new

opportunities and interests that might arise in the final years. The Founding Members had also determined to reserve at least \$120 million as an endowment for Beit AVI CHAI.

As it worked through these various decisions, the Board became persuaded that it would also need to revisit the way it had traditionally governed the Foundation's program. For more than two decades, Trustees had immersed themselves, alongside staff members, in AVI CHAI's day-to-day grantmaking, with each grant benefiting from the personal involvement of at least one Trustee. But as the Foundation entered its final decade, under pressure of reduced resources and a shrinking amount of time for course-correction, the Board had concluded that it needed to refocus its attention more on the forest than the trees. That is, the Trustees needed to govern the institution less from the perspective of individual grants and more with an eye to the sustainability of its overall fields of interests, the likelihood of future funding for these fields, the durability of their leading organizations, and the odds that future philanthropists would see opportunity in, and derive inspiration from, the work that AVI CHAI had set in motion.

These choices would call for a significant change, both of style and of substance, in the way the Board defines and fulfills its responsibilities. In the past, for example, the Foundation had chosen to pursue its philanthropic vision almost entirely on its own. It had concentrated on refining strategy and improving execution, achieving and evaluating results, without devoting much time or resources to recruiting other funders as partners in its grantmaking initiatives. By 2010, in a marked change, the Board decided both that it will actively seek to identify and cultivate partners for all existing initiatives where appropriate, and that it will not launch new ventures without philanthropic partners. Another significant shift has been an acknowledgement that the Foundation's nearly exclusive support for innovative programs and projects would have to widen to encompass the organizational strength and durability of grantee

organizations—not just their ability to execute new strategies well, but their ability to govern themselves, raise and manage money, staff essential functions, and track and account for their achievements.

Putting these changes into effect was a central preoccupation for the Board and staff in 2010. Several people reported that the approaching end-date, now less than a decade away, had energized Trustees and staff members, sparked new creative forces, and made longstanding habits easier to scrutinize, evaluate, and, where necessary, break. The most visible change, at least within the Foundation, has been the Board's deliberate effort to focus more on overall strategy than on individual grants. Predictably, it has taken some time to formulate an agenda with the right mix of operating detail and broad strategy, one that is neither too theoretical nor too enmeshed in particular grantees' struggles. As Trustee discussions devote more and more time to broader strategic questions—such as how much effort to devote to grantees' organizational capacity vs. project development, or how to identify and pursue potential new funders—staff has begun formulating proposals by which the Board might approve budgets and strategies for broad programs rather than individual grants.

All these choices and adjustments have different implications for each program and region of the world in which the Foundation seeks to make its mark. In **Israel**, for example, AVI CHAI grants have focused primarily on formal and informal Jewish education and adult learning of a wide variety of kinds, for the purpose of enhancing Jewish knowledge and nurturing mutual responsibility among Israeli Jews. But there, the program budget has always been smaller than that in North America, and after the global financial downturn it was reduced further, to \$16 million in 2011, down from \$24 million in 2008 (the first full year that Beit AVI CHAI was operational). Nonetheless, the Board's new approach is evident in several features of the Israel program, especially a recent plan, still being developed, by which the Foundation would leverage its major philanthropic efforts in ten communities.

The new initiative, called *Nitzanim*, would seek to connect the efforts of educational and cultural institutions in those communities, including AVI CHAI grantees, into a more mutually reinforcing network, while also seeking out potential funding partners and successors. The initiative, as currently envisioned, would involve Trustees only in designing and approving overall strategies for these communities, not selecting individual grantees.

In the larger **North America** program, AVI CHAI's primary goal has been to strengthen the two kinds of institutions, other than families, that have been proven by systematic research to be most effective in nurturing Jewish literacy, religious purposefulness, and sense of peoplehood: day schools and summer camps. While Foundation grants have previously aimed primarily at enriching the Jewish content of day-school education and summer camp activities, the goal now increasingly includes strengthening the grantee organizations and key supporting institutions in the hope that they will emerge from years of AVI CHAI support more stable and durable than they had been in the past. At least some Trustees remain unconvinced that other funders and future philanthropists will ever be as devoted to these organizations as AVI CHAI itself has been—a skepticism that has long fueled the Foundation's go-it-alone approach. Still, both Trustees and staff have taken steps to intensify the search for philanthropic allies, recognizing that partnerships will involve co-creation of new initiatives. They have decided to add a new staff position to support Trustees' outreach efforts in generating these partnerships.

To prevent the program from falling into a rut in its late years, the North America program has also been careful to hold open some options for new or innovative work. To explore these options in detail, the Foundation organized Working Groups of Trustees, staff members, and outside experts on a variety of day-school related topics. (The Foundation's commitment to overnight summer camping remains strong, but the process for developing the plan going forward was less formal.) The groups' ideas for future activity have begun taking clearer form in 2010.

Among other things, the Working Groups have concluded that AVI CHAI's task over the next nine years will be to work with others to address three pillars of the sustainability of the Jewish content and character of day schools: solid financial footing, able day school leadership and a vibrant and networked field of mutually supporting institutions committed to the Judaic mission of day-school education. Some specific ideas include pursuing opportunities for online learning; taking greater advantage of the new social media technologies available in the 21st Century; using the benchmarking of individual school financial information to help schools develop and implement cost-saving/revenue enhancing plans; developing school-based endowments; and a public policy effort to advocate increased government funding for nonpublic schools. Trustees did not make firm choices in 2010 among the many options being surfaced by the Working Groups, nor have they yet sought out potential co-funders for all of them. But both processes will need to begin soon, given the time it will take to develop, fund, and execute a program of work on any of these complex topics.

In both North America and Israel, a senior staff member has been assigned to organize and guide the Foundation's support for grantee capacity-building—that is, for strengthening the grantees' management, governance, staffing, information technology, and especially fundraising, in ways that will help them persevere beyond AVI CHAI's final years. These efforts include not only direct support for the separate organizational development of particular grantees—such as experiments in which day schools share back-office services and improve their financial management—but also support to advisory or intermediary organizations that can offer expertise to a wide range of grantees in management and fundraising. This latter kind of capacity-building has been more of a challenge in Israel than in North America, because of the relative scarcity of consultancies in Israel with strong credentials in organizational development (except for the area of information technology, where Israel is well supplied). But it is a rising priority in both places.

AVI CHAI's first major steps into grantee capacity-building in North America and Israel began in 2009, but they have expanded considerably in 2010. Still, the skills required for this kind of work are considerably different from those involved in funding program activity. Capacity initiatives also demand more time and attention from staff—an added responsibility that may not be realistic for current employees to shoulder. Near the end of 2010, there was increasing discussion among staff and Board members about whether AVI CHAI may need to add one or more employees in Israel and North America with specific expertise in capacity-building. The matter will need to be decided soon, given that capacity initiatives tend to require several years to achieve their goals, especially when they are aimed at small, young, or fragile organizations.

In the **former Soviet Union**, the grantmaking program focuses on creating and strengthening institutions that can build and sustain a Jewish consciousness among Jews of Russian ancestry—a consciousness that had been starved during seven decades of religious suppression under Russian Communism. Because this program is much newer and smaller than the others, and because it was designed with all the lessons and experience of the other geographies already in mind, AVI CHAI has long operated in the former Soviet Union in much the way the North America and Israel programs would when the Board's strategic changes are complete. The program here has organized some funding partnerships from the beginning and is now doing so more deliberately. It also designs its grants with an eye toward grantees' organizational strength as well as implementation of projects, and it has enjoyed a degree of delegated decision-making from the Board that the other two programs are still trying to design and assess.

Overall, AVI CHAI is increasingly encountering challenges that are a direct consequence of its decision to spend down. Many of these issues will demand increasing attention in the next year or two. One of the most basic and obvious of these challenges, the

need to manage financial resources for an orderly liquidation, has already received early and thorough attention, thanks in large part to the availability of expert financial advice from Alliance Bernstein Global Wealth Management, of which Trustee Alan Feld is senior managing director. But beyond finance, sunsetting a foundation also raises peculiar program challenges, and many of these have come to the fore only in recent years. For example, informing and preparing grantees for the departure of a major funder can be difficult and time-consuming, and it may require different kinds of support—particularly for their core management, financing, and administrative functions—in the last several years. Staff members, too, need to be prepared for the inevitable disappearance of their jobs, and most of them will need time to plan and manage the next stage in their careers. The search for funding partners, already discussed, is yet another program requirement that becomes more urgent (and arguably more difficult) every year the Foundation draws nearer to its sunset. Finally, as the Board increasingly wrestles with all of these end-stage issues, it may find that it needs to delegate more authority for routine grantmaking to the staff, or at least to relate to the staff in new ways, a process that the AVI CHAI Trustees are beginning to explore.

Despite these added pressures, nearly everyone on the staff and Board of AVI CHAI reports that the prospect of concluding the Foundation's work in fewer than ten years has brought a sense of clarity, intensity, focus, and vigor to their efforts. Many tend to describe this intensity by citing Samuel Johnson's aphorism that the prospect of a hanging "concentrates the mind." But in reality, AVI CHAI seems at this stage to be functioning more like an artist approaching the completion of a major work than like a condemned person peering into the hangman's noose. That creative energy and spirit of opportunity will surely be tested from time to time, as the organization faces a series of increasingly final choices. But for now, the finality is still nine years away, while the scope for ingenuity and learning remains immediate, inviting, and broad.

BACKGROUND

In 2004, The AVI CHAI Foundation began setting its annual grants budget at a level that would gradually exhaust its endowment and bring the Foundation to a close by the beginning of 2020, some 36 years after it was founded. The Foundation, established with funding from financier Zalman Chaim Bernstein, z'l, and substantially enhanced by a bequest at his death, is dedicated to strengthening Judaism, Jewish literacy, and Jewish tradition in North America, Israel, and the former Soviet Union, and to encouraging mutual understanding among Jews of different backgrounds and commitments. (For a complete picture of AVI CHAI's projects and programs, visit <http://avichai.org>.) Like a small but growing number of other grantmaking institutions, AVI CHAI has now chosen to accomplish its work in a fixed period of time and to distribute its resources in amounts large enough to make a significant difference within and beyond that period.

Because this time-limited approach to philanthropy is still comparatively rare, the AVI CHAI Trustees initially sought guidance on how to plan and manage the process, including any changes in the Foundation's philanthropic program that the approaching spend-down might warrant. Yet a search of the available scholarly and management literature on philanthropy turned up little that was useful for their purposes. So, as a contribution to the field, and as a way of reflecting on its own decisions year by year, the Board commissioned an annual chronicle and assessment of the Foundation's decisions as it proceeds through its final decade. This report is the second installment in that series.

AVI CHAI's mission takes a slightly different form in each of the three regions of the world where the Foundation operates. That is mainly because the character, problems, needs, and grantmaking opportunities among the Jewish communities in the three regions are entirely different. In **North America**, the Jewish community's historic legacy of values and traditions must find a way to persevere amid the

seemingly irresistible cultural attractiveness of the surrounding secular, largely materialistic culture. Accordingly, the AVI CHAI Board has focused its North American activity on three interlocking goals that Trustees and staff commonly refer to as **LRP**, for Literacy, Religious Purposefulness and Peoplehood. In broad terms, these goals mean:

- L:** increasing Jewish textual literacy throughout the Jewish community;
- R:** fostering greater religious purposefulness among Jews;
- P:** strengthening the sense of Jewish Peoplehood and the recognition of the centrality of the State of Israel to such consciousness.

To pursue these goals, the Board has focused on fostering and nurturing the energizing nucleus of the American Jewish community: American Jews who are Jewishly literate, who view their lives through the lens of the Jewish religion, and feel a deep connection to the world-wide Jewish people, with its center in Israel. Concluding, from extensive research, that the most effective educational vehicles to achieve this energizing nucleus are Jewish day schools and overnight summer camps, the Foundation has invested significantly in both fields and has been the most prominent funder in the day school field for some years. Fifty percent of AVI CHAI's spending is directed towards programs in North America.

In **Israel**, by contrast, the Jewish community exists within a thriving democracy of whose citizens 80 percent are Jewish by many different definitions, and largely united by a connection to their Jewishness. Yet Israeli Jews remain divided, to one degree or another, by their individual understandings of what their Jewish identity means, and by their attitudes to the role that Judaism plays, and should play, in state laws and affairs. Consequently, the Board has aimed its Israel grantmaking on three means of linking and harmonizing these many diverse understandings and attitudes. The first is to encourage mutual understanding among Jews of different kinds of commitment to Jewish tradition.

Second is to cultivate a new Israeli Jewish leadership, with deep knowledge and respect for others, who will guide and influence the various communities in which they participate. Third is to cultivate Jewish study and literacy among secular Israelis so that they can become more active and knowledgeable partners in shaping Jewish life in Israel. Forty percent of AVI CHAI's grants budget is focused on its Israel activities.

Finally, in the **former Soviet Union**, generations of cultural and religious repression had left the Jewish community significantly diminished by large emigration to Israel, to the United States, and to some countries in Europe, especially Germany. Although the region's Jewish population has stabilized in more recent years and is starting to grow again, the community now consists mainly of people who have little if any idea of what being Jewish in any sense means. In 2001, AVI CHAI's Board extended its work to this region largely in the hope of rekindling some understanding of Jewish identity and encouraging some form of involvement in Jewish communal life. The Foundation therefore funds programs that reach beyond conventional Jewish organizations to provide Jewish educational, academic and cultural offerings that capture the attention and interest of the widest and most diverse Jewish audiences. Its activities fall into three primary categories. The first is Jewish day schools, summer camps, Hebrew-language study, and curriculum development for schools and camps. The second includes academic Jewish studies, including support of academic Jewish studies departments and the Jewish Studies Center (Sefer) at the Russian Academy of Sciences. The third encompasses educational and cultural programs for unaffiliated Jews in the FSU, the publication of books on Jewish themes, and an online Internet portal called Booknik, as well as a variety of social networking media. The Foundation devotes ten percent of its grant-making budget to its work in the former Soviet Union.

Before the market meltdown in 2008-2009, the Foundation's annual overall spending was about

\$56 million. Of the present total annual grantmaking of about \$40 million, the allocation of resources among the three regions remains the same: 50 percent or \$20 million is devoted to North America, 40 percent (\$16 million) to Israel, and 10 percent (\$4 million) to the former Soviet Union.

Just as the three regions' programs and budgets differ from one another in significant ways, so the result of AVI CHAI's spend-down will also be different in each place. In both North America and the former Soviet Union, the Foundation will exit its fields of work, and all its activities will terminate at the beginning of 2020. In Israel, however, AVI CHAI will make its final major grant in the form of a roughly \$120 million endowment (in today's dollars) for Beit AVI CHAI, a perpetual cultural and educational institution housed in a handsome new architectural structure in downtown Jerusalem, which began operating in 2007. Since that year, the Foundation has been devoting \$5 million of its annual grants budget in Israel to cover the operating costs of Beit AVI CHAI.

The variation among the programs, and among the consequences of their disappearance, reflects deeper differences in the way they are managed and governed, which AVI CHAI hopes to narrow as the programs draw to a close. Trustees have determined that the programs should not only conclude at the same time, but should leave behind some common body of experience, learning, and wisdom that will inform future Jewish donors and innovators. But that goal of a common, trans-regional legacy still lies some distance in the future. While AVI CHAI is formally a single foundation with one Board of Trustees, as one program staff member put it, "it has been operating programmatically as three separate foundations, with no common learning among the three and with two members of the Trustee Executive Committee, Chairman Arthur Fried and President Mem Bernstein, as the glue." Two of AVI CHAI's nine Trustees are based in Israel and take particular responsibility for guiding the Foundation's grantmaking there.

Five are based in the United States and devote the majority of their attention to grantmaking in North America and, to a lesser degree, the former Soviet Union. Mr. Fried and Ms. Bernstein spend time in both Israel and North America and, with visits to the FSU, serve as a bridge among the three programs.

Within the past two years, however, there has been an increasing number of examples of cross-border learning and cooperation among Trustees, staff, and grantees in the three regions. Greater use of information technology for interaction among regions and programs has driven some of this, as have the increasingly international efforts of some grantees. One example is the widened use of the Hebrew language and Jewish history/culture curricula developed by the Montreal-based grantee TaL Am. Although these curricula were originally designed primarily for North American Jewish schools, they have since been developed and strengthened and are now benefiting some 25 schools across the FSU. There is considerably more potential for this kind of cross-boundary spillover, and the Foundation is committed to making it more common.

THE SPEND-DOWN PROCESS AT THE BEGINNING OF 2010

The financial crisis and the recession of 2007-09 had taken a toll on AVI CHAI's resources, as it had on most philanthropic endowments. As a result, staff and Trustees had undertaken a difficult, deliberate exercise of narrowing their program objectives and ranking the Foundation's grantees, zeroing in the outstanding ones, and particularly those whose exceptional strengths were most closely related to AVI CHAI's goals, and winding down support for those that were either less remarkable or less central to the Foundation's mission. This focusing of effort was particularly important in Israel, where the grants budget had already been sharply reduced by the early years of its ongoing commitment to Beit AVI CHAI.

As the ranking and winnowing process neared completion, the staff and Trustees increasingly turned their attention to aspects of their own work—how they could interest new donors in sustaining AVI CHAI's achievements, how they would prepare their grantees to survive the Foundation's disappearance, and how the roles of Trustees and staff were defined and delineated—that would need to be adjusted as the Foundation's final years approached. Late in 2009, in the first of a planned series of yearly reports on the spend-down process, we described some of the challenges facing the Foundation in these three areas, and some of the ideas that surfaced among staff and Trustees for how to deal with them. Specifically:

1. An End to Go-it-Alone Grantmaking: From its beginning as an active foundation with programs in North America and Israel, AVI CHAI had chosen to do its grantmaking almost entirely on its own, without seeking out, cultivating, and recruiting other philanthropic partners for the grantmaking initiatives it conceived. The FSU Program was created about ten years later and is an exception to that pattern. With respect to North America and Israel, however, Trustees and staff preferred to identify for themselves the goals to try to achieve and to strike out alone in achieving them. This was in part because they felt that there was little likelihood of succeeding in persuading other philanthropies or philanthropists to follow their lead; in part because they wished to avoid the time, energy and resource use required in order to try to develop such ongoing relationships; and in part because they did not wish to run the risk of having the sharp edges of their carefully-researched, precisely-defined strategies blunted by the compromises with other funders that are almost inevitably the outcome of joint efforts of any kind, including grantmaking. The cost of this strategic latitude, of course, was that there would be few, if any, sources of continued funding for AVI CHAI's grantees and priorities when its final grants had run out.

2. Broadening Focus from Program Execution to

Grantee Durability: The same single-minded focus on substantive program objectives had led AVI CHAI to concentrate the maximum available number of dollars on program activity and integrity, almost entirely to the exclusion of support for strengthening its grantees as institutions capable of sustaining themselves. AVI CHAI had almost never provided grant support for its grantees' leadership or for the administrative infrastructure necessary to raise financial support from others; to establish and/or create effective boards of trustees; to improve the quality of their financial, operational and administrative systems; and to institutionalize their own strategic decision-making. So far as grantee sustainability is concerned, the consequences of AVI CHAI's choice not to recruit partners in its grantmaking initiatives at the outset have been compounded by its unwillingness to equip its ongoing grantees with the capacity to attract other donors on their own. The result was a portfolio of excellent programs with (at best) uncertain prospects for survival once AVI CHAI departed the scene.

3. Shifting Trustees' Focus from Trees to Forest:

AVI CHAI has long taken pride in being an almost unique kind of Trustee-driven foundation, with extensive internal consultation, and indeed collaboration, among its Trustees and program staff. No grant proposal went forward to the Board without at least one Trustee's agreement in advance to support its consideration, although not necessarily its ultimate adoption. The Board of Trustees voted on every grant proposal, and, after approval, each grant had an individual Trustee assigned to oversee its implementation. Both program staff and grantees are accorded full and unfettered access to the Trustees, with most Board members in frequent contact with program staff members and even grantees. That degree of Trustee involvement in particular grants led some of the staff, during the interviews for the Year 1 Report, to describe AVI CHAI Trustees as being focused "more on the trees than on the forest," that is, as devoting much more time and paying

much more attention to the individual grants than to the overarching strategies that the individual grants are designed to achieve, or indeed even to the choice of strategies to be pursued by the Foundation as a whole. At other foundations and among governance scholars, this latter duty is normally regarded as the primary function of Trustees. As AVI CHAI entered its final decade, Trustees were increasingly concerned about the "forest"—the unifying, overarching goals that they hoped to achieve in the remaining years—but they also believed that their past methods of operating and governing the Foundation consumed too much of the Board's time and attention for the "trees" of individual grants.

None of these concerns arose, or at least none seemed especially pressing, as long as AVI CHAI was operating as a perpetual institution. But once the decision to spend down completely over a specified period of time had been made and had been publicly announced in 2005, both the Foundation and its grantees began to wonder how the substantive programs AVI CHAI had launched could be sustained, as well as furthered, and how the grantees who had been implementing them would survive on their own, after the Foundation ceased grantmaking in or around 2020. That wondering led to the beginning of changes in practice in all three of these areas that continued throughout 2010.

Putting these changes into effect was a central preoccupation for the Board and staff throughout the year. Several people reported that the approaching end-date, now less than a decade away, had energized Trustees and staff members, sparked new creative forces, and made longstanding habits easier to scrutinize, evaluate, and where necessary, break. The most visible change, at least within the Foundation, has been the Board's deliberate effort to focus more on overall strategy than on individual grants. Predictably, it has taken some time to formulate an agenda with the right mix of operating detail and broad strategy, one that is neither too theoretical nor too enmeshed in particular grantees' struggles.

As Trustee discussions devote more and more time to broader strategic questions—such as how much effort to devote to grantees’ organizational capacity vs. project development, or how to identify and pursue potential new funders—staff has begun formulating proposals by which the Board might approve budgets and strategies for broad programs rather than individual grants.

AN END TO GO-IT-ALONE GRANTMAKING

In a marked change from past practice, the AVI CHAI Board has decided not only that it will actively seek to identify and cultivate funding partners and successors for all existing initiatives where appropriate, but that it will not launch new ventures unless there are philanthropic partners to join in shaping, guiding, and funding them. It has further decided that AVI CHAI will consider partnering on other donors’ initiatives within the Foundation’s fields of interest—a practice that Trustees once avoided, fearing that it would diminish the Foundation’s focus on its own priorities.

As a result of these decisions, AVI CHAI’s North America program has added a new staff position responsible for quarterbacking the search for funding partners—someone who could identify possible opportunities, support Trustees in pursuing them, and follow up on Trustee contacts that show promise. In the meantime, staff members have initiated discussions with a few possible co-funders and have retained consultants to help in identifying others.

In Israel, even before the new focus on finding partners had been adopted, AVI CHAI had created a forum for Israel foundations working in its general areas of programming. The group met regularly for a time but has been slow in gathering momentum. More immediately promising has been the creation of a new funding partnership known as *P’seifas*, involving AVI CHAI, the Jewish Funders Network Israel, the New York UJA/Jewish Federation, and the T’mura Fund. AVI CHAI began planning and soliciting partners for *P’seifas* in 2009 and, after

Trustee approval that October, the group had its first funding round the following year. The participating institutions established a pool of matching funds with which to challenge grantees and non-grantees to seek new Israeli donors by offering to match donations² by such donors up to a maximum of about \$55,000 to any single eligible organization. The first-round response was so great that several of the original donors, including AVI CHAI, increased their contributions to meet the demand.

In all, some 44 new Israel donors provided matching funds for grantees in the first round. The hope is that these new donors, having taken an initial step in supporting causes of special concern to AVI CHAI, might constitute a core of philanthropists who could enlarge the pool of available funding over time. But the benefits have not been solely in widening the base of donors. Within the grantee organizations themselves, the *P’seifas* experience seems to be stimulating a drive toward greater fundraising capacity. In recruiting matching donors for *P’seifas*, many organizations developed methods and contacts that are now part of their ongoing approach to raising money. And that learning process appears likely to continue in future rounds.

BUILDING THE CAPACITY OF GRANTEEES TO SUSTAIN THEMSELVES

Starting even before 2010, but clearly increasing significantly during that year, the focus of AVI CHAI’s program staff on the urgency of building grantee capacity has intensified. Indeed, for a foundation that, prior to 2009, prided itself on its laser-like restriction of grants to program support and *not* capacity building, it is a striking transformation. That transformation is indicative of the seriousness with which AVI CHAI Trustees and senior staff members are now taking the importance of such elements of capacity building as providing help

² The use of “approximately in the amounts of money involved is a consequence, of course, of the fact that the amounts were set in shekels, and the conversion rate to dollars is constantly rising or falling.

to grantees in fund-raising skills, mastering the importance and means of board-building, strengthening organizational decision-making and strategy development and implementation, increasing skills in financial planning and business management, marketing, and, with respect to some grantees, the use of digital information technology for various purposes relevant to the particular organization.

This effort to build stronger, more durable organizations starts with a much-improved ability to assess grantees' performance and to diagnose aspects of that performance—whether programmatic or organizational—that need improvement. Further, AVI CHAI has in recent years focused more of the time and energy of some of its senior program staff members, both in North America and in Israel, primarily upon what are essentially capacity issues. In fact, all program staff members, from the Executive Directors down through the junior staff, are now increasingly spending time in figuring out how best to strengthen the capacity of each grantee, organization by organization.

The results have included not only grants for the separate organizational development of particular grantees—such as experiments in which day schools share back-office services and improve their financial management—but also support to advisory or intermediary institutions that can offer expertise to a wide range of grantees in management and fundraising. This latter kind of capacity-building has been more of a challenge in Israel than in North America, because of the relative scarcity of consultancies in Israel with strong credentials in organizational development and management (except for the area of information technology, where Israel is well supplied). But it is a rising priority in both places.

In both North America and Israel, AVI CHAI has taken some potentially significant steps with several grantees by beginning to devote financial resources to strengthening their infrastructure.

It has devoted particular attention to helping organizations raise operating support. Two years ago, for example, AVI CHAI Israel chose seven of its grantees to participate, at the Foundation's expense, in a two-month-long course offered by a fundraising consulting organization. About the same time, AVI CHAI North America identified strategic planning consultants to work part-time with a small number of grantees.

Another, more resource-intensive step was taken by AVI CHAI North America with RAVSAK, the national organization of community Jewish day schools across North America. AVI CHAI has long been a programmatic funder of RAVSAK but more recently added capacity-building to this partnership with a new, \$600,000 grant over three years to be spent primarily on increasing the organization's staff. RAVSAK has used part of the grant to hire an associate director whose portfolio, in the words of Executive Director Marc Kramer, "is built around strategy, communications, marketing and supporting the further development of the board—the board's education, functionality, and helping it become a self-sustaining entity." Some of the grant will also be used to hire a development professional. Even apart from the financial support, AVI CHAI program staff members have devoted a significant amount of time to advising RAVSAK on fundraising and organizational development.

An even greater departure from past practice has been in AVI CHAI's organizational support to Pardes, a Jewish-studies institute based in Jerusalem, through which the Foundation has long offered fellowships to aspiring educators who might become teachers in American Jewish day schools. Although Pardes is already relatively far along on the organizational-development spectrum—it has a U.S. "Friends" committee and a development office based in New York, and raises close to 40 percent of its annual revenue from alumni and other individuals and small foundations—it is still just beginning to use communications technology for both program outreach and fundraising.

In contrast to AVI CHAI's usual process of detailed grant proposals where all activities are clearly specified in advance, the Foundation has essentially supported Pardes in an open-ended, bottom-up process of brainstorming, crystallizing and articulating its own needs and aspirations, primarily but not solely in the realm of organizational capacity. The grantee in turn enlisted its leadership, faculty, students, and alumni in a mediated crowd-sourcing process, coupled with an extensive listening tour, all aimed at helping Pardes think afresh and creatively about what it wants to be in the future, how it would like to go about achieving its mission in new ways, and how it would like to see its relationship with AVI CHAI change. The effort has been promising enough to be considered as a possible model for AVI CHAI's relationships with other grantees, both in the United States and Israel.

Most of the capacity-related changes of the past year have involved efforts in North America and Israel. The reason is that the program in the former Soviet Union is considerably newer than the other two and its design benefited earlier from their lessons and experiences. The FSU program has focused, from the outset, on creating and strengthening institutions that can build and sustain a Jewish consciousness among Jews of Russian ancestry. It designs its grants with an eye toward grantees' organizational strength as well as implementation of projects, and it has enjoyed a degree of delegated decision-making from the Board that the other two programs are still trying to design and assess.

In Israel and North America, the shift toward supporting organizational capacity has not been without its challenges. Among other things, it is becoming increasingly clear that the skills required for strengthening organizations and building capacity are considerably different from those involved in funding specific program activity. Capacity initiatives also demand more time and attention from staff—an added responsibility that may not be realistic for current employees to shoulder. Near the end of 2010, there was increasing discussion among staff

and Board members about whether AVI CHAI may need to add one or more employees in Israel and North America with specific expertise in capacity-building. The matter will need to be decided soon, given that capacity initiatives tend to require several years to achieve their goals, especially when they are aimed at small, young, or fragile organizations.

SHIFTING TRUSTEES' FOCUS FROM THE TREES TO THE FOREST

The initial shock of the 2008 financial crisis, and the resulting shrinkage of the Foundation's grantmaking resources, set in motion a broader re-thinking of the role of AVI CHAI Trustees that is still under way. In early 2009, when the Foundation started winnowing its list of grantees to fit a diminished budget, Trustees also began to step back from their detailed year-by-year review of each individual grant, to give them more time for setting broader strategic direction and contemplating, where possible, new ideas or initiatives for the Foundation to pursue in its remaining years. In 2009, as Chairman Arthur Fried describes it, the Trustees for the first time "approved funding for three years in all the areas in which we work," meaning that "the Board meetings no longer had to deal annually with funding issues. If you don't have to deal with funding issues, which one might call the 'trees,' you can step back and have almost the luxury to look at the bigger picture."

By 2010, however, the Trustees were still searching for the right balance between broader and more fine-grained deliberations. One early meeting struck several participants as too theoretical, but a later one proved more successful, with an agenda that a staff member described as "more tangible material, but discussed at a strategic level." At that meeting and others, Board actions were taken on program initiatives as a whole, rather than on individual grant approvals. Going forward, the program staff plans to request that the Trustees approve multi-year "buckets" of authorized funds for programs as a whole rather than, as in the past, a 12-month program budget.

In Israel, a significant shift in the role of Trustees and staff is evident in a new initiative called *Nitzanim*, which seeks to connect the efforts of educational and cultural institutions in particular communities, including AVI CHAI grantees, into a more mutually reinforcing network. It includes among its participants in each town both municipal officials and community lay leaders who together would jointly draft a vision and plan for achieving the kind of Israeli Jewish community they would like to see in the town or city where live. *Nitzanim* would then be a catalyst for implementing their plans. This will be the first large-scale Israel initiative in which the Trustees will not select the specific locations of the grant activity. They have discussed and approved the initiative as a whole, but it is the staff, with oversight by the Trustee chair, that is making the decisions about which sites and what content the initiative will include.

Despite considerable progress, the change in the focus of governance continues to pose challenges for Trustees, many of whom are both long accustomed to and personally invested in the shepherding of individual projects and grants. Some remain uncertain about where the line between strategic and operational decision-making should be drawn. Others, while comfortable with the change in direction, still speak wistfully of the more personal involvement in grantmaking that Board members enjoyed in the past. Overall, however, Trustees' reviews of the transition have been generally enthusiastic. As one put it, "The meetings we had this year, certainly the retreat meetings, were probably among the best we've ever had. ... I found them informative, dynamic and quite uplifting. In that sense, what began quite some time ago—the process of focusing more carefully and making sure we define the outcome we seek, a more intense self-awareness and self-analysis, in particular what we owe to the future of the programs we're investing in—all of that is bearing out. That is what we wanted to emerge from that process, and it's happening."

OTHER STEPS TO PREPARE FOR THE FINAL YEARS

In addition to the three major areas of re-thinking and realignment—the search for co-funders and successors, the effort to strengthen grantees' capacity, and the shift in Board focus from the forest to the trees—AVI CHAI also began in other ways to consider what changes or new ideas might be worthwhile as the Foundation prepares for its last stages of effort. There were four major lines of inquiry.

1. Preparing for a Gradual Exit: A major goal of the AVI CHAI spend-down process is to narrow the areas of grantmaking focus to those of central interest to the Foundation, freeing up money now devoted to the least central and penumbral grants so that it can be increasingly devoted to new initiatives closer to that center. But the Foundation also hopes to free some resources for new initiatives that can respond to emerging trends and opportunities and that also help to energize the staff while the Foundation is gradually closing its doors. To make that happen, some existing grantees necessarily will have to be phased out as quickly as feasible without inflicting unnecessary harm on them. Determining how to do that most effectively has been a subject of increasing interest and urgency at AVI CHAI as more and more grant relationships come to an end.

Many of even the core grantees—that is, those whose support is not set to end soon—got a taste in 2010 of the ultimate termination of AVI CHAI grants when, in the immediate wake of the comparative grant ratings as well as the market meltdown, they received some reduction in their level of support. Staff members have been surprised by the way some of those core grantees have been able not only to cope with the reductions, but to respond to them energetically by using the reduction to motivate their staffs and donors to raise compensating funds from elsewhere.

One example of such a response involves the Israeli grantee *Kebillot Sharot*, which organizes and conducts groups of individuals in studying, singing, and recording some of the millennia-old prayer-poems called *piyutim*. After receiving a 50 percent reduction in its grant support, the organization immediately cut costs and substituted volunteers for office workers, and went on to double its memberships within a year by training some of the key community singers at the local level to raise money and recruit participants. People came to Tel Aviv from ten communities for a weekly fundraising course arranged for them by the New Israel Fund. Program participants who had previously regarded themselves as service recipients suddenly found themselves to be needed as “partners.” They responded by pitching in as volunteers to raise money for activities that they valued enough to devote time and effort to support. Despite this burst of activity, *Kebillot Sharot* is not out of danger; but the survival of many of the singing groups it has organized is now far more likely than it would have been.

As with the strong response to the *P'seifas* challenge, this sign of determination and energy in raising money suggests that grantees could use still more support from AVI CHAI in building their fundraising capacity. Besides raising the odds that they will survive AVI CHAI's eventual departure, this increased capacity would help them widen their networks of support and influence in their fields.

The program staff is now considering how soon to commence the exit implementation for grantees in core fields. Staff members are learning a great deal from how they handle the exit from the peripheral fields, such as in estimating organizational durability and weighing whether an extra year or two of diminished support can improve their chances of survival. Those lessons are now being applied to enable grantees to deal better than they otherwise might with the gradual diminution and ultimate ending of their AVI CHAI support. Moreover, by delaying the commencement of the

actual ratcheting down and out of the core grantees, the program staff is giving itself and the grantees a longer period during which to strengthen grantee capacity, and increasingly efforts to do so have become the focus of program staff time.

2. “Working Groups” to Consider Possible

New Activity: For a period of 18 months, beginning in 2009, several Working Groups met in North America to explore new initiatives and/or major refinements of existing initiatives related to day schools that might be considered for implementation during the remaining spend-down years. (The Foundation's commitment to overnight summer camping remains strong, but discussions about new work in that field have thus far been less formal.) The groups, consisting of Trustees, staff members, and expert outsiders, considered new day-school ideas in terms of both their capacity to make a difference in achieving AVI CHAI's primary mission and also their capacity to attract partners and future funders to that mission. The Working Groups formally transferred their responsibilities to the staff in late 2010, though their members remain engaged in the issues they had been exploring.

By mid-2010 the groups had adopted a single, overall field-building approach to advancing the three bedrock principles of AVI CHAI's North American agenda—Literacy, Religious Purposefulness, and Peoplehood, or LRP—in the 21st century. This will call for a renewed, robust field anchored by vibrant institutions (including day schools themselves) that have a continuing, stated, active commitment to LRP, and that can be sustained over the long term without AVI CHAI support. To that end, the Working Groups concluded that the Foundation's task over the next nine years will be to work with others to address three pillars of the sustainability of the Jewish content and character of day schools: solid financial footing, able day school leadership, and a vibrant and networked field of mutually supporting institutions committed to the Judaic mission of day-school education.

The North America staff will now have to flesh out these ideas in more detail with respect to funding (line items in a budget), accountability (outcome-based evaluation), and personnel responsibility (assignments). However, some specific ideas have begun to take shape. For example: pursuing opportunities for online learning; taking greater advantage of the new social media technologies available in the 21st Century; using the benchmarking of individual school financial information to help schools develop and implement cost-saving/revenue enhancing plans; developing school-based endowments; and a public policy effort to advocate increased government funding for nonpublic schools.

The Board set aside half of the agenda at its May 2010 meeting to discuss and clarify questions about the menu of possible initiatives flowing from the Working Group deliberations, but Trustees were not yet asked to choose among the various possibilities. Both staff and Trustees felt that all the ideas needed more thinking and exploratory due diligence before their relative merits and costs could be fairly assessed.

At this point, the Working Group process has dealt only with North America. The Israel program staff feels that the two Trustees living full-time in Israel would not be able to devote all the time required to maintain multiple working groups considering a range of alternatives for new activities there. One of the independent Israel Trustees did participate in discussions about and visits to the prospective sites in the new *Nitzanim* regional initiative, an effort with far-reaching implications similar to some of the ideas being formulated in the North American Working Groups.

3. “Learning Together” to Anticipate and Use Whatever Changes the Future Will Bring.

In late 2009, a group of staff and Board members began meeting to discuss books, watch videos, and listen to invited speakers, as a way of learning how changes in technology and society might affect AVI CHAI’s work, and what opportunities those

changes might create in the Foundation’s remaining years. Participants in what came to be called “Learning Together” included all members of the North American staff, at least one staff member from Israel, the three members of the Board’s Executive Committee and Professor Jack Wertheimer of the Jewish Theological Seminary of America, a longtime AVI CHAI consultant.

Their goal is to try to understand the ways in which the leading edge of today’s nonprofit and for-profit organizations are transforming themselves in how they do everything—from how they make decisions to how they use their staff’s talents in new ways, and how they are marketing their ideas to, as well as tapping ideas from, relevant stakeholders and the world as a whole. Among other subjects, the process has focused on the usefulness of social media and other 21st century communication channels in conducting AVI CHAI’s grantmaking and marketing its program initiatives to a wider base of supporters and stakeholders. At the time this is written, the process has been under way for almost a year.

4. Convening National Conversations in

North America. During the Board’s annual retreat in May 2010, Trustees expressed an eagerness to build on the lessons of the “Learning Together” process, and participants in that process responded with an idea that some referred to as “convening a national conversation.” They suggested, in essence, that the Foundation play a role in convening broad, diverse groups in North America to explore how the problems that AVI CHAI is committed to solving or mitigating may benefit from unforeseen solutions, quite different from any now contemplated—because of changes in technology, demography, or the emergence of unanticipated visionary, charismatic leaders. Other issues these conversations could take up might include ways of dealing with newly emerging relevant institutions, such as Hebrew charter schools, or how the rapidly-developing technologies for digital teaching and learning might productively be applied to Jewish schooling.

Some initial gatherings began in 2010 and the number is likely to grow. Current plans envision a process that engages not only philanthropists but a wide variety of substantive experts in discussions about whether new ways are emerging that may be able to help AVI CHAI achieve the LRP objectives for today's and the future's Jewish community. To a large degree, this is not an issue that is likely to divide the several Jewish denominations that rely on day school education. While they may well differ on the details of each element of LRP, all denominations today are committed to strengthening Jewish textual literacy, purposeful religious observance, and the sense of Jewish peoplehood. How those objectives can be achieved in newly emerging ways is something on which substantial agreement is surely possible, and, by convening such discussions, AVI CHAI may have an opportunity to play a catalytic role in building consensus.

MANAGING FINANCIAL RESOURCES FOR AN ORDERLY SPEND-DOWN

With the able assistance of Trustee Alan Feld, who is a Senior Managing Director of Alliance Bernstein Global Wealth Management, the AVI CHAI Trustees have continued to monitor carefully the Foundation's assets, annual expenditures, and anticipated returns, projecting to 2020. Analyses of expected return conducted in 2010 showed how the endowment would fare under different levels of annual expenditure and various market scenarios, and estimated the likelihood of ending the spend-down period with \$120 million (in 2007 dollars) with which to endow Beit AVI CHAI, as discussed earlier. The probability of achieving that goal naturally declines as the assumed expenditure levels rise. But at an annual spending level of \$50 million, adjusted for inflation—an amount, including administrative expenses, that is roughly the same as the present annual budget—the probability of being able to maintain current spending levels is greater than 98 percent. The probability of doing so and ending up with approximately \$130 million (the expected 2020 value of \$120 million today), for Beit AVI CHAI is 86 percent.

CONCLUSION

AVI CHAI is increasingly encountering challenges that are a direct consequence of its decision to spend down. Many of these issues will demand increasing attention in the next year or two. For example, informing and preparing grantees for the departure of a major funder can be difficult and time-consuming, and it may require different kinds of support—particularly for their core management, financing, and administrative functions—in the last several years. Staff members, too, need to be prepared for the inevitable disappearance of their jobs, and most of them will need time to plan and manage the next stage in their careers. The search for funding partners, already discussed, is yet another program requirement that becomes more urgent (and arguably more difficult) every year the Foundation draws nearer to its sunset. Finally, as the Board increasingly wrestles with all of these end-stage issues, it may find that it needs to delegate more authority for routine grantmaking to the staff, or at least to relate to the staff in new ways, a process that the AVI CHAI Trustees are already beginning to explore.

Despite these added pressures, nearly everyone on the staff and Board of AVI CHAI reports that the prospect of concluding the Foundation's work in fewer than ten years has brought a sense of clarity, intensity, focus, and vigor to their efforts. Many tend to describe this intensity by citing Samuel Johnson's aphorism that the prospect of a hanging "concentrates the mind." But in reality, AVI CHAI seems at this stage to be functioning more like an artist approaching the completion of a major work than like a condemned person peering into the hangman's noose. That creative energy and spirit of opportunity will surely be tested from time to time, as the organization faces a series of increasingly final choices. But for now, the finality is still nine years away, while the scope for ingenuity and learning remains immediate, inviting, and broad.