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When Directors Steer the Foundation Off Track

By Jerry J. McCoy, Esq.

When the directors of a nonprofit charitable organization fail to stop corporate actions that threaten to take the organization off its charitable course, negative consequences can ensue.

Two recent cases demonstrate just a few of the problems that can arise. While both involve the application of the laws of a particular state, they nevertheless serve as reminders of the importance of board scrutiny and oversight. Given the rash of recent news reports involving misconduct or inattention by boards of public corporations, such reminders are especially timely and pertinent.

Pursuing Public vs. Private Purposes

The first such case, *Summers v. Cherokee Children & Family Services, Inc.*, 2002 Tenn. App. LEXIS 699 (September 26, 2002), involved an attempt by the Tennessee Attorney General (AG) to bring about the involuntary dissolution of two charitable corporations formed to provide child welfare services under governmental programs. The essence of the AG's case was that these charities had abandoned their charitable purposes and were devoted to private gain.

See Directors on page 2 ➤

At a Crossroads: When Is It Time to Dissolve a Foundation?

By Kathryn W. Miree, Esq.

Sometimes even the best-laid family foundation plans can crumble. For example, a foundation created to change the face of the community finds that its grants are so small that their impact is negligible. Or, foundation management costs are exceeding the dollar value of grants made. Or, a foundation created to provide a platform for meaningful family discussion of philanthropic issues is failing to draw a quorum for meetings. These signs—and others—may signal a need to change the platform for family philanthropy.

meetings, and grantmaking to make it more effective.

Action plan: Gather the board and have a frank discussion about priorities. Ask the following questions:

- How important or overwhelming are the foundation administration, grant research, recordkeeping, and grantmaking activities?
- Are there specific functions that the foundation wants to continue?
- Are there specific functions that the foundation wishes to release?
- Do the board members feel that the foundation's grantmaking is effective?
- Has the foundation focused its interest on one charitable activity or organization?

See Foundation Dissolution on page 3 ➤

Should You Make a Change? First, Discuss

Questions about the viability of a foundation do not necessarily mean that the foundation should be terminated. The ambiguity about the foundation's future may simply signal the need to spend some time focusing the foundation's activities,

Family Foundation Advisor

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Directors from page 1

The founder and executive director of both entities, Willie Ann Madison, was shown to have engaged in various deals with the corporations, including leases of property. For example, in one such instance, Willie Ann and her husband bought an office building for \$275,668, which they leased to one of the corporations for an initial rental of \$49,000 per year for five years. Within two months, the rent was “renegotiated” to \$72,000 per year, and three years later another renegotiation raised the rent retroactively to \$210,000 per year. The latter lease reflected rental of 20,000 square feet, but the building contained only 9,700 square feet, and only 7,680 of that was office space.

The directors of the corporations included a number of family members and close friends, including Willie Ann’s father and her pastor. Her husband was the corporations’ accountant and, as presiding elder of her church, was also the immediate supervisor of the pastor/director. Two of her children were employees, as were her nephew, her stepson, and her husband’s nephew. There were also reports of generous compensation, numerous bonuses, and loans to Willie Ann, her family, and her real estate entities. (We should note that these were ostensibly public charities, not family foundations.)

The record also showed a number of transactions with board members and their related entities. One director justified a number of related-party transactions as follows: “If they were giving their time to serve on the volunteer board, I think it would be unkind not to purchase from them if they had a business and you needed something they had.”

The board members were described as “less than vigilant in probing or examining corporate activities and in remaining knowledgeable about the corporation.” They relied primarily upon Willie Ann for information and for recommendations, which they seldom questioned. Not surprisingly, several directors testified that they were not familiar with their duties and obligations as directors!

The Court’s Decision

The Court of Appeals of Tennessee found that the record led to the inevitable conclusion that the corporations were operated for the benefit of Willie Ann, her family, and other insiders. It rejected the corporations’ contention that the “business judgment rule” precluded the AG from second-guessing the boards’ decisions in managing the corporations.

While the business judgment rule does generally apply to nonprofit corporations, it has no application to a situation where a corporation is alleged to have abandoned its public purpose and is pursuing private gain. That rule applies only to situations where a corporation’s directors have acted in good faith in the exercise of honest judgment in pursuit of corporate purposes. So the court upheld the lower court’s decision appointing a receiver for the assets of the corporations and ordering their dissolution.

Director v. Director

The second of the recent cases, *Judith Lundberg ex rel. Orient Foundation v. Graham Coleman et al.*, 2002 Wash. App. LEXIS 2435 (October 7, 2002), involved an attempt by one director of a nonprofit charitable corporation to bring a derivative action on behalf of the corporation against her fellow directors. The Orient Foundation is a Washington nonprofit corporation formed in 1982 to raise funds for cultural heritage projects worldwide. Despite its name, it is a public charity and not a private foundation.

In 1983, a separate entity known as the Orient Foundation (U.K.) was established as a registered charity in the United Kingdom. The directors of both entities are Judith Lundberg, a U.S. citizen, and three U.K. residents. The U.K. corporation has a wholly-owned subsidiary, Orient Films, Ltd. U.K., and there is also an Orient Foundation, India.

In 1998, a rift developed between Judith and her U.K. colleagues concerning expenditures and interactions among the various entities. She sought information from them and made a number of complaints that resulted in investigations by both the Charity

Commission in the United Kingdom and the U.K. Inland Revenue (the equivalent of our Internal Revenue Service). In the course of all these inquiries, she discovered what she believed to be serious breaches of fiduciary obligations with respect to the Washington nonprofit corporation. Accordingly, she brought a lawsuit on behalf of the corporation in Washington against the three directors who reside in the United Kingdom, seeking damages, an accounting, and removal of the U.K. directors.

The Court's Decision

The Court of Appeals of Washington held, affirming the trial court, that a single or minority director of a Washington nonprofit corporation does not have the ability to bring a legal action on behalf of the corporation. Although Washington law specifically gives this right to the shareholder of a business corporation, the Legislature did not extend a comparable right to directors of nonprofit corporations.

Similarly, the Revised Model Nonprofit Corporation Act, from which the Washington law is derived, gives directors and members of nonprofit corporations standing to bring derivative suits, but the Washington Legislature chose not to adopt this provision.

The court noted that the State Attorney General was the only party with standing to bring this suit and, despite the involvement of that office in filing an amicus brief, the Attorney General was not a party to the suit. Accordingly, the court advised Ms. Lundberg to take her case to the Legislature.

The Foundation Connection: Comment and Analysis

Both of the cases cited above are state court cases, and the result is likely to vary from one state to another. It is critical for family foundation advisors to be familiar with the rules applicable to their foundation clients and to avoid situations such as the ones described in this article.

Considered together, these cases underscore the obligations of nonprofit directors and the importance of paying attention to those obligations and to the business of the entity. Today, more than ever, the media are likely to seize on details such as the facts described in the Tennessee case above and report on the shortcomings and abuses in vivid detail. After the Enron scandal and all the subsequent corporate abuses, both the media and the public are more likely to ask, "Where were the directors when all this was going on?". Some people seem to regard appointment to a nonprofit board as more of an honor

than a duty, but they are mistaken.

The Washington case shows how even a vigilant director may encounter obstacles in doing what he or she perceives as the right thing. Obviously, the involvement of the State Attorney General may be necessary in some states (such as Washington) if court action is warranted. It seems likely that the Tennessee Attorney General would have stepped in much earlier if presented with evidence of the sort described in the recent opinion, and the directors could have notified that office if they were even aware of what was going on in "their" corporation.

With a family foundation, the self-dealing rules make many of these abuses doubly improper, and most foundation directors are (or should be) sensitized to such violations. Indeed, those rules present the Internal Revenue Service as another possible source of outside help to the director who can't get the foundation to stop or correct improper acts.

Presumably, one important function of a director is to be observant enough to know when questionable activities are taking place, to ask questions (even if they are potentially embarrassing), and to see that the situation is corrected before state officials must step in. Although the director who brought the Washington lawsuit tried to do this, her attempts were thwarted by local law. ■

Foundation Dissolution from page 1

This discussion should focus the foundation board so that it can make decisions about how, if at all, it should continue its grantmaking and how to address the administrative details. If, after the discussion, a change is warranted, this discussion will help the board focus on whether it wants to continue in a form that will allow grantmaking or turn decisions over to another charitable entity.

Options to Continue the Family's Grantmaking Activities

The family foundation is not the only vehicle that allows family members to participate in grantmaking. If the administrative burden in running the foundation has become

either too bothersome or expensive, consider the following options. (These options require family members to give up some control over decisions, although this loss of control tends to be more of a technical than practical issue.)

■ **Option 1: Terminate to a supporting foundation.** Under IRC §507(b)(1)(B), the private foundation can terminate its private foundation status by electing to operate as a public charity, typically by changing its activities to operate as a supporting organization. A supporting organization gains its public charity status by operating exclusively to support the mission and activities of the charity.

To maintain a broad range of

grantmaking, many private foundations become supporting organizations to community foundations. The benefits include...

- eliminating the 2% excise tax on income,
- avoiding the prohibited transaction rules (self dealing, required distributions, taxable expenditures, etc.), and
- gaining a partner to manage the administrative details.

There are also a few downsides. The family must give up its majority control of the foundation, although it can still engage family members on the board. Many community founda-

tions have a \$2 to \$3 million minimum for supporting foundations, meaning that the option is not appropriate when the small size of the foundation is the motivation for making a form change. Finally, the foundation must meet all IRS requirements for 60 months (5 years) before the change is final.

■ **Option 2: Terminate to an advised fund at a community foundation (or other public charity).** This option is covered under IRC §507(b)(1)(A). Some families choose to terminate the private foundation into an advised fund at a community foundation or other public charity. Advised funds allow family members to suggest, but not direct, distributions to be made from the advised fund.

As a practical matter, most foundations approve recommended distributions so long as the recipients are qualified organizations and the grant purposes fits the mission of the sponsoring charity. This is a particularly effective option when the family is interested in distributing the funds over one generation or two. However, it is not an effective option for a perpetual distribution method.

■ **Option 3: Terminate into another private foundation or into several new foundations.** Under IRC §507(b)(2), a foundation may change from trust to corporate form or split into multiple foundations. (Where there are irrevocable family conflicts or differences in mission, the foundation may operate more smoothly as multiple private foundations rather than as one.)

Options to Cease Business

The family may decide that it is no longer interested in grantmaking (for example, when foundation funds have dwindled to a size that allow few options or the family has had difficulty making decisions or developing an interest in making decisions). In such cases, the foundation members may want to consider the following options to distribute all assets and terminate the foundation:

1. Distribute the foundation assets to public charities. The foundation is obligated to make distributions to qualified organizations or face excise taxes for taxable distributions.

When the foundation has dwindled to a small size, one of the easiest solutions for terminating the foundation is to distribute all remaining assets in grants to public charities. These can be concentrated in a single grant, or divided in any of many as determined by the board.

There are a few restrictions: The recipient public charities must have been in existence at least five years and the foundation cannot place any material constraints on the use of the funds.

2. Distribute the foundation assets to a designated agency endowment, field of interest, or unrestricted fund at a community foundation. A community foundation is a type of public charity. One termination option is to distribute all or part of the remaining assets to an unrestricted fund, allowing the community foundation board to make decisions on grants in perpetuity, a fund for designated charities, a fund for a specific charitable field, or an agency endowment.

These options allow the foundation funds to continue to benefit one or more community charities in perpetuity, but shift the decisions on grants to the community foundation board.

Signals That It's Time to Consider An Alternative to the Foundation

A combination of the following factors may signal the need to consider forms other than the private foundation for charitable giving:

- The foundation's assets have dropped to less than \$500,000—and it seems unlikely that the foundation will be further funded from the founder's estate or from other family members' estates.
- The foundation distributes less than \$25,000 a year in grants.
- Administrative fees (tax, investment management, staff, insurance, legal, consulting) consume more than one-third of the funds available for distribution.
- Decisions on grantmaking are made by a small percentage of the family's members. The remaining members are no longer interested or have difficulty attending meetings for other reasons.
- The administration of the foundation is overwhelming; what the family really wants to do is make grants.
- Absolute control of grantmaking decisions is no longer a priority, or making effective grants is a greater priority than controlling charitable activities.
- Participating family members have dwindled to a minority of the board, and the foundation's grantmaking no longer reflects the goals and objectives of the founder.
- Foundation goals are short term: All assets may be paid out within 10 years.
- Note that the existence of only one of these factors may also signal a need to seek professional management assistance, engage in training, or take other restorative action.

3. Convert to an operating foundation. The foundation can convert to an operating foundation, which is a foundation that provides a service (rather than making grants to charities that provide a service).

This option is rare and achieves a result somewhere between terminating the foundation and maintaining some involvement. For example, instead of funding organizations that provide shelter to the homeless, the

foundation may decide to purchase or lease facilities, hire staff, and begin to provide shelter to the homeless.

Seek Competent Counsel In Making These Decisions

The options for family foundation termination may seem straightforward, but the foundation needs to make the choice that reflects its goals, is practical, and complies with IRS require-

ments. The foundation should seek competent counsel to guide it through the decision-making process, seek the necessary rulings, submit the required documents, and seek the appropriate rulings from the Internal Revenue Service.

(On January 7, the IRS released Revenue Ruling 2003-13, which contains four fact patterns that provide excellent guidance to planners in terminating private foundations.) ■

Tax Notes

IRS Wins “Supporting Organization” Cases

When a family is thinking about creating a foundation, advisors often suggest that the family consider establishing a so-called “supporting organization” instead. This is an organization that operates much like a foundation, but has a close relationship with one or more public charities. Taking a look at two recent Tax Court cases can shed helpful light on Internal Revenue Service regulations regarding supporting organizations.

Since November 2002, the Tax Court has issued two decisions rejecting organizations’ claims to qualify as supporting organizations. In effect, the court held in each case that the amount of support supplied by the supporting organization was insufficient to ensure that the supported charity would be attentive to the supporting organization. This being the case, the facts did not justify granting the supporting organization public charity status. The opinions are lengthy and go into great detail in analyzing the complex regulations governing this type of supporting organization.

The Lapham Foundation Case

In *Lapham Foundation Inc. v. Commissioner*; T.C. Memo 2002-293 (November 27, 2002), an organization failed the “integral part test,” and was thus deemed a private foundation, whereas its supported organization was a donor-advised fund. The organization’s stated purpose was to pro-

vide support to a donor-advised fund for charitable organizations and activities in a designated area of southeastern Michigan. It claimed status as a so-called “Type 3” supporting organization “operated in connection with” the donor-advised fund it supported. [For details, see Section 2.05(D) of the *Family Foundation Handbook*, Aspen Publishers, Inc.]

The Tax Court found that Lapham Foundation did not qualify because it provided support to its beneficiary organizations through an intermediary—the donor-advised fund—and thus failed technical requirements comprising the integral part test in the IRS regulations. In addition, the small amounts to be provided by the organization were not sufficient to make the fund attentive to the operations of the foundation.

The Cuddeback Memorial Fund Case

In another case decided a week later, *Christie E. Cuddeback and Lucille M. Cuddeback Memorial Fund v. Commissioner*, T.C. Memo 2002-300 (December 6, 2002), the Tax Court addressed the same technical test, this time in the context of a testamentary trust. The court held, without even citing the Lapham Foundation case above, that the amount of support supplied by the would-be supporting organization was insufficient to make the supported charity attentive to the supporting organization’s operations.

As in *Lapham*, the court analyzed allegations about the projected grants the erstwhile supporting organization

would make to its charity beneficiaries and found that the attentiveness test was not met. The record was too sketchy or incomplete to support some of the trust’s claims, and the court simply disagreed with others. Accordingly, the trust was held not to qualify.

IRS Project to Commence in April 2003

These cases reflect a growing awareness and interest on the part of the Internal Revenue Service of the problems inherent in the area of supporting organizations and the resultant application of stricter standards in granting approval to such organizations in the determination process.

The IRS workplan for the 2003 fiscal year includes a project aimed at gaining more information about these organizations. The IRS “Implementing Guidelines” for the Exempt Organizations Segment details plans to launch five new market segment studies, including one to begin in April 2003 dealing with section 509(a)(3) supporting organizations. This will seek to assemble data through the audit process on a number of issues, especially the manner in which so-called “Type 3” supporting organizations claim to meet the “in-connection-with” rules.

Endowment Spending in a Bear Market

By Celia Dallas

The purpose of a spending policy is to mediate between the competing demands of present and future generations by enabling a foundation to spend as much today as is compatible with the preservation of purchasing power for tomorrow. If foundations with such policies simply ditch them in panic when faced with the prospect of spending cuts, what is the point of creating them in the first place?

During the late 1990s, foundations became accustomed to double-digit growth in nominal spending. However, by the end of fiscal year 2002, most moving average spending rules dictated that spending should be held constant in fiscal year 2003, and pointed to the probability of a decrease in spending in fiscal year 2004. For a portfolio invested 70% in U.S. equities and 30% in U.S. bonds, paying out 5% of a 12-quarter moving average of endowment market value, nominal spending would have increased at an average annual rate of 15.8% between 1998 and 2001, before falling nearly 1% in 2002.¹ For a more diversified portfolio,² spending would have increased 13.0% annually between 1998 and 2001 and remained constant in 2002.³

While most foundations find spending cuts excruciating at any time, cutting back is particularly difficult after a period of unusually strong growth in spending. In reality, many foundations find it virtually impossible to cut nominal dollar spending, and seek to maintain at least the nominal level of distributions, even at the expense of their funds' purchasing power. This was conspicuously true in the last secular bear market, in the early 1970s, when most endowed institutions were unwilling to reduce the nominal value of their spending and overrode their own spending rules, severely impairing endowment market values that had already been hammered by the bear market.

Evaluation of Alternative Spending Rules

A foundation with a spending rule that dictates a cut in spending has three options:

- 1. Follow the spending rule and cut spending.**
- 2. Don't cut spending, but institute a spending floor of the prior year's nominal spending.** Foundations choosing this option might also consider adopting a spending cap (or "ceiling") to rein in spending when market values increase at very high rates.
- 3. Continue to increase nominal spending, although perhaps at a slower rate than experienced in the late 1990s.**

We have evaluated the first two options on a historical and a prospective basis. Our historical analysis looked at how a portfolio invested 70% in U.S. equities and 30% in U.S. bonds would have fared between January 1, 1960 and June 30, 2002 under each scenario. The prospective analysis is based on our long-term risk, return, and correlation assumptions for a diversified portfolio. For option three, we only looked forward, since it cannot be modeled effectively on an historical basis.

Foundations choosing to stick to a moving average spending rule or to adopt a moving average rule with a floor or ceiling would have experienced nearly identical spending streams and ending market values between 1960 and June 2002, even though the ceilings and floors were hit multiple times.⁴ However, our prospective analysis indicated that at the end of a 20-year period, foundations with moving average spending rules would have had very similar ending market values to foundations with a spending floor or a spending ceiling provided that returns fall in the middle 50% of the performance distribution.

However, when returns are at extremes, those foundations with spending floors show a preference for spending today relative to preserving purchasing power during the weakest market environments, while the reverse is true for foundations with spending ceilings during the strongest markets.

The third option, abandon the spending rule and increase spending, clearly puts the needs of the current generation ahead of those of future generations, although to varying degrees depending on the spending rate chosen. Our analysis indicated that maintaining the nominal spending growth rate achieved in the late 1990s is not practical for foundations wanting to preserve purchasing power. If foundations with diversified portfolios were to continue to increase nominal spending at 13% per year, they would see the nominal value of their endowments decline significantly under most possible scenarios. For example, a foundation increasing spending by 13% a year and achieving median returns over the following 10 years would see the nominal value of the endowment fall by 44.9% after spending.

Even 25th percentile returns would result in a reduction in endowment assets of 10.4%, and if performance were exceptionally poor over the next ten years, the endowment would be virtually bankrupt by 2012. These expected market values would look even worse on an inflation-adjusted basis.

However, smaller increases in nominal spending provide a way to mediate between current demand to support operations and the desire to preserve purchasing power. For example, a foundation increasing nominal spending by only 1% a year in nominal terms would be expected to preserve purchasing power at the end of 10 years if it achieved 50th percentile returns. Higher increases in spending require ever more ambitious returns to maintain purchasing power, with a 3% increase in spending requiring 45th

percentile returns, a 5% increase in spending requiring 35th percentile returns, a 7% increase in spending requiring 30th percentile returns, and so on.

Conclusion

Following the strongest bull market in equities this century, those in search of justification for spending more today might argue that foundations accumulated tremendous wealth during the boom years of the 1980s and 1990s, only a small fraction of which was distributed. Indeed, a portfolio invested 70% in U.S. equities and 30% in U.S. bonds would have grown from \$100 at the start of 1980, to \$277.60 on June 30, 2002 in real terms after spending, gains more than double the \$136.52 that would have been achieved had performance been consistent with our long-term estimates.

However, this type of analysis is

highly sensitive to the time horizon covered. For example, if we push the starting date of this same analysis back to 1960, our hypothetical fund would not have recovered from the depredations of the 1970s until 1999, only to fall into deficit again over the next two years. Seen in this light, the “excess” gains of 1990s are illusory, since they served only to repair the damage inflicted on portfolios in the 1970s.

The bottom line is that for many foundations there is no “right” answer, only a choice between competing evils: Cut spending at the expense of current programs, or maintain spending at the expense of future purchasing power. Among the delusions fostered by the bull market was that we could have our cake and eat it too; now we must choose one or the other. ■

Celia Dallas is a research consultant with Cambridge Associates LLC

(Arlington, Va.) and is a member of the Family Foundation Advisor editorial advisory board.

Endnotes

1. While grantmaking foundations are required to spend 5% of a 12-month moving average endowment market value, they typically have sufficient leeway to smooth the formula over a longer period. Therefore, we used a 12-quarter moving average for all the analyses in this article. Had we applied a 12-month or four-quarter moving average, the analyses would not change materially.
2. Based on the average asset allocation of 373 institutions included in the Cambridge Associates LLC Member Investment Database in 2002. This allocation was used to represent a diversified portfolio throughout the article.
3. Here, as throughout, we assume index returns.
4. The ceiling limits spending to a 5% increase over the prior year's real spending.

Issues & Trends

Foundation Center and NYRAG Release New Study

The Foundation Center and the New York Regional Association of Grantmakers (NYRAG) have released *New York Metropolitan Area Foundations: A Profile of the Grantmaking Community*, a study that provides comprehensive analysis of the size, scope, and giving patterns of area foundations. The study also compares the growth and giving patterns of area foundations with grantmakers nationally and in selected metropolitan areas. The study was conducted by the Foundation Center with the support and collaboration of NYRAG.

“The New York metropolitan area is home to the largest concentration of foundations in the United States,” noted Loren Renz, vice president for research at the Foundation Center. “This report examines the size and complexity of the area’s foundation community, documents its remarkable growth during the boom years of the late 1990s, and considers its prospects in the current economic environment.”

“With New York area foundations providing over 17 percent of the giving by

all U.S. foundations, the need for more detailed, focused information on the New York region’s philanthropy is great,” Barbara Bryan, president of NYRAG, stated. “NYRAG members and other funders want to know what’s happening locally to inform their own decision making, and this report will help them. I hope it will also increase philanthropy in the region by bringing attention to the recent growth and vitality of foundations here.”

Highlights of New York Metropolitan Area Foundations can be accessed at no charge from the Researching Philanthropy area of the Foundation Center’s Web site, www.fdncenter.org/research. The full report can be purchased at the Foundation Center’s online marketplace, www.fdncenter.org/marketplace.

INDEPENDENT SECTOR Announces Call for Leadership Award Nominations

Nominations are being accepted for the INDEPENDENT SECTOR 2003 John W. Gardner Leadership Award and the Leadership IS Award. The John W. Gardner Leadership Award honors outstanding Americans who exemplify the leadership and ideals of John W.

Gardner, founding chairperson of INDEPENDENT SECTOR. The award recognizes individuals working in or with the voluntary sector, who build, mobilize, and unify people, institutions, or causes. The work of the Gardner Award recipient must have national or international impact, transform his or her chosen field, and contribute to the common good.

John W. Gardner Leadership Award nominees may be of any age. Nominations should be made without the candidate’s knowledge by filling out the nomination form and submitting a letter of nomination. The award recipient will receive \$10,000 and an award statuette at the 2003 INDEPENDENT SECTOR Annual Conference in San Francisco, November 2-4.

Harris L. Wofford was named the 2002 recipient of The John W. Gardner Leadership Award for his commitment to public service. INDEPENDENT SECTOR recognized Mr. Wofford for his dedication to the goal of making citizen service a common expectation and experience for all Americans. The John W. Gardner Leadership Award is generously funded by The William Randolph Hearst Foundations.

The Leadership IS Award was estab-

Issues & Trends *continued*

lished in 1999 to honor outstanding organizations for their leadership in investing in the people of the independent sector as they work to build community. The Leadership IS Award supports this important principle by recognizing an organization that incorporates the development of future leaders in its policies and daily operations. The award also provides an opportunity for INDEPENDENT SECTOR to address directly the value and importance of investing in the people of the sector by celebrating an institution that embodies this principle in spirit and practice. Anyone may nominate an organization to receive the Leadership IS Award by submitting a nomination form and a brief letter of nomination, online or via email, to LeadershipISAward@IndependentSector.org.

The winning organization will receive \$10,000 and an award statuette at the 2003 INDEPENDENT SECTOR Annual Conference in San Francisco. The 2002 Leadership IS Award was presented to the ASPIRA Association, a national non-

profit organization devoted solely to the education and leadership development of Puerto Rican and other Latino youth through advocacy and education programs. The Leadership IS Award is generously funded by ChevronTexaco Corp.

For more information about these awards or to submit a nomination form, go to www.independentsector.org. The deadline for nominations for both awards is January 31, 2003.

GEO and Amherst H. Wilder Foundation to Create Grantmaking Guides

Grantmakers for Effective Organizations (GEO) and the Amherst H. Wilder Foundation Publishing Center are partnering to develop a co-branded series of funders' guides. The purpose of the series is to improve the effectiveness of nonprofit organizations and the nonprofit sector as a whole by strengthening the approaches grantmakers use with nonprofits.

The first funder's guide, released in December, 2002, is *Strengthening Nonprofit Performance: A Funder's Guide to Capacity Building*, written by Paul Connolly of the Conservation Company and Carol Lukas of the Amherst H. Wilder Foundation. This book synthesizes the most recent capacity-building practice and research into a collection of strategies, steps, and examples that funders can use to strengthen nonprofits.

GEO and Wilder plan to publish two to five funders' guides per year. The second guide, *Community Visions, Community Solutions: Grantmaking for Comprehensive Impact* by Joseph Connor and Stephanie Kadel-Taras of the Collaboratory for Community Support will be released in February, 2003. An assessment tool for funding start-up organizations by David La Piana is slated for late 2003.

For more information, visit www.geo-funders.org and www.wilder.org. ■

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