



CHAPTER FIVE

DESIGNING THE ANDRUS FAMILY PHILANTHROPY PROGRAM

ENVISIONING THE ANDRUS FAMILY PHILANTHROPY PROGRAM

The Family Involvement Committee envisioned the Andrus Family Philanthropy Program as a web or loose-knit network encompassing all of the family's philanthropic, community service and educational activities.

The Andrus Family Philanthropy Program would operate under the aegis of the Surdna Foundation and, as such, it would be held to the Foundation's Statement of Culture as well as to the principles and values established at the Ojai retreat. The committee was optimistic that the Andrus Family Philanthropy Program would move the Surdna board closer to realizing its goals to:

- strengthen the family's philanthropies
- provide education, training, and promotion of philanthropy
- unite the growing Andrus family through improved and expanded communications
- deepen family relationships and pride

MEETING WITH INTERESTED FAMILY MEMBERS

The Family Involvement Committee had mailed 200 surveys to family members over age 25 and received 40 responses. Those family members interested in participating in the Andrus's philanthropies were invited to an information meeting in New York to learn about the Surdna Foundation, the Homes, and the evolving Andrus Family Philanthropy Program. The event, sponsored by the Surdna Foundation, was planned for January 30th, a Saturday, to accommodate the schedules of working family members.

The preparations for the meeting had occupied the committee for months. Dara Major, special assistant to the executive director of the Surdna Foundation, provided invaluable back-up support to the Family Involvement Committee. Twenty-five

Andrus cousins accepted the committee's invitation to attend the meeting at the Surdna offices and the dinner afterwards. They came from 12 states and represented all eight family branches. It was the first time some cousins met and, for all, the first time they learned of one another's social concerns.

Before leaving the conference, guests were asked to fill out a brief questionnaire reporting their reactions to the meeting and availability for service. The responses were uniformly enthusiastic. The committee members had accomplished everything they had hoped for. Family members were fired up by the opportunities open to them and, in turn, their excitement energized the committee. If the family members had harbored any doubts about the Surdna trustees' commitment to expanding family involvement, they were dispelled by the January 30th event.

CLARIFYING THE PURPOSE OF THE ANDRUS FAMILY FUND

When the Surdna trustees first talked of starting a family involvement program, they hoped to attract the "best and the brightest" of the younger generation to serve on the Surdna board. At the Ojai retreat, however, the board had agreed to postpone adding new members to the Surdna board until it had reworked its governance policies and settled on a schedule for bringing on new members. Despite that decision, Judy believed that certain key questions regarding Surdna board succession had to be resolved before planning the Andrus Family Fund: What was the trustees' purpose in setting up a next-generation fund? Would it be a feeder or training ground for the

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Surdna board or, as had been discussed earlier, a vehicle for engaging the younger generation? If it were a feeder, would that imply that serving on the Andrus Family Fund had value only as a gateway to the Surdna board, as some had regarded serving on the Homes' board?

The Surdna Foundation is the family's largest and most influential charitable institution, and being a Surdna trustee is considered by many family members to be the plum position to hold in the family.

Currently, the Surdna board has eleven seats. The bylaws permit adding a few additional slots, but the trustees were still undecided about how best to bring new members onto the board. They were unanimous, however, in their judgment that it was time to end the historic sequencing that entitled family members who first served on the Homes' boards to become Surdna trustees—a precedent established by Helen Benedict. Similarly, they did not want to establish a link between service on the Andrus Family Fund and service on the Surdna board. That did not mean that family members who served on other boards would

**FAMILY CONFERENCE SPONSORED BY
THE FAMILY INVOLVEMENT COMMITTEE**

January 30, 1999 at the offices of the Surdna Foundation

**AN INTRODUCTION TO THE ANDRUS FAMILY PHILANTHROPY
PROGRAM WITH A FOCUS ON THE HOMES BOARDS AND THE
EMERGING ANDRUS FAMILY FUND**

AGENDA

- 1:00 Welcome: Edie Thorpe, Chair, Family Involvement Committee
Quick introductions: Judy Healey, consultant
- 1:30 Mini-focus discussion groups
Topic: Personal Experience and Philanthropy
Discussion questions: What was an experience you have had personally with some form of philanthropy or giving? Or, tell about something that you did or saw someone else do that impressed you. Groups will be facilitated by participants.
- 2:00 Plenary Session
Briefings on the:
- John E. Andrus Memorial Home (Old Folk's Home) by Peter Benedict, Chair, Bob deVito, Executive Director, Geri Taylor, Executive Vice President of the Beth Abraham Health Services
 - Julia Dyckman Andrus Memorial Home (The Children's Home) by Larry Griffith, Chair and Gary Carman, Executive Director
- Each group will address the history of each home, responsibilities of the members of the respective boards and reasons why family members should remain involved.
- 3:15 Break
- 3:30 Briefing for the whole group on the Andrus Family Philanthropy Program
- Edie Thorpe will discuss the concept of the Andrus Family Philanthropy Program and the emerging Andrus Family Fund
 - Ed Skloot will discuss Surdna Foundation's efforts to link board members electronically and ideas on ways to connect the entire family in the future
- 4:00 Mini-focus brainstorming groups
Family Involvement Committee members will facilitate small group discussion to talk about the new programs and gather ideas from the participants for future Family Involvement Committee planning
- 4:30 Summary
Judy Healey: Wrap up and next steps
- 5:00 Conference will adjourn
- 7:00 Dinner for conference participants

not be eligible for the Surdna board. Rather, it was an effort on the part of the trustees to change family members' perceptions about the hierarchy of participation in the family's philanthropies. Undoubtedly, for some, a seat on the Surdna board would always be viewed as the crown jewel. The challenge facing the Family Involvement Committee was to design the Andrus Family Philanthropy Program so that family members would regard each form of participation in the program as valuable and satisfying in and of itself. The relational model of the Andrus Family Philanthropy Program provided the ideal vehicle for democratizing the family's philanthropies.

Another argument against adopting the feeder model was the high caliber of young family members. The January 30th meeting afforded the Family Involvement Committee the opportunity to talk with interested family members and review their resumes. These contacts reinforced the committee's belief that many younger family members had the maturity, experience, and readiness to serve on boards without going through an apprenticeship. The board agreed that the younger family members had too much to offer to relegate the Andrus Family Fund to feeder status; clearly it deserved to be an organization in its own right and one that engaged members emotionally and intellectually.

DEFINING THE ANDRUS FAMILY FUND

The Family Involvement Committee envisioned the Andrus Family Fund as a hybrid, a cross between an independent foundation and an adjunct board—at least in its first phase. The Surdna trustees wanted the young people to make the Andrus Family Fund their own and, in most ways, it would operate as an independent foundation.

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"We wanted younger family members, guided and mentored by a capable staff person, to learn about philanthropy in a very hands-on way," says Edie. "We wanted to give them the responsibility and the opportunity to build a grantmaking entity from the ground up. While we would be available as mentors should they need us, we felt the Surdna trustees had much to learn from these young people, too."

The committee recommended that membership on the Andrus Family Fund board be limited to family members between the ages of 25 and 45. By age 25, they reasoned, younger family members would have a certain level of education and a few years of solid work or volunteer experience behind them. A ceiling of age 45 would assure that the Andrus Family Fund would be identified as a fund for younger family members.

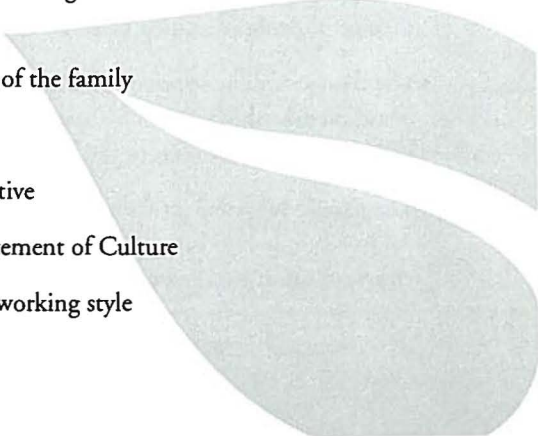
More controversial was whether spouses would be eligible to serve. Larry Griffith initially opposed the idea. “It’s not that direct descendants are brighter or more blessed,” he said, “but rather that the family is so huge and the number of slots are limited.” The other members of the committee, however, felt that by virtue of being spouses they were important to the family. Moreover, many were accomplished professionals who could bring valuable expertise to the Andrus Family Fund. The recommendation to include spouses inevitably led to a discussion of how to handle divorces. Should divorced spouses be allowed to finish their terms or should they be asked to step down? The majority felt that it would be best to have divorced spouses give up their seats at the end of their terms.

SETTING CRITERIA AND TERM LIMITS FOR THE ANDRUS FAMILY FUND BOARD

In setting policy regarding criteria and term limits for the new fund, the committee drew on the responses of participants at the January 30th meeting who, after all, would be invested in the new programs.

“The information surveys and discussions with the younger family members at the January 30th meeting helped shape our thinking about criteria and term limits,” says Sam Thorpe. “We listened to what the young family members had to say, and we incorporated their ideas into our planning. We learned as much from the people who said they were interested as from those who said they were too busy to serve.”

The committee agreed on the following criteria for Andrus Family Fund board members:

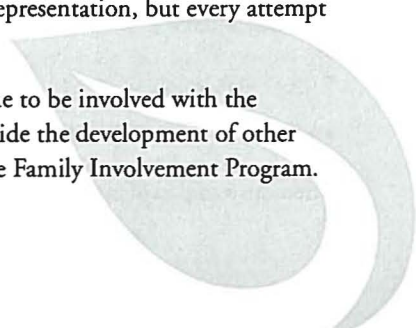
- a level of personal achievement in one’s own life
 - demonstration of volunteer interest
 - formal education or life experiences that would qualify for this work
 - flexible schedule to allow for attending meetings or other forms of interaction with Fund
 - an interest in leading younger members of the family
 - outside interests
 - travel experience or other broad perspective
 - agreement with Surdna Foundation Statement of Culture
 - demonstrated evidence of collaborative working style
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Appointments to the Surdna board and Homes boards had traditionally been for life. Continuing that policy with Andrus Family Fund board members would defeat the aim of greater family involvement. Moreover, the fact that most younger family members had full-time careers meant that they would be giving up vacation time to serve on the board for one or, perhaps, two terms—something they would be unlikely to continue indefinitely. The committee recommended that the Andrus Family Fund have term limits and a cap on the number of consecutive terms a board member could serve.

Because the new board members would begin serving at the same time, term limits would have to be staggered to avoid having their terms expire at the same time. Accordingly, the Family Involvement Committee recommended terms of one, two and three years, renewable for each board member for a maximum of six years. After the initial staggered terms expired, board members would rotate off the board after serving a maximum of six years. An exception would be made for those members who started off with the one-year term; they would serve a maximum of seven years without rotation. Rather than developing an elaborate system for deciding which board member would get the longer or shorter terms, the committee members settled on simply picking numbers out of a hat.

DELINEATING RELATIONSHIPS WITHIN THE ANDRUS FAMILY PHILANTHROPY PROGRAM NETWORK

A more taxing exercise for the committee was figuring out the relationships among the Andrus Family Fund, the Surdna Foundation, and the Family Involvement Committee. With help from Ed Skloot and Judy Healey, the committee hammered out its recommendations to the Surdna board:

- Initially, the Andrus Family Fund will be a sub-fund of the Surdna Foundation, operating under its 501(c) (3) exemption. In the future, the Andrus Family Fund may be spun off as an independent foundation.
 - The Surdna board, on recommendation of the Family Involvement Committee, will appoint the first board of the Andrus Family Fund. Every effort will be made to select the most qualified persons.
 - The trustees will be selected from applicants across the family. The structure of board membership will not be based on branch representation, but every attempt will be made to reach out to the broader family.
 - The Family Involvement Committee will continue to be involved with the Andrus Family Fund as it develops, and it will guide the development of other efforts to inform and involve the family under the Family Involvement Program.
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- The Andrus Family Fund board will plan a retreat at its initial meeting to design the Fund's program and determine its meeting schedule.
- The Andrus Family Fund will initially be housed in the Surdna Foundation offices
- The relationship between the Surdna Foundation and the Andrus Family Fund will be ongoing, perhaps holding a joint annual meeting.

The Surdna Foundation agreed to give the Andrus Family Fund \$1 million for grantmaking in its first year, and the trustees felt that it made more sense to do it on a pass-through basis. With an endowment, the board would have to immediately concern itself with investments. The Surdna trustees preferred that the new board members focus first on developing its philanthropic mission. The Andrus Family Fund board would have the authority to write its own charter and mission and to select its own program areas but as long as it remained a sub-fund of the Surdna Foundation, the Surdna board ultimately had responsibility for approving all Andrus Family Fund grants.

RESEARCHING LEGAL ISSUES

Neither the Andrus Family Philanthropy Program nor the Andrus Family Fund would be legal entities in their own right. Both would be funded by the Surdna Foundation and, therefore, would operate through it and within the parameters of the tax laws governing private foundations. Because of these unique conditions, the Surdna board directed the committee to seek legal advice on the limits of what the Foundation could do.

In the opinion of John Lynagh, the attorney for the Surdna Foundation, the operation of the Andrus Family Fund would not raise legal issues as long as

- 1) its grantmaking was consistent with Surdna's charitable purposes and its status as a tax-exempt private foundation, and
- 2) disqualified persons (directors, officers or descendants of the founder) did not receive personal gain from its activities.

The establishment of the Andrus Family Philanthropy Program raised novel legal issues under state laws relating to charities and federal tax laws. As the first program sponsored by a family foundation to promote philanthropy, education, and community service among its family members, no prior legal rulings addressed those issues. From a legal perspective, the activities of the Andrus Family Philanthropy Program would not appear to be problematic since its activities are intended to ensure Surdna's continued existence and governance. Moreover, promoting community service among family members is consistent with its founder's concept of philanthropy and with Surdna's own programs: Effective Citizenry, Community Revitalization, and the Nonprofit Sector Initiative.

“As a general rule,” Lynagh wrote, “expenditures should always be linked to activities furthering Surdna’s purposes as a foundation. If activities were to reflect the family’s goals rather than Surdna’s purposes then they might become problematic, even though philanthropic. In that regard, the activities and expenditures of the Andrus Family Philanthropy Program should be carefully recorded.”

As with any program run under the auspices of a philanthropic foundation, the program’s legality depends on the details of the activities involved. The Surdna trustees were aware that the Andrus Family Philanthropy Program plowed new ground, and they intended to work closely with John Lynagh, the Surdna Foundation’s attorney and a board member, as the program moved into full gear over the next few years.