

Giving While Living

THE BELDON FUND SPEND-OUT STORY



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The Beldon Fund was created by John Hunting in 1982 as a national foundation committed to promoting sound environmental policies. In 1998, Beldon received a major infusion of funds from the sale of Hunting's stock in the Steelcase company. Hunting set the foundation on a new course by deciding to spend all its principal and earnings over the next ten years, with the goal of building a national consensus to achieve and sustain a healthy planet. Beldon made its last grants in June 2008 and will close its doors in June 2009.

For more information on the Beldon Fund's program strategies, impact, and related lessons and tips for other funders, visit www.beldon.org.

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PREFACE

When I decided in 1998 to spend the Beldon Fund's \$100 million endowment in ten years, the goal was to use these resources to help build public and policy support for environmental protection. The decision reflected my belief in the urgency of this mission and a strong sense that making large investments over a shorter period of time would be more effective than making smaller grants over many years.

Setting a limited time horizon shaped decisions about staffing, operations, grant making and financial investment strategies. It also affected the foundation's impact. Looking back on the Beldon Fund's 10-year arc, and with the benefit of three external evaluations conducted in our last year, I can see that spending out and focusing on policy change had a synergistic effect. By spending out, Beldon was able to concentrate the resources necessary to strengthen environmental advocacy. And by focusing on public policy, the foundation's programs were able to achieve some concrete results that will last long after our exit.

As the Beldon Fund prepares to close its doors, I thought it might be helpful to share with others what we learned from our spend-out experience—the challenges we grappled with, the steps we took to address them, and the strategies that worked well for us. While this is the particular story of one foundation, I think you will find that the lessons are applicable more broadly.

I hope this monograph will be useful to other philanthropists and philanthropic advisors—current and prospective—who are interested in exploring the option of spending out, or at least spending more, to make a difference.

It is not meant to be a definitive guide to spending out—additional resources on this topic are listed at the end and posted on our website. It is, however, a comprehensive look at how the Beldon Fund handled the practical implications of putting the foundation on a spend-out course while seeking to accomplish an ambitious mission.

The Beldon Fund's website (www.beldon.org) provides more information on the foundation's program strategies, grantees, lessons from our work and external assessments of Beldon's impact. I hope you will find these materials helpful as you each continue your philanthropic journey.

John Hunting, Founder and Chair

Giving While Living: The Beldon Fund Spend-Out Story

INTRODUCTION

The Beldon Fund was created in 1982 by John Hunting, a longtime environmental philanthropist and the son of an early executive of Steelcase, the world's leading manufacturer of office furniture. When Steelcase went public in 1997, Hunting sold his stock and endowed Beldon with \$100 million, setting the foundation on a new course.¹ He assembled a board of directors and hired Bill Roberts, a former executive with the Environmental Defense Fund, as Beldon's executive director. At the same time, Hunting committed to spending out all the foundation's assets and income in ten years. This decision was in keeping with Hunting's philanthropic philosophy and also reflected his conviction that worsening environmental problems required urgent attention. In the course of its lifetime, the Beldon Fund gave away more than \$120 million in grants and foundation-directed projects.

Hunting gave four reasons for spending out:

1. Foundations should have a limited lifespan.

Hunting believed strongly that foundations should not exist in perpetuity and that today's donors need to solve today's problems. He also cautioned that donors who established their foundations in perpetuity risked having them captured by trustees who would not follow the founder's intent.

2. Intergenerational transfer of wealth would replenish the philanthropic well. In 1998, when Beldon announced its plan to spend out, the stock market was soaring and billions of dollars were expected to change hands from an older generation of Americans to a younger generation.

3. A desire to enjoy the results of his philanthropy in his lifetime. Hunting was in his late 60s when he made the decision to spend out Beldon's assets, and he wanted to see the results of his giving. He also believed that a limited time frame helps focus grant making.

4. Environmental problems can't wait. Perhaps the most compelling reason for Beldon's spending out was the accelerating pace of environmental destruction. Global warming had emerged as a major, immediate concern—1998 was the hottest year on record at the time—and Hunting felt that to delay was to court environmental catastrophe. Saving money for future spending, he reasoned, made no sense when there may be no future.

MISSION: TO ACHIEVE AND SUSTAIN A HEALTHY PLANET

Beldon set out to help build a national consensus to achieve and sustain a healthy planet. The accelerated timetable for accomplishing this mission shaped decisions about administrative, staffing, investment and grant-making strategies. The goal was to build public and policy support for environmental protection, and the needs in the field were many. Environmental advocates were struggling on multiple fronts to bring change, or prevent further degradation, in a policy environment increasingly unfriendly to their goals.

“Having a closing date absolutely focuses the mind. The board and staff feel a sense of urgency that’s exhilarating, and being able to go well beyond the required minimum payout for foundations is hugely positive. We’re more flexible, more nimble, more opportunistic...If we try something and it doesn’t work, we have to figure out quickly how to fix it. Not having the luxury of time has largely worked in our favor.”

Bill Roberts, Beldon Fund executive director

Beldon at first staked out a wide grant-making canvas that included five program areas. Two years into this work, however, an external evaluation found that the foundation’s diffuse programs were not likely to yield the results it hoped to achieve in its limited time frame. The findings led Beldon to tighten its focus, moving from a broad approach to a more finely tuned strategy. The foundation created a flexible Discretionary Fund for opportunistic grants (see page 15) and reduced its number of grant-making areas to two programs where it saw particular potential to make a difference:

- **Human Health and the Environment Program** sought to add new and powerful voices to help promote public policies that prevent or eliminate environmental risks to people’s health. The program focused on reform of policies regulating the use of toxic chemicals in consumer products.
- **Key States Program** sought to increase the clout and policy impact of environmental advocates in five selected states—Florida, Michigan, Minnesota, North Carolina, and Wisconsin.² These states presented different policy contexts, but shared some key characteristics: they had a strong environmental ethic but an under-funded advocacy community, and each had the potential to mobilize a greater public and policy consensus for environmental protection. The program’s goal was to bring change at the state level that would ultimately help tip the balance towards federal policy reform.

STRATEGY: POSITIONING GRANTEES TO WIN ON ENVIRONMENTAL POLICY

Hunting and the other members of Beldon’s board believed strongly that achieving and sustaining a healthy planet required sound environmental policy—and that advocacy efforts to inform policymaking required resources. Under the law, public charities have considerable leeway to engage in nonpartisan policy research and education and may advocate for specific policies (though they may not engage in electioneering or support specific candidates). Beldon saw nonpartisan advocacy work as an indispensable tool for the environmental movement and a critical counterbalance to the influence of anti-environmental policy groups and their corporate benefactors.

Beldon’s strategy focused on issues and areas where the foundation could have a significant impact within a decade by helping environmental advocates shift from playing defense to positioning themselves to win.

To accomplish this goal, Beldon sought to:

- Strengthen the infrastructure for environmental advocacy.
- Promote collaboration among environmentalists and with other advocacy groups whose work complemented the environmental agenda.
- Bring in new voices for policy change.
- Support sophisticated civic engagement tools and tactics that allowed advocates to spotlight their issues with public officials and conduct nonpartisan voter and candidate education.

MAJOR ACHIEVEMENTS

These two decisions—spending out and focusing on public policy—had a synergistic effect. By spending out, Beldon was able to concentrate the resources necessary to help shape the field of environmental health and build a strong infrastructure for environmental advocacy in its key states. And by focusing on policy, Beldon was able to leverage its financial and programmatic investments to achieve some concrete results that will outlast the foundation itself.

Grant making averaged between \$10 and \$15 million a year.

KEY HIGHLIGHTS:

- **Bans on Toxic Chemicals in Consumer Products.**

Environmental health issues championed by Beldon and its grantees are attracting mainstream attention, largely because of the growing sophistication and collaboration of advocates, the engagement of new allies and growing interest among other funders. Campaigns to ban toxic chemicals from consumer products have won scores of state policy victories, led to a Congressional bill to ban lead and phthalates found in toys and other children’s products, and paved the way for comprehensive reform of national policies.

- **Strengthened Environmental Groups Gain Influence and Policy Victories.** The power and clout of state environmental groups and coalitions funded by Beldon have grown steadily since 1998. Their collaborative strategies and effective use of new tools to educate and engage the public have attracted funding from other donors for specific issue campaigns. Among the victories for these groups: The Minnesota, Wisconsin, and Michigan legislatures were among the eight states that ratified the Great Lakes Compact, a long-sought agreement to prevent the diversion of water from

“Dozens of environmental organizations are much stronger and more strategic than they were ten years ago, and I think the urgency of Beldon’s mission and timeline influenced this outcome. It led them to focus on strengthening groups and helping us do what was needed in order to win.”

“The Beldon Fund has had a tremendous impact on our organization. Their support has given us the credibility to develop and demonstrate new collaborative approaches that would not have been done without their support. These approaches have resulted in significant real-world progress on the issues that drive our mission.”

the Great Lakes. In North Carolina, environmental coalitions had a series of policy victories, including clean drinking water and landfill legislation, power plant regulation and the creation of a global warming commission. Advocacy organizations in these states are stronger, more effective, and well-positioned to continue their policy-oriented work after Beldon’s exit.

FROM START-UP TO SUNSET: HOW MANY YEARS TO SPEND OUT?

The Beldon Fund is not the first foundation to spend out. But it is one of the few to make the decision to spend out at its inception. In doing so, Beldon had to address the many issues endemic to new foundations—creating a board, hiring staff, setting up an office, establishing operational systems, deciding program strategy and grant guidelines—while also contending with the urgency of spending out.

This begs the question: Is ten years enough time? The answer depends on each foundation’s goals,

resources, history, culture, asset level and tolerance for risk. In Beldon's case, the foundation arguably could have used a few more years.

Consider the trajectory:

- In its first two years Beldon hired staff, built the board, organized its office space and operations and developed and launched its grant making programs.
- During the next four years, external evaluations led to mid-course corrections in administrative procedures and program focus.
- By its sixth year Beldon was operating smoothly on all fronts.
- In year nine, the foundation began its two-year phase out, making its last grants June 2008.

LEARNING FROM BELDON'S SPEND-OUT STORY

Beldon's decision to establish a clear end date set the course for its strategy and operations. Decisions about investment, staffing, programs, and preparing grantees for Beldon's exit all flowed from the simple fact that an immutable closing date existed on the horizon. In the end, history will be the final judge of whether or not the Beldon Fund was fully successful in achieving its goals.

This monograph focuses on how the Beldon Fund managed the nuts and bolts of spending out.

- **How does having a sunset date affect program strategy?**
- **What is the appropriate way to staff a spend-out foundation?**
- **How do you manage assets?**
- **And how do you prepare grantees for the foundation's exit?**

Though it draws on historical materials—reports, strategy papers, financial models, written policies and external evaluations—the context and insights of this document come from interviews with key staff members, grantees, John Hunting, and board members.

The following chapters examine the three areas where spend out had the greatest consequences: finance, operations and program. While much of this story is unique to Beldon, many of the lessons and themes are applicable more broadly. Other philanthropists, current and prospective, might find Beldon's experience instructive as they consider whether spending out—or spending more—is the right path for them. ■

Building a Financial Strategy for Spend Out

For the majority of traditional foundations, managing the endowment is relatively straightforward: Invest for maximum returns over the long term, pay out 5 percent each year and recalibrate payout each year using the IRS-mandated three-year average. Asset allocations vary from foundation to foundation, of course, but this, in a nutshell, is the general strategy. Perpetuity gives foundations the luxury of investing in assets with long time horizons—venture capital funds, private equity, small-cap stocks—since they can ride out market swings and achieve a higher overall return. An entire industry of fund advisors and money managers has grown up around this strategy.

The Beldon Fund faced a different challenge: *How to manage an endowment with a limited investment horizon while also maintaining a consistent level of support for grantees?* This chapter takes a closer look at how the foundation addressed this challenge.

THE BELDON FUND'S INVESTMENT STRATEGY EVOLVES

When the Beldon Fund first announced its plan to spend out the endowment over the next ten years, the initial financial strategy was to structure spending with modest payouts in the early years, ramping up to more robust grant making in the middle years, with a slow decrease in spending during the final years. From 1998 to 2001, the portfolio contained a fairly conventional mix of equities and bonds, though weighted towards the latter. Following the stock market downturn in 1999, however, it became clear that while the foundation had not lost money, investment performance was not keeping up with the grant-making goals.

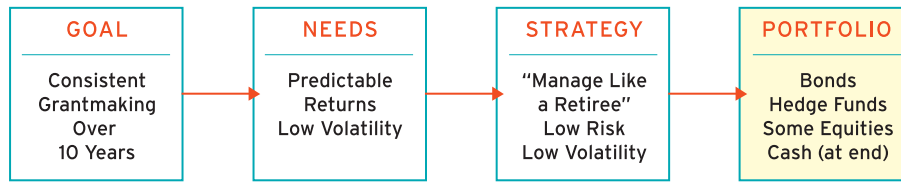
But more important were the changes occurring on the program side. In 2001, Beldon set out to re-think its programs, staffing and operations. The foundation cut the number of program areas from five to two, committed to making larger multi-year grants, and set aside one-third of its grant-making budget for a Discretionary Fund.

MANAGING ASSETS LIKE A RETIREE ON A FIXED INCOME

Given these two forces—the portfolio's under-performance and the new grant-making strategy—it became clear that the foundation needed to rethink its entire investment strategy and budgeting process. As Beldon evolved, the aggressive grant-making strategy ended up driving a rather conservative investment strategy. Ultimately, the risk profile looked very much like a retiree's portfolio. From the outset, the investment committee outlined two goals for the foundation's money managers:

- **Predictable Returns.** If the foundation was going to meet its program goals, it needed to know how much money it would have to spend over the course of the foundation's life.
- **Limited Volatility.** Whereas perpetual foundations could recover from a market downturn by adjusting grant budgets while the market recovered, Beldon's short time frame precluded the ride-it-out option.

BELDON FUND INVESTMENT STRATEGY



MOVING INTO HEDGE FUNDS

With these goals in mind, COO Azade Ardali, who had joined the foundation in 2001, asked Beldon's money managers to look at investment instruments that could deliver predictable returns of 7.8 percent but would be budgeted conservatively for returns of 5.5 percent. After considering a number of options, they recommended that the Beldon Fund consider market-neutral hedge funds.

Hunting and the board finance committee agreed to investigate this option. Over the next six months, Beldon and its money managers looked at more than 35 funds before selecting three funds of funds to invest in. By the end of 2002, the foundation had moved 30 percent of its assets into hedge funds. Forty percent of the foundation's assets were in bonds, the rest in equities—an allocation that helped Beldon achieve a modest 0.8 percent return for a year in which the S&P tumbled 22 percent.

BUILDING AN INVESTMENT STRATEGY FOR SPEND OUT

Although Beldon's investment strategy evolved—at times unevenly—to meet its specific grant-making needs, the foundation, like a worker approaching retirement, needed predictable returns and low volatility so it could meet its grant-making obligations. What it discovered:

- **Endowment-Management is Set Up to Support Perpetuity.** As a spend-out foundation, Beldon struggled to find investment products suited to its needs. Allocation models are set up for perpetuity, and it took some persuasion to move financial advisors away from that framework.

- **Spend Out Requires New Financial Models.**

Convincing Beldon's money managers to develop spend-out strategies ultimately meant more work for them. But in the end, both parties benefited. The financial advisory team was able to repackage the research it did around hedge funds—which, at the time, were still relatively new investment vehicles—and sell it to other clients. And Beldon got the market-neutral investment tools it needed.

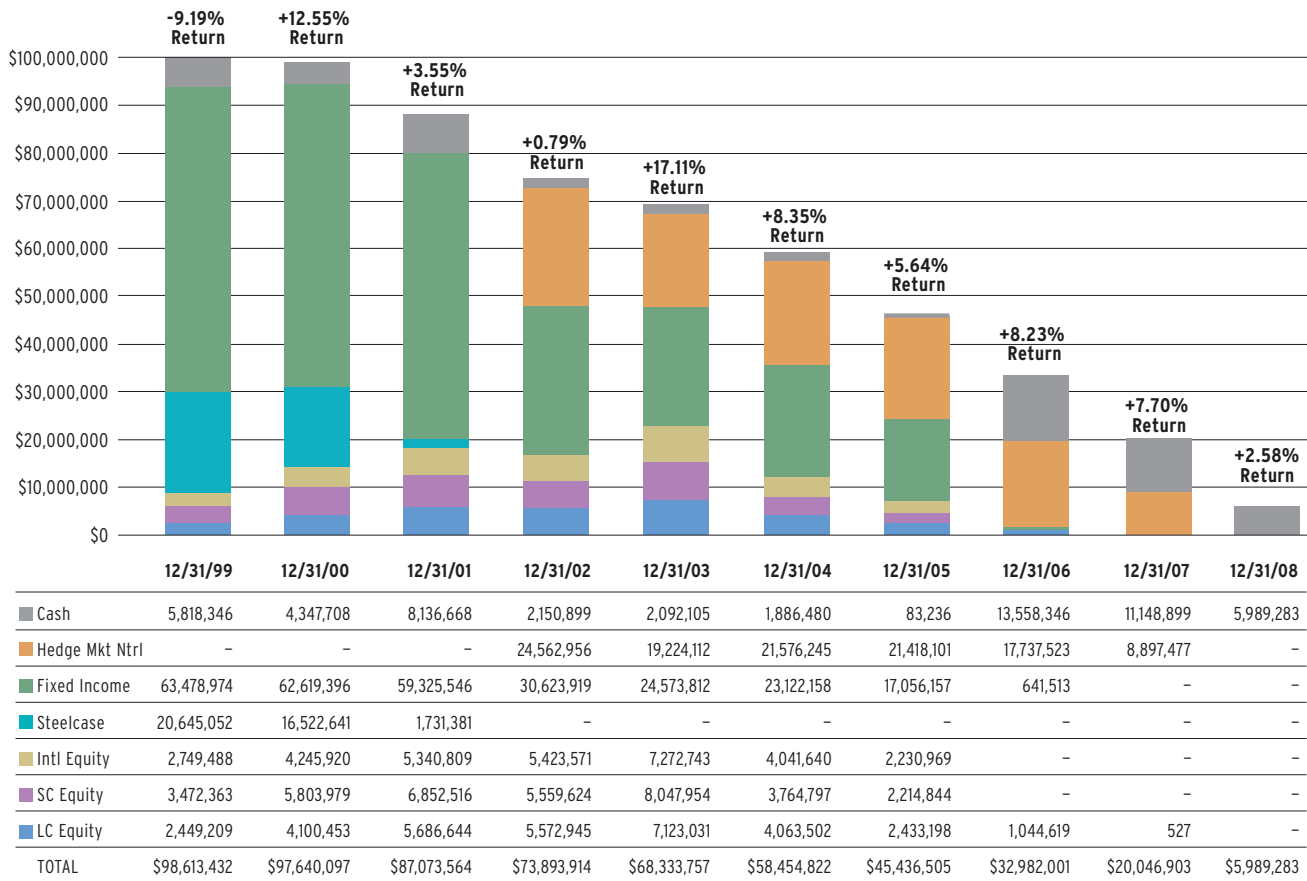
"LANDING THE AIRPLANE": BUDGETING FOR SPEND OUT

When Beldon refocused its program areas in 2001, the revised strategy called for substantial, multi-year grants in its Key States Program. Poised to put millions of dollars into each of the key states over the coming years, the foundation needed to create a corresponding budget process that would allow Beldon to meet its multi-year commitments while also keeping the finances on course for a smooth landing at the time of its exit. It was akin to setting an airplane down on a narrow runway after a long flight.

LONG-RANGE PLANNING

One of the first steps was to develop a budget forecast for the foundation's remaining years. By 2002, the foundation had a detailed, long-range financial plan for both operations and grant making that ran through 2009. On the operations side, Beldon calculated annual expenditures, down to office supplies. On the program side, staff developed grant-making budgets based on likely-case, best-case, and worst-case scenarios. Once expense and income projections had been established, the foundation was able to build its asset allocation accordingly.

BELDON FUND HISTORICAL ASSET ALLOCATION



ANNUAL “TRUE UPS”

While the fiscal plan offered a solid framework for asset allocation and spending projections, the foundation conducted an annual “true up”—a top-to-bottom review that reconciled projected expenditures and returns with actual expenditures and returns—to map out a financial plan for the remaining years. Long-term budgeting involves a lot of guess work, and the true-up process kept things on track.

One of the principal benefits of the annual true up was that it allowed the foundation to make real-time adjustments to its grant-making strategy. Because Beldon was working over an eight- or nine-year arc, and because the foundation did the annual true up, it had the tools in place to maintain multi-year grants, though a major hit to the foundation’s assets might have reduced spending over the long term.

PRECISE YEARLY PROJECTIONS OF NET ASSETS

Here’s how the true-up process worked. Starting in the last quarter of 2002, Beldon calculated total grants expenditures and administrative expenses through the end of the year. The goal was to calculate the foundation’s projected net assets as of January 1 of the following year. Using that figure as a starting point, it then calculated annual operating expenditures for the foundation’s remaining years. Fixed expenses—rent, equipment purchases, equipment leases—were easy to calculate. Variable expenses—salaries and benefits, utilities, telecommunications—were indexed to inflation and adjusted to account for the winnowing of staff.

With two numbers in mind—net assets and operating expenditures—Beldon’s executive team would run 10-20

different spending scenarios based on different grants expenditures and different projected levels of return. The finance committee, in consultation with an outside economics expert, decided the projected rate of return. More grant funds going out in the coming fiscal year, for instance, would give the foundation less to spend in subsequent years because there would be less to invest. Conversely, lower levels of grant making could yield higher levels in subsequent years.

FINDING A GRANT-MAKING COMFORT LEVEL

There were two complementary goals behind this strategy. First, Beldon needed to find a level of grant making that supported its program goals and commitments. Second, it needed to ensure that the foundation did not run out of money in the final year. Over its final three-and-a-half years, Beldon moved to quarterly true ups, with detailed cash-flow analysis. In 2008, for instance, Beldon increased spending three times: First, because its income had surpassed 2007 projections; second, because its hedge-fund investments weathered the overall downturn in the first half of 2008; and third, because the foundation developed a more accurate assessment of its final grant to the Tides Foundation, which was selected to receive Beldon's remaining assets at the time of closing.

DON'T FORGET A SCENARIO THAT EXCEEDS YOUR BEST-CASE PROJECTIONS

As the Beldon Fund developed its spend-out strategy, there was always a plan in place for handling lower than expected returns. If that happened, Beldon would amortize the lost income over the remaining life of the foundation and avoid drastic year-to-year fluctuations in the grants budget.

One of the ironies of Beldon's experience, however, is that the foundation actually had more money to spend in its later years than initially projected. Looking back, the projections may have been too conservative. The Beldon team came to realize that it should have had a plan in place for spending higher-than-expected returns. Although Beldon managed to spend the money by raising subsequent years' grants budgets, members of the staff and board concede that they could have been more thoughtful and strategic if they had also planned for a less conservative best-case scenario.

The take-away? Financial projection should be conservative by nature, but prudence can yield higher than expected returns. And when that happens, foundations should have a plan in place to spend it wisely. ■

KEYS TO DEVELOPING A SPEND-OUT BUDGET

A spend-out foundation does not have the luxury of a three-year rolling average of 5 percent payout. So how do you develop a fiscal plan? Here are some tips:

- **Develop a comprehensive financial plan**—with expense and income projections—that covers the life of the foundation.
- **Revisit early and often and adjust as necessary** to sustain grant making commitments and ensure the foundation does not run out of money in the final year.
- **Develop spending plans for different scenarios**—best case, likely case, worst case.

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Operations—Staffing for Spend Out and Preparing to Close the Doors

As a spend-out foundation, The Beldon Fund faced a range of operational issues. *How do you hire good people when they know that they will be out of a job in ten years—or less? How do you retain staff as the end draws near? What should be done with remaining assets and a decade’s worth of archival materials?* These are just a handful of the questions the Beldon Fund grappled with throughout its spend out.

CASTING CALL: ASSEMBLING AN EFFECTIVE FOUNDATION STAFF

As a theater aficionado, John Hunting has a favorite saying: “Ninety percent of the success of a show is in the casting.” As part of its programmatic shift, Beldon realized that it needed to have fewer but more senior-level staff to run its newly focused program areas. By 2003, it had reduced staff from 15 to nine, and hired Anita Nager, previously a senior program officer for community development and the environment at The New York Community Trust, as director of programs. The foundation also engaged two senior-level consultants to provide additional expertise. Because of the short time frame, Beldon did not have the luxury of hiring inexperienced staff and helping them cultivate skills. Rather, the foundation needed seasoned professionals with the skills, experience and networks necessary to develop and implement plans immediately. While hiring top-shelf talent might seem like an extravagance for a foundation with only \$100 million in assets, Beldon was making grants like a foundation three-times its size, and it needed a staffing structure to support that level of spending.

On the program side, two overlapping issues contributed to the need for experienced staff members:

- **Sophisticated Strategies Require Experienced People to Execute Them.** Experienced grant makers

helped Beldon navigate the sometimes rocky shoals of advocacy coalition politics and helped the foundation build strong relationships with other funders. They did not have to learn the basics of good grant making while simultaneously trying to envision the underlying strategy. Their years of grant making gave senior staff an almost intuitive sense of what was possible, how to get things done, the best way to coax partners and how to make sure they did not push too hard.

- **Bringing Other Funders to the Field.** Recruiting other funders to Beldon’s program areas was critical for two reasons. First, the issues and strategies were cutting edge, which meant there were few funders that grantees could turn to. Second, Beldon’s financial support for these pioneering grantees was on a ticking clock, which meant that other funders would have to step in to replace this support. While a number of foundations seek to attract other funders to their work, it is an absolute necessity for a spend-out foundation.

In many cases, staff members’ roles in field-building and relationship-brokering were one and the same. For instance, when chemicals policy became a priority issue for the Human Health and Environment Program, Anita Nager, Beldon’s director of programs, stepped in to co-chair the Health and Environmental Funders Network, a group of grant makers committed to funding at the

On Working at a Spend-Out Foundation

intersection of environment and health. Beldon was also active in the Environmental Grant Makers Association, organizing panels at retreats and helping to build a network of fellow grant makers. Given this high level of work, it was essential to have staff members with the relationships, experience and gravitas necessary to draw in other funders.

It wasn't just that Beldon's senior staff were more persuasive or had more extensive contacts. The key was that they provided real value to their foundation colleagues. Many program officers are stretched thin, as Beldon's had been before the foundation scaled back its programs. They not only have to keep up with the groups in their portfolio, they also need to keep abreast of what's going on in their field. Beldon's staff members were extremely valuable to their peers because they could do some of this leg work. In addition, they were able to demonstrate the viability of certain grant making approaches. Several funders looked at Beldon programs that were working well and determined that these could be worthwhile investments for their foundations as well.

ROLE OF THE BOARD OF DIRECTORS

Beldon benefited, as well, from a board of directors, handpicked by John Hunting, who were experts in environmental advocacy and philanthropy and shared the foundation's commitment to bringing change. They were also active practitioners—including several other funders, in particular the executive directors of the Bauman Foundation and John Merck Fund—who became funding partners and were helpful in reaching out to other foundations.

"I left a really good job with great security to join Beldon. Over the years, I had developed a wonderful program at my previous job, but there was a real excitement and challenge to Beldon's venture, particularly the prospect of being there on the ground floor to build something. You have this incredible freedom to do things differently. Even the simplest things—how you present materials to your board—as well as the more complicated, how you engage grantees in building a new field and working with each other, become opportunities.

I knew what the arc of the foundation's spend out would look like, but I didn't know what twists and turns it would take along the way. As challenging as it was to set goals and try to meet them within the foundation's limited time frame, it was also a major attraction."

Anita Nager, director of programs

SPEND OUT AS A LURE FOR TALENT

One of the ironies of Beldon's spend-out story is the fact that attracting talented professionals proved to be much easier than many outsiders might have expected. Here's why:

- **A Unique Opportunity.** To many of the senior staff members who eventually joined the foundation, Beldon represented a singular professional opportunity to design new programs and create an administrative structure that would support this work within the ten-year time frame. For instance, after the foundation's first external evaluation led to changes in program strategy, COO Ardali oversaw a near top-to-bottom reinvention of operations—creating a new budgeting

process, hiring new administrative staff and auditors, restructuring Beldon's benefits package and realigning salaries and benefits to make them more competitive within the foundation community.

- **Vibrant, Entrepreneurial Culture.** Part of the opportunity Beldon offered was rooted in its vibrant, entrepreneurial culture. Staff members had a lot of authority for their areas and they were encouraged to take risks. As a consequence, Beldon was able to attract even better professionals—adventuresome and creative—than it might have otherwise.
- **Shared Mission with a Living Donor.** Several staff members noted that working with a living donor created a sense of camaraderie and shared mission that was particularly inspiring. Finding ways to meet John Hunting's programmatic goals added an exciting

dimension to the work. Part of this had to do with Hunting's personal qualities, his passion for the issues and support for new approaches, which attracted talented staff. Beldon's board members, who shared the foundation's values and sense of urgency, also contributed to the infectious *esprit de corps*.

INTO THE TWILIGHT: RETAINING STAFF AS THE SUNSET NEARS

While attracting staff to the Beldon Fund may have been easier than expected, the foundation also faced the challenge of retaining them as the foundation sunset date neared. Yet this, too, proved easier than expected. Executive Director Bill Roberts attributes Beldon's success in this area to the same qualities that drew people to the foundation in the first place. But Beldon took specific steps to reinforce the attraction:

MANAGING STAFF IN THE FINAL MONTHS

All good things must come to an end. For Beldon, as with any foundation, one of the biggest challenges was ensuring that key personnel stick around until the last day. Here's how they did it:

1. **Communicate Staffing Plans Clearly and Early.** With the final round of grants slated for June 2008, the board and executive team laid out an attrition plan in early 2007. They slated four people to leave by September 2008 and the remainder to stay until the final day.
2. **Help People Find Their Next Job.** Staff members were given plenty of warning, networking assistance and significant leeway in finding their next job.
3. **Create Incentives to Retain Key People.** Beldon provided modest financial incentives to encourage people to stay until the end.
4. **Be Flexible in Letting People Go.** The foundation was practical enough to recognize that people would leave earlier than expected.
5. **Consider Hiring Senior-Level Consultant Back-up.** Beldon placed a consultant on retainer its last year to serve as a "utility infielder" should a staff member leave earlier than anticipated and to back up remaining staff.

- **Pay People Competitively.** John Hunting and the board elected to compensate people reasonably—not extravagantly, but well. Beldon compared its compensation levels to foundations with similar payout rates (rather than similar asset size) and set salaries in the middle range.
- **Communicate Plans for Staff Attrition and Help in the Transition Out.** Beginning in early 2007, Beldon’s board and executive team laid out a clear plan for handling staff transitions over the next 18 months. Everyone was encouraged to communicate openly about plans and potential opportunities. The mantra to staff members was: Let the foundation know when an opportunity comes up—not after accepting a job offer. Meanwhile, as staff grew smaller and smaller in the final years, remaining members had to take on multiple roles.

CLOSING THE DOORS: OPERATIONAL CONSIDERATIONS FOR THE FINAL DAYS

As the Beldon Fund wound down, the foundation faced a set of practical questions. Who will oversee operations in the final months? What should be done with a decade’s worth of archival material? What should the foundation do with any remaining assets? And how should the foundation’s impact be assessed down the road?

Here is how Beldon answered these questions:

- **Staffing the Closing.** Beldon made its last grants in June 2008 and allowed a full year afterwards to wind down the foundation’s operations and communicate its results and lessons before closing the doors. Beldon placed a senior-level consultant on retainer from September 2008 through the end of 2009—someone to fill the gap should a staff member leave earlier than anticipated and to back up remaining staff members.

A former senior advisor to another spend out foundation, the consultant brought unique qualities to the table but mostly functioned as an insurance policy to support a smooth closing.

- **Archives.** After considering several options, Beldon decided to house its archives at the Center on Philanthropy at Indiana University. The choice was made three years before closing to allow sufficient time to work with the archivist to identify and prepare materials for the transfer. The center was selected because it had an excellent reputation and top-notch facility, and a particular interest in Beldon’s archives—both because of the foundation’s spend-out experience and the fact that its funds originally came from a Midwestern corporation. As an added attraction, John Hunting thought the center might be a good place to consolidate the archives from his other philanthropic funds as well as his family’s historical records.
- **Disposal of Assets.** Beldon chose to transfer all remaining assets at the time of its closing as a grant to the Tides Foundation, which will administer and dispense the funds subject to a grant agreement letter. Tides was selected for several reasons. As a national public charity that provides professional philanthropic services, it is equipped to manage grant making and related tasks. In addition, John Hunting maintained a separate donor-advised fund at Tides for many years and had confidence in its management and the compatibility of its mission.
- **Final Evaluation.** At the final board meeting in June 2008, Beldon’s board set aside resources to design and execute an evaluation of the foundation’s nonpartisan civic engagement work that would be completed a year after the last grants were made. (See page 19). ■

Developing a Program Strategy

At the program level, a sunset date carries its own set of advantages and challenges. On the one hand, having a closing date creates a sense of institutionalized urgency to accomplish the foundation's goals and can lead to bolder grant making that achieves greater impact. On the other hand, a spend-out foundation has a smaller margin of error because it has less time to learn from its mistakes. *How can a spend-out foundation experiment and take risks while also making necessary adjustments to keep its work on track? How can it fund unexpected opportunities when exigencies of spending down require focus and discipline? How does the foundation ensure that its work in a particular field carries on after the doors close? And how can a foundation best position grantees for its eventual exit?* These are some of the key issues the Beldon Fund struggled with as its programs evolved over the spend-out period.

THE EVOLUTION OF BELDON'S PROGRAM STRATEGY

Spend out had two central implications for the Beldon Fund's program strategy.

- **The underlying sense of urgency** about environmental issues led the foundation to fund innovative, sophisticated advocacy and policy reform strategies. But it also led the foundation, in its early years, to take on too many programs.
- **At the same time, the foundation's 10-year time frame** meant that it had a smaller margin of error than a perpetual foundation because it had less time to learn from its mistakes and make appropriate adjustments.

The tension between Beldon's aggressive program goals, the reality of what it could accomplish given its limited time frame and financial resources, and the need to reconcile the two successfully, became a defining force in Beldon's evolving program strategy.

From the outset, the Beldon Fund took a fairly aggressive posture toward its program goals. To begin with, the foundation's strategies—supporting environmental

advocacy and policy reform—were fairly cutting edge. But two years into the 10-year spend-out period, it became clear that the foundation was spread too thin with its five program areas. The foundation was inundated with grant applications, and many of them were from organizations that were not a good fit. In 1999, for instance, Beldon received 386 applications and awarded 18 grants—a 4.6 percent funding rate. In addition, staff members were slow to respond to grant applicants, which delayed the paperwork on actual grants.

EVALUATION BRINGS CHANGE

In order to address these problems, Beldon hired an outside evaluation firm in 2001 to conduct a nuts and bolts assessment of the foundation's operations, administrative procedures and programs. The foundation also conducted an anonymous "customer satisfaction survey" of grantees and grant-seekers. The assessment led the foundation to tighten administrative procedures, reconfigure the staff and narrow the program focus to its two areas, Human Health and the Environment and Key States.

ADMINISTRATIVE REFORM

On the administrative level, the foundation asked grant applicants to send a letter of inquiry before submitting a full grant application. If the proposed project was considered a good fit, the organization was asked to submit a full proposal; if not, the foundation notified the prospect within a month. Over the next few years, the number of off-the-mark proposals fell dramatically—a sign that Beldon was communicating more effectively with prospective grantees. Going forward, the ratio of grant applicants to funded proposals became a key metric: The higher the ratio of proposals to funded projects, the clearer and more responsive the foundation was being with prospective grantees.

PLANNING FOR THE UNEXPECTED: CREATING A DISCRETIONARY FUND

Beldon had always set aside a portion of its assets for discretionary projects, which, though aligned with the foundation's mission and goals, did not fit neatly into one of its program areas. But following the 2001 evaluation, the board decided to formalize and expand the discretionary funding pool to roughly one-third of the grants budget. Discretionary Fund projects had to achieve one of the following goals:

- Strengthen the capacity of the environmental community to develop successful techniques for civic engagement.
- Provide improved capacity for grantees to diversify and increase their fund-raising in order to “fill the hole” when Beldon completed grant making.
- Respond to opportunities or critical needs that advance Beldon's overall program goals.

In hindsight, creating the Discretionary Fund proved to

be one of the wisest decisions the foundation made over the course of its spend out. The Discretionary Fund played a number of important roles:

- **Provided Flexibility to Respond Quickly to Emerging Opportunities.** For instance, in 2001 the Discretionary Fund made grants to several national environmental organizations that helped them create the Collaborative Environment Campaign, which used a flexible pool of funds to respond to immediate threats to environmental protections. The project, supported by several foundations, involved prominent national environmental groups that could collectively decide on the use of the pooled funds. Their first effort focused on opposing the administration's proposed opening of the Arctic National Wildlife Refuge to oil exploration. In mid-2000, the House voted to allow drilling, but the Senate later rejected the measure. Subsequent bills have also failed.
- **Served as a Conduit for Funding Other Issues and Groups.** When the foundation sought to expand the state level coalitions in its Key States Program, for example, the Discretionary Fund provided a pool of money to support advocacy groups that were not environmental organizations, but whose nonpartisan civic engagement programs to educate voters complemented the environmental agenda.
- **Provided Resources for Fundraising Capacity-Building Work with Grantees.** Beldon offered national and regional fund-raising training for the board and staff of grantee organizations, and supplemental funding to help select groups implement what they had learned in the training sessions. (See page 20).
- **Provided Elasticity to Annual Grant Making Budget.** These resources were also applied to special

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opportunities that emerged from the Key States and Health and Environment programs. Although grant-making discipline is essential for a spend-out foundation, sands shift unexpectedly and new opportunities arise. Setting aside money allowed Beldon to seize opportunities when they came along. For example, when public concern over consumer product safety peaked during the 2007 holiday season with reports of lead paint in children's toys, Beldon was able to offer additional resources to grantees working on reform of toxic chemicals policies. The funds helped coordinate state-level advocacy efforts that included toy testing, creation of data bases, and communication with the public and media.

HELPING TO SHAPE THE CONVERSATION: ENGAGING OTHER FUNDERS

The final piece of the programmatic adjustment Beldon undertook in 2001 was a new emphasis on encouraging other funders to support this kind of work. Indeed, one of the foundation's internal benchmarks became the extent to which other funders were beginning to invest in Beldon's issue areas and grantees.

ASSUMING LEADERSHIP ROLES

In the wake of its first evaluation, the foundation replaced some of its junior staff members and brought in senior-level staff and consultants, people with the reputations, experience and relationships necessary to develop the field. Over the next eight years, Beldon's program staff assumed leadership roles in several key funders' networks—Environmental Grant Makers Association, the Funders Committee for Civic Participation and the Health and Environmental Funders Network. Through funder briefings, reports, brainstorming and conferences, Beldon helped lay the intellectual groundwork for attracting other funders to its work.

“Beldon had a big impact by seeding some of our projects, which then made other foundations feel less nervous. The staff was wonderful at bringing other funders to the table and helping to provide a sense of urgency and importance to their (and our) change-related goals.”

“Beldon, and especially [our program officer] provided insights about related projects nationally, included us in network building, connected us to additional resources, and advised us on informational resources and good models.”

Beldon also provided financial support to all three organizations totaling \$552,000, not including annual membership fees.

Beldon is widely viewed as playing a catalytic role in the funding community, helping to shape the conversation among fellow grant makers about effective strategies, trends in the field and opportunities to increase the impact of grant making. As a foundation that worked across three different fields—environment, health and civic engagement—Beldon was able to build bridges, share insights and make connections between people and ideas. And by demonstrating the viability of certain grant making strategies, particularly support of more sophisticated civic engagement tools and tactics, Beldon inspired some other funders to test the waters.

PEER-TO-PEER FUNDER NETWORKING

Actual funding partners emerged from the peer-to-peer networking that Beldon staff undertook with other funders, individually and in groups. In 2004 and 2005,

Beldon staff convened environmental health colleagues to collaborate on efforts to reform chemicals policy. These funders pooled their resources to survey the field, fully staff the Health and Environmental Funders Network, engage new donors and collaborate in their grant making. In addition, in 2008 a group of funders working at the intersection of environmental policy and civic engagement created the State Funders Caucus at the Funders Committee for Civic Participation. Beldon provided \$225,000 in seed funding for the caucus, which will carry on the work of building capacity among state environmental groups.

ROLE OF EVALUATION: MAKING MID-COURSE CORRECTIONS AND FINAL ASSESSMENTS

Recognizing the importance of making timely mid-course corrections, Beldon invested heavily in evaluation. In 2003, and again in 2004 and 2005, Beldon hired a trio of consultants to evaluate each of the three programs. They interviewed scores of grantees, grant

makers and other stakeholders, with an eye to identifying challenges, fleshing out a roadmap to address them and developing benchmarks for measuring progress.

This process, while somewhat time-intensive, was cost-effective. Evaluations of three programs cost \$150,000, from an annual \$14.5 million grants budget. More importantly, the evaluations allowed the foundation to make critical adjustments to strategy. Drawing on anonymous assessments from grantees, evaluators were able to give Beldon unvarnished feedback on what was working—and what was not. For example:

- **Respondents to the Health and Environment Program evaluation** felt that the foundation did a good job of identifying the best environmental advocates, but there was little coordination of efforts in the field and no consistent policy alignment. As a result, Beldon selected chemical policy reform as its signature issue and organized grantees and philanthropic partners around this central theme.

KEYS TO FIELD-BUILDING

- **Establish Leadership.** Leadership based on expertise and demonstrable results can attract other funders to your work.
 - **Cultivate Other Funders.** Peer-to-peer networking helps position other funders to take over as field leaders and supporters of key grantees.
 - **Invest in Funder Networks.** Funder networks will provide important infrastructure that can sustain your work after you're gone, so invest in them early on.
 - **Invest in Grantee Networks.** Provide peer learning opportunities that will foster productive relationships among grantees.
 - **Capture Stories and Distill Lessons.** Sharing what you learn along the way builds the field's knowledge base and will help strengthen your own and other funders' grant making.
-

- **At the same time, the Key States evaluation** led Beldon to support organizations and programs that sought to connect environmental advocates to other advocacy groups with complementary policy agendas.
- **The Discretionary Fund** focused on beefing up this nonpartisan civic participation work—and also began preparing grantees for Beldon’s exit by building their fund-raising capacity.
- **The evaluations led Beldon to look for synergies** between its major programs—a strategy that took advantage of staff members’ complementary skills and

knowledge while also achieving economies of scale in grant making.

CAVEAT—TOO MUCH OF A GOOD THING?

While Beldon made effective use of evaluation findings, in retrospect it concluded that it could have allowed more time between the assessments of its program strategies. Annual evaluations proved burdensome for grantees and did not reveal significantly new information to guide Beldon’s grant making.

FINAL EVALUATIONS

In its last year of grant making, Beldon funded three

TIPS ON ACHIEVING IMPACT IN A LIMITED TIME FRAME

- **Learn Quickly.** Having a sunset date means there’s limited time to learn from mistakes and adjust course.
- **Use Evaluation to Refine Strategy.** Develop programmatic benchmarks of success and use external evaluations to assess progress. An evaluation that looks at the overall impact of program strategies, rather than just individual grants, will indicate if you’re on the right track or need to make changes.
- **Keep a Tight Focus.** It’s better to start with a few areas where you are likely to make a difference than to take on too many issues and then have to pare down.
- **Be Bold.** Develop or adopt innovative strategies geared to bring change within a limited time frame.
- **Manage Risk.** Taking chances can lead to breakthrough solutions, but not all bets pay off. Learn from those that don’t work out and move on.
- **Look for Synergy Across Program Areas.** Develop a strategy early on to connect, where possible, the work of major programs to achieve greater scale and deeper impact.
- **Ensure Budget Flexibility.** Allocate assets to allow flexibility to respond to unanticipated funding opportunities or critical needs in the field.
- **Build the Field.** Hire staff members who can bring other funders to the work.
- **Use All the Foundation’s Resources—Not Just Money.** Capitalize on staff’s issue expertise, funder connections and ability to serve as a sounding board for problems and ideas.

external evaluations—anonymous grantee and grant applicant perception surveys conducted by the Center for Effective Philanthropy, and a qualitative assessment of the foundation’s work conducted by a team of external consultants (all are available at: www.beldon.org).

At the final board meeting in June 2008, Beldon’s board set aside resources to design and execute an evaluation of the foundation’s nonpartisan civic engagement work that

would be completed a year after the last grants were made. Beldon also asked its evaluators to design an evaluation that could be conducted several years after the foundation’s exit. The later evaluation would assess the extent to which the foundation’s investments in advocacy infrastructures survived and continued to have an impact. The design for this evaluation will be delivered along with remaining assets to the Tides Foundation. ■

EVALUATING POLICY ADVOCACY GRANT-MAKING STRATEGIES

Given the many variables that shape the outcome of an advocacy campaign or the trajectory of a particular policy reform, Beldon’s evaluations focused on the overall success of its strategies, not on the efficacy of individual grants or grantees. The board was content to have grantees build a coalition capable of exerting pressure on policy makers—even if the coalition won only half of what it was hoping for in any given campaign.

By necessity a qualitative survey, the portfolio evaluation was designed with 360-degree input from a wide range of stakeholders. Through the evaluations, Beldon was able to establish a set of performance benchmarks for success based on whether its programs were increasing the effectiveness of its grantees and drawing more resources to the field as a whole. The foundation recognized that policies are shaped by the alchemy of good organizing, sound ideas, clout, and factors that are beyond the control of advocates. Beldon’s strategy focused on strengthening the first three so groups would be well-positioned to take advantage of policy opportunities.

Here are some of the indicators the foundation developed to measure the impact of its portfolios:

GRANTEE OUTCOMES

- **Human Health and the Environment:**

- Broadening the base of the environmental movement to include health professionals and health-affected groups.
- Engaging champions in governors’ offices and state legislatures, leading to concrete policy victories.
- Increasing public debate over grantees’ core issues.

- **Key States:**

- Increasing power and clout of environmental advocates in Key States.
- Demonstrating ability to mobilize supporters.
- Working with nontraditional allies to build civic engagement.

- **Overall:**

- Engaging other funders to support Beldon grantees.
- Diversifying income streams.

POLICY OUTCOMES

- Legislative victories.
- Champions in public and private sectors.
- Coordination among grantees.
- Consistency of messages among grantees.

Preparing Grantees To Thrive After You're Gone

As the foundation moved toward its sunset, one question loomed especially large: *How to best prepare grantees for the day when Beldon's support ends?* In a sense, this concern informed much of Beldon's grant making from the start. By providing core and capacity-building support to key groups early on, and attracting new funders, Beldon sought to strengthen organizations so they would be well-positioned to thrive after the foundation closed its doors. But many grantees were still heavily dependent on Beldon funds—for some, Beldon's support represented more than a quarter of their budgets. So it was important to help them expand their donor base.

EXPANDING GRANTEE'S DONOR BASE: CAPACITY BUILDING, NOT EXIT GRANTS

One option the foundation considered was to make big “exit grants,” a strategy that was eventually discarded in favor of building grantees' fund-raising capacity. The board reasoned that it was better to teach grantees to fish for grants than to give them a giant grant. In 2003, nearly six years before the Beldon Fund was set to close, the foundation launched a Fundraising Support Program for a core set of grantees who were heavily dependent on Beldon's support.

FUND-RAISING SUPPORT PROGRAM

Drawing from the Discretionary Fund, the foundation sought to help grantees diversify their funding streams. The fund-raising program kicked off with a three-day intensive training, and continued with followup national and regional fund-raising trainings for staff; peer-to-peer gatherings; and supplemental funding for select organizations to help them implement what they had learned in the training sessions. These core grantees received planning grants to develop multi-year strategies, with a particular focus on increasing individual donors. All plans included dollar benchmarks against which fund-raising progress could be measured. Beldon had the

plans assessed by fund-raising experts before committing resources.

The Fund-Raising Support Program was mostly successful. By Beldon's last year, a number of grantees, especially those in the Key States Program, had made great strides. They improved their data management systems, created better processes for communicating with donors, and were involving more board members in fund raising.

Although only a few grantees had fully replaced Beldon's funding, most were able to diversify their income streams—including significantly expanded support from individual donors—and had created much stronger fund-raising cultures within their organizations. And while groups still faced challenges—staff turnover, lower giving rates as the economy cooled and shifting organizational profiles—most were well on their way.

COMMUNICATING TO NEW GRANT APPLICANTS

While Beldon succeeded in helping to position grantees to thrive after its exit, the foundation neglected in its final years to communicate clearly to new grant applicants. By year six, Beldon had established its strategies and core

grantees and was very focused on completing its work, with little interest in adding new grantees. But it respected John Hunting's commitment to keeping an open door. This sent a conflicting message that created confusion, and some resentment, among declined applicants.

In retrospect, it would have been wiser to explicitly state a cutoff date for letters of inquiry. The foundation could then have considered other options to keep the door ajar, such as Request For Proposals or a by-invitation-only approach. ■

THE BELDON FUND'S RESPONSIBLE EXITING PRINCIPLES

- 1. Communicate Clearly with Grantees.** Beldon gave ample notice of its impending sunset and provided the resources grantees needed to plan for their futures beyond 2008.
- 2. Begin Early to Position Grantees for Exit.** Beldon provided long-term general support that strengthened grantee organizations and better positioned them to attract other sources of funding.
- 3. Help Grantees Find New Funding.** Beldon supported training that bolstered grantees' fund-raising skills and it played an active role helping grantees connect with other funders.
- 4. Establish Expertise that Will Attract Other Funders.** By sharing its expertise about trends in the field and effective strategies and demonstrating through its own grant making the viability of new approaches, Beldon was able to draw other funders into supporting this work.
- 5. Structure Final Grants to Prepare Grantees for Transition.** By offering matching or challenge grants one to two years before Beldon's exit, and by tapering its support, the foundation encouraged grantees to develop new sources of funding.
- 6. Encourage Grantees to Forecast in Anticipation of Your Exit.** Knowing that denial is a powerful mechanism, Beldon asked all grantees to provide with their final grant request a multi-year income and expense budget showing how they planned to fill the gap left by Beldon's exit. Most grantees indicated that they intended to bank a portion of their final grants to ease their transition to other sources of funding.
- 7. Set a Cutoff Date for Accepting New Grant Letters of Inquiry and Communicate it Early.** Beldon had neglected to clearly communicate its cutoff date, engendering confusion—and some resentment—among rejected grant applicants.
- 8. Maximize Impact by Sharing Lessons.** In its final year, Beldon sought to capture its story, distill useful lessons and develop a strategy to share this information. The purpose was to inform and influence funding and advocacy practices in the field going forward. In retrospect, the foundation concluded it would have been wise to conduct this kind of communications throughout its lifetime. But an exit provides a compelling opportunity to distill insights gleaned from the entire arc of your grant making.

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CONCLUSION: PLACING BIG BETS, BUT TIME WILL TELL

The Beldon Fund's decision to spend out its \$100-million endowment was a big bet on an ambitious theory of change: that by investing all of its resources over a 10-year period, the foundation could move the needle on shaping environmental policy. So far, results on the ground and external assessments indicate that this bet is paying off. In the field of environmental health, the issues championed by Beldon and its grantees have attracted public attention and led to policy changes. Powerful new allies have emerged and more funders are supporting environmental health issues. The state-level environmental advocacy groups funded by Beldon have greatly increased their power and influence over the past ten years. Beldon grantees in Michigan, Minnesota, Wisconsin, and North Carolina, for instance, have led successful state-level campaigns for clean drinking water, power plant regulation and landfill legislation.

Practically speaking, the 1998 decision to set a clear end date created a set of unique challenges. Because of Beldon's programmatic commitments, for instance, the foundation had to create an investment strategy that delivered predictable returns and low volatility. Likewise, the foundation created a rigorous process of forecasting and budgeting for expenses. The goal was to adjust investment strategy to ensure a smooth financial landing—while also meeting the foundation's aggressive grant-making goals.

At the same time, Beldon's spend out placed different operational demands on the organization. Foremost, the foundation ended up hiring a greater number of senior-level staff members to plan and implement its program agenda. This was partly because the cutting-edge work that Beldon funded—environmental health, state-level policy advocacy and sophisticated civic engagement

In an anonymous Grantee Perception Survey conducted by the Center for Effective Philanthropy (CEP) in February/March 2008, 84 percent of respondents reported that Beldon provided assistance securing funding from other sources. In addition, more than 75 percent of grantees indicated that after 2008 they expected to continue the work funded by Beldon in the same or slightly modified form. (CEP survey is available at www.beldon.org.)

“Beldon gave us ample warning and helped us deal with their closing down... They did a great job of putting us through fund-raising training and then provided a grant to build our donor program. And their convening of peer to peer meetings has been very helpful to our continuing this work going forward.”

“There are a lot of organizations that are going to miss the money from Beldon, but there is actually more trepidation about how to replace the role Beldon played in the marketplace. If Beldon cut funding significantly, but still played the other roles that it plays, the anxiety about them leaving would go down.”

“The fundraising support program made all the difference for us. It was our roadmap for life without Beldon... I don't wake up at two in the morning worried about how I'll survive.”

strategies—required top-shelf professionals to develop and manage. Having senior-level staff on board also eliminated the learning curve usually required for less experienced program officers, an important advantage given Beldon's limited time frame to get things right. This high-stakes grant making attracted professionals who welcomed Beldon's vibrant, entrepreneurial culture. It also helped that Beldon paid people well and went out

of its way to clearly communicate plans for staff attrition.

Programmatically, the decision to spend out forced the foundation to narrow its strategy—to make bigger bets in fewer areas. But taking bigger risks also led Beldon to invest in frequent evaluations so the foundation could make mid-course corrections quickly. In the final few years, the foundation also developed strategies to ensure that the work it supported would continue after the foundation’s exit, investing heavily in bolstering grantees’ fund-raising capacity and in attracting other funders to the field.

While Beldon is encouraged by the success of its strategies, the full impact of the foundation’s grant making will not be known for several more years. In the short

term, it’s clear that Beldon’s ability to make large, multi-year grants to environmental health advocates and to state-based environmental advocacy groups—grants that far surpassed what the foundation could have done if it were funding for perpetuity—has altered the landscape in the areas the foundation targeted. As the coalitions it helped build broaden and deepen and the policies the foundation helped advance come to fruition over the coming years, the depth and breadth of Beldon’s influence will become more clear.

For now, Beldon’s legacy can be measured in the victories it helped catalyze, the organizations and coalitions it has strengthened, the fields it has seeded and the new funders it has brought to this work.

1 The first Beldon Fund (Beldon Fund I), based in Washington DC, disbursed \$200,000 to \$300,000 per year to environmental policy and advocacy groups. The Fund’s first three directors were: Judy Donald, Diane Ives, and Catherine Lerza. The major infusion of funds following the sale of Steelcase stock launched what was in effect a new foundation (Beldon Fund II), which moved its base of operations to New York.

2 Beldon’s key states program began in 1999 with six states that included New Mexico. The 2001 external assessment recommended a tighter program focus across the board. As a result, Beldon reduced the number of program areas, and went from six states to five where it believed the opportunities were ripest for change. New Mexico grantees were given two-year exit grants to ease the transition.

3 All grantee quotes in this monograph are from confidential interviews and survey.

INTERVIEW WITH JOHN HUNTING

Q: How did you first get involved in philanthropy?

A: When I was six years old, my father gave me stock in a small company he co-founded in Grand Rapids, Michigan that eventually became Steelcase, the world's largest manufacturer of office equipment. In my 30's I started giving away 50% or more of my income to charities and progressive causes. My theory has always been that a lot of people have great ideas—the missing ingredient is money, and that's what I can provide.

I created the Dyer-Ives Foundation to support youth and neighborhood improvement projects in Grand Rapids. Then I got very involved in environmental issues and started the Beldon Fund as a national foundation to help strengthen environmental advocacy and to build support for policy change.

Q: Why did you decide to set a 10-year time horizon for the Beldon Fund?

A: When Steelcase went public in 1997, I was able to give most of the proceeds from the sale of my stock—over \$100 million—to the Beldon Fund and I decided at that time to give it all away quickly. As an environmentalist, I felt that given the state of the world it would be inexcusable not to try to make a difference by spending out now.

Q: What are the Beldon Fund accomplishments you are most proud of?

A: I think Beldon's programs helped strengthen environmental advocates so they are now much better positioned to take advantage of policy opportunities and respond to new environmental threats. I'm proud of what our grantees were able to accomplish in a difficult political environment. They have won scores of state policy victories, which helped build momentum for reform of national policies.

Q: Looking back, what would you have done differently?

A: When we started out we made the mistake of taking on too many issues. All of us—staff and board—are committed environmentalists, and when you want to bring

change you can sometimes end up biting off more than you can chew. An external evaluation two years into this work made it clear that we were spread too thin to be effective. So we whittled down to two programs and created a third flexible fund for opportunistic grants.

Q: What advice would you give other funders?

A: The first bit of advice is to hire a good executive director and pay him or her well. If the executive director has plenty of stuff on the ball, he or she will find other good people to hire. I would also urge foundations to put on their board people who are knowledgeable about their issues.

Second, for foundations that are just beginning, we learned that it's better to start with a tight focus and expand if warranted, rather than start with too many issues and then have to reduce them. Third, if you want to influence public policies, it's important to fund the full range of advocacy that nonprofits are allowed to pursue. Even though these are totally permissible activities, I know there is still some caution among foundations. So my advice is to involve a good lawyer who understands the law on foundations and advocacy, and then jump in.

Fourth, one of my little pet theories is that money is not always the most important thing a foundation offers. You can be a convener, a sounding board for ideas, and a broker between effective organizations and other funders. I think it's also important to promote collaboration among foundations, which makes all of our work more effective.

Finally, the Beldon Fund tried to make a difference by committing all its resources over ten years, and that allowed us to make big investments in a few key strategies.

Even if you don't want to choose the spend-out path, try not to get locked into the five percent payout. Consider a more flexible funding cycle that would allow you to meet timely needs in the field and to take advantage of opportunities to have a greater impact.

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Written by Neil Carlson and Theodora Lurie

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Additional resources on spending down or spending out:

Beyond Five Percent: The New Foundation Payout Menu (www.ncg.org/assets/beyond5/Beyond5_Report.pdf); *Closing Shop: When Small Foundations Get Out of the Foundation Business* (www.smallfoundations.org); *Alternatives to Perpetuity: A Conversation Every Foundation Should Have* (www.ncfp.org).

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*Let's consider our world not as
inherited from our parents,
but as borrowed from our children.*

Kenyan Proverb

