

The "Sunsetting" Foundation: Trend of the Future?

06.09.17 | Linda J. Rosenthal, JD



The standard model of nonprofit corporate philanthropy is a nonprofit organization or trust created to last ... well ... forever.

"There was a time," wrote Fred Smith, founder of the Fourth Partner Foundation (Tyler TX), a few years ago, "when families who were establishing private foundations rarely thought about an end to the foundation. They assumed what they had created would last (as intended) in perpetuity from generation to generation. What they discovered, as John D. Rockefeller observed years ago, is that 'perpetuity is a very long time.'"

The concept of "sunsetting" – that is, planning an end date for the charity – has been around for decades. The "poster child for the intention to sunset" is the Bill & Melinda Gates Foundation, created in 2000 with the intent to spend down its billions in assets.

Time will tell whether this is a significant trend among philanthropists. We'll take a look at just two of these sunsetting foundations for some insights. The first is Fred Smith's Fourth Partner Foundation. The second is multi-billion-dollar Edna McConnell Clark Foundation which – to the surprise of the charitable world – announced in December 2016 its decision to spend down its assets.

Fourth Partner Foundation

In *For Sunsetting Foundations, a Limited Life but a Perpetual Contribution*, Fred Smith's choice of blog-post title sums up the thinking behind his foundation's decision to wind up. He had talked with many families and executives of "the growing number of private foundations" that had decided to sunset. The primary reason behind these decisions has been a "concern about the mission and values of the foundation shifting away over time from

the original intent of the donor.” There are other motivations, too, including “children not having an interest in the foundation or the assets dwindling away.”

Smith emphasizes that the sunseting process is not the same as merely going “out of business.” He wanted to do it “right.” That means doing more than making donations or investing in a community that “... evaporate when we are no longer there.... Rather, we dissolve and the things that are truly lasting — our values, our way of seeing opportunities, our relationships, our non-financial contributions — become a lasting part of the community in which we live.”

In mid-2015, Smith and Fourth Partner Foundation’s board of directors began a “series of discussions” some twenty years after the formation of the foundation, “about whether or not their work was finished.” The Foundation’s mission was to overcome “stereotypes and prejudice in the way that the Hispanic community is widely perceived...” He cited examples of their success in not just funding “new initiatives” and giving support to existing organizations, but also promoting attitude changes in the community. The Board members decided that their “lives and interests had changed,” but they had been successful in their mission, including cultivating “other donors and nonprofits now working in the areas of our interests....”

They “... were extremely satisfied with what had been accomplished,” Mr. Smith explains. They had made their “best contribution” but they knew their “season was at a close.”

Edna McConnell Clark Foundation

On December 14, 2016, the editor-in-chief of *The Nonprofit Quarterly* wrote about a surprise announcement: “The Formidable Edna McConnell Clark Foundation Bets the Farm and Opts for Sunseting.”

At the end of FY2015, this leading organization had assets of almost \$1-billion. It now “joins a small but growing number of philanthropic bodies that are pre-electing their own institutional end.” It will spend down that entire amount within the next ten years. “Most of us,” NPG’s Ruth McCambridge observed, “thought of EMCF “as an in-perpetuity endeavor even as its grantmaking became more markedly outside the norm: No meager portions for its most central grantees; instead, they provided and administered mega-grants that included rare nonprofit-directed working capital and money for real outcome evaluations and capacity building.”

Ms. McCambridge explains that EMCF “essentially led if not created data-driven grantmaking. They learned as they went what worked and what did not; they adjusted, and they stayed in for multiple years, they recruited other big investors.” But the Clark family, when it created the foundation in 1968, didn’t see it as a “perpetual” foundation. They made clear they wanted the Foundation to make decisions based on what would produce the best result...If we found a good opportunity, we would bet the farm on it.”

The decision of when and how to sunset had been “long under consideration.” Additional details are included in the [NPQ article](#) as well as on the [website](#) of the Foundation.

Conclusion

The Edna McConnell Clark Foundation's path of a 10-year sunset "makes for a commendable case study of philanthropic humility about to unfold," according to NPQ's Ruth McCambridge.

From time to time, we will highlight other foundations' decisions to take this creative but still unusual step in fashioning a way forward into the future.