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A Sunsetting Foundation in Its Twilight Hours

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In June 2017, in ***The "Sunsetting" Foundation: Trend of the Future?*** we wrote about the small but growing trend of foundations to "sunset"; that is, to choose to end activities and formal corporate existence by a certain date instead of going on "in perpetuity."

When any corporation, for-profit or nonprofit, is formed, there is generally no mention at all of the duration of the entity. The default ending date for a corporation is – well – never. But, as 19th century billionaire philanthropist John D. Rockefeller observed many years ago, "**perpetuity is a very long time.**"

Sunsetting: Not a New Concept

"The **concept of sunsetting** – that is, planning an end date for the charity" – is not new; "it's been around for decades."

In ***Founders' Fortunes and Philanthropy: A History of the U.S. Charitable-Contribution Deduction*** (August 27, 2019), Nicolas J. Duquette explains that during the debates over the major changes to the 1969 federal tax code, there was a proposal to require sunsetting of all foundations in 40 years. It was not included, though, in the final bill enacted into law that year.

The **most well-known example** of sunsetting is the Bill & Melinda Gates Foundation, created in 2000 with the stated intent to spend down its billions in assets.

There are a number of reasons why a foundation chooses to sunset; "primarily a "concern about the mission and values of the foundation shifting away over time from the original intent of the donor' and – sometimes – a frank acknowledgment that children or other family members are uninterested in assuming the responsibility for the foundation. Whatever the specific reason, the "process of 'sunsetting' is not the same as merely "going out of business." If a foundation has done its work right, then its values, relationships, and other non-financial contributions, will have "**become a lasting part of the community.**" It will have sown the seeds for the good works to be taken up by others and reinvented for a new generation.

Edna McConnell Clark Foundation

In our June 2017 post, one of two recent examples we discussed of foundations making the sunsetting choice is the multi-billion-dollar Edna McConnell Clark Foundation (EMCF).

The **story behind EMCF** "begins in the 1880s when David Hall McConnell, a door-to-door book salesman in New York State, discovered that a vial of homemade perfume he gave away as an incentive was more popular than the books he was offering." He recruited "housewives to sell the perfume as a way to augment their family income." That brilliant idea eventually grew into the Avon cosmetics empire.

Mr. McConnell's daughter, Edna, married Van Alan Clark, who became chairman of Avon's board in the 1950s. The couple "decided to put much of their resources into a foundation. Initially it made modest grants, mostly to universities and hospitals, although other recipients, including the Henry Street Settlement and the Foster Parents Plan, forecast future directions for the family foundation." In 1969, they launched the Edna McConnell Clark Foundation, out of what had been a very large organization but with no staff. With more money and the help of the Clark sons, over the next 50 years EMCF flourished into one of the leading foundations in the United States. In the website sections "**Our History**" and "**About Us,**" the reader can learn more about the important details of its expansion and charitable priorities and activities.

Notably, when the Clark family formed the foundation in 1969, it didn't envision it as a perpetual entity. What they wanted was the Foundation to make decisions that would lead to the best results consistent with the Foundation's mission of improving the lives of disadvantaged children and youth.

The Sunsetting Plan

In December 2016, the EMCF board announced it would **spend down its assets** over a 10-year-period. At that time, this news was described as a "surprise" to the philanthropic community. But the decision of when and how to sunset had been under consideration for a long time. The board spelled out the particulars of the plan and process to wind down in public announcements and **on the website.** See, also, ***The Formidable Edna McConnell Clark Foundation Bets the Farm and Opts for Sunsetting*** (December 14, 2016) in *The Nonprofit Quarterly*.

True to the plan, there has been significant progress. On October 18, 2018, the Foundation issued a long-anticipated **press release and update** announcing that the Foundation is "entering its final phase of life." Once again, *The Nonprofit Quarterly* posted an article discussing this development: ***Edna McConnell Clark Foundation Expands Its Work and Plans Its Demise*** (October 19, 2018).

The trustees decided to spend down all of the resources (approximately $1 billion) over a decade by providing **large infusions of "growth capital to effective nonprofits** and their visionary leaders." Also, the Foundation "has not just been spending its own money; instead, it has spent the past five years helping to attract other money to a **new, collaboratively managed pool**—**Blue Meridian Partners** (asset base – *not* endowment – of $1.7 billion as of the fall of 2018).

This new entity has been "incubated and informed by the **foundation's model of growth capital investment**" but as a new – standalone – 501(c)(3) organization, with some EMCF's key staff and board members. The plan envisioned Blue Meridian Partners not spending right away; instead, it is attracting "new partners and money to do multi-year, capital-intensive grantmaking to scale." Eventually, each of Blue Meridian's grantees "will be provided with as many as 10 to 12 years of performance-based investments totaling to as much as $200 million; "sufficient to set these organizations on a path to assured and sustainable impact."

Sunsetting Progress

The website of the Edna McConnell Clark Foundation explains the progress of the sunsetting plan from its original announcement in 2016, through the interim progress report in 2018, up to the present.

The Foundation's "**staff and operations have … transitioned** to Blue Meridian Partners, "the collaborative philanthropic investment vehicle that EMCF incubated and in which it is a national General Partner. This independent organization is helping EMCF fulfill its commitments and perform necessary staff functions so the Foundation can complete its strategy efficiently and responsibly."

With a "small board overseeing the management and distribution of its remaining assets," EMCF is paying out its last grants and concluding its work through **Blue Meridian Partners** , a "partnership of philanthropists seeking to transform the life prospects of America's children and youth, from birth to age 30, living in poverty." Surviving as well is the **Youth Development Fund (YDF)** which "has been EMCF's core program since 2000, concentrating on helping high-performing youth-serving nonprofits achieve greater impact."

Continuing, too, is **PropelNext**, launched in 2012 to "assist promising nonprofits in strengthening their capacity to use data for learning, self-evaluation and ongoing improvement." It will open a pipeline for "other promising approaches that have not yet had the opportunity to prove their impact." EMCF will not fold PropelNex into Blue Meridian Partners; instead, at some point, the Foundation will set it free to continue as an independent entity.

Conclusion

Other foundations, just now making sunsetting decisions, can look for guidance to the well-planned and executed demise of the Edna McConnell Clark Foundation.

One example is Memphis-based **Plough Foundation** which announced in August 2019 it will spend down its assets. The organization will make its last grants to local nonprofits and close its doors within four years. Since its founding in 1960, the Foundation has awarded over $300 million "to a wide array of nonprofits."

Founder Abe Plough made his fortune in pharmaceuticals beginning in 1908 with a local healthcare company he called Plough, Inc. By 1971, the successful firm merged with pharmaceutical giant Schering Corporation, which later merged with powerhouse Merck Co. Between Mr. Plough's retirement in 1976 and his death in 1984, he "devoted all his time to the Foundation and to the people of Memphis and Shelby County."

The Foundation's work has been carried on by his daughter, granddaughters, and the organization's trustees. It was they who made the call that the time is right to wind down. They pledge to carry out this sunsetting plan in a "**positive and meaningful way**," taking special care to make the transition as easy as possible for local Tennessee organizations **who have relied on** Plough Foundation's generous support over the years.