

**SUNSET APPROACHING
MORE RAPIDLY THAN IT SEEMS**
YEAR FIVE REPORT ON THE CONCLUDING YEARS
OF THE AVI CHAI FOUNDATION

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FOREWORD

This report is based on a thorough review of Board minutes, internal documents, and published reports of The AVI CHAI Foundation, and on a small number of interviews with some of the Foundation's senior officers and the Executive Directors for Israel, North America, and the former Soviet Union, conducted in the United States and Israel in May and June 2013. Except where otherwise noted, quotations from AVI CHAI Trustees and staff are drawn from the 2013 interviews.

Sunset is something that brings the darkness, [but] it also brings a very special, exciting, fantastic light. To keep the light and its special colors during these years will be a challenging mission for all of you. ... I wish you all that, during the sunset, you also continue to bring the light.

— Dani Danieli, in remarks on his departure as director of Beit AVI CHAI to accept a new position in a project funded by The AVI CHAI Foundation, June 3, 2013.

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BACKGROUND

This is the fifth in a series of reports on how The AVI CHAI Foundation is going about putting its full endowment to use and completing its grantmaking by December 31, 2019. The Foundation was established in 1984 by financier Zalman Chaim Bernstein (z”l¹), with the mission of strengthening Judaism, Jewish literacy, and Jewish tradition; promoting mutual understanding among Jews of differing religious orientations; and sustaining, enlarging, and enriching Jewish commitment to the State of Israel. AVI CHAI makes grants in three regions: North America, Israel, and the former Soviet Union (FSU).

In 2004, following the strongly implied wishes of its donor, who died in 1999, the Foundation’s Board of Trustees decided, and then announced in 2005, that it would expend its full endowment and cease operations within a fixed period of time. These reports describe the process by which AVI CHAI has planned and carried out its grantmaking so as to achieve significant, lasting objectives in the time remaining and leave its grantees stronger and more

fully equipped to carry on the parts of their mission that the Foundation has supported.

Like its four predecessors, this account is based on interviews and a review of the Foundation’s records. But because many of the initiatives designed for AVI CHAI’s concluding years have been discussed in detail in earlier reports—and because these initiatives have now begun to crystallize, solidify, and gain momentum—the interviews required for this report were many fewer than in the past. By 2013, Trustees and program staff had already made substantial progress in planning, albeit tentatively, how their remaining funds are likely to be allocated between now and the end of the decade. For that reason, to provide the same level of detail this year as in the earlier reports would have made this whole series unnecessarily repetitive.

In consequence, this annual report is deliberately much thinner in details than prior reports, and instead aims to summarize and highlight, rather than itemize, the present total state of the Foundation’s spend-down. It represents a generalized stock-taking and non-granular updating, focusing on two significant events of AVI CHAI’s past year. The first is the transition in

¹ A traditional abbreviation for the Hebrew *zichrono livracha*: “may his memory be a blessing.”

the role of Chairman and Chief Executive Officer from Arthur W. Fried, who led the Foundation for the past 14 years, to Mem Bernstein, who has served as a Trustee and one of AVI CHAI's three "Founding Members" since the death of its founder, her late husband. The second is the Foundation's decision to begin closing its program in the former Soviet Union, the smallest of the three geography-based programs and the first to complete its work.

In addition to its somewhat narrowed focus, the other aspect of this report that may call for some introductory explanation is its title. With nearly six and a half more years of operation still ahead, there remains ample time to put all the remaining resources to thoughtful and effective use, and thus AVI CHAI's sunset might not appear to be "approaching more rapidly than it seems." But considering the life cycle of a typical grant—once committed, funds are typically transferred to the grantee in stages, as conditions are met, and are spent over a period of three to four years—the time for new initiatives and commitments is shrinking fast.

Moreover, the generation, testing, refinement, and implementation of any new strategy also requires time, not only for the Foundation's program staff but also for any grantees chosen to participate in the new effort. As AVI CHAI prides itself on being strategic in its grantmaking, the introduction of any new approach is almost certain to be a multi-year endeavor. So while the lights-out date still lies more than half a dozen years in the future, in fact the decisions about where much of the available grant dollars will be deployed have already been largely agreed upon, although those decisions remain subject to change.

Of course, many of these tentative decisions have conditions that must be met before funds are to be disbursed. Undoubtedly some of those conditions will not be satisfied, which will free up funds that would have been otherwise used.

GOVERNANCE IN THE SUNSET YEARS

1. Will a diminished scope of spending in the coming six years change the roles that Foundation Trustees and program staff have played in the past? And if so, how?

Before spend-down planning moved into high gear about 2009, The AVI CHAI Foundation's annual North America program budget was about \$20 million a year. The Israel program budget had been about the same (it dropped more recently to \$16 million), and the FSU budget was around \$5 million a year.

With gradually shrinking time left to complete their work, program staff members in both North America and Israel will continue to be deeply engaged with grantees in overseeing and fine-tuning the existing grants, in supervising capacity-building, in monitoring the fulfillment of grant conditions, and in seeking partners and successors for AVI CHAI-supported programs. This will probably leave them even less time for other tasks than they had before. For the Trustees, however, there is likely to be an increase in available time, and even more fundamental changes in the way that time is used.

Indeed, some changes have already begun. For example, the February 2013 Trustees' meeting on the Israel program, which in former years usually took several hours, was completed in about 30 minutes. The abbreviated proceedings were the result of several factors. One was that Trustees had already tentatively approved nearly all the staff's recommendations for expenditures in Israel through 2014, leaving only two items for action on the February agenda. Also, Chairman Mem Bernstein had systematically consulted with fellow Trustees before the meeting, a comparatively new practice discussed in more detail below. Ms. Bernstein considers it unlikely that any future meeting will again be this short; even so, the fact is that considerably less time was needed than for comparable meetings in prior years.

Several months later, the June 2013 Trustees' business meeting agenda for North America included several major grant recommendations for capacity-building support, online and blended learning, and day school leadership programs, all of which were approved by the Trustees. But the corresponding agenda for the Israel program included no program items at all. Instead, most of the June Trustee meetings and the accompanying retreat were devoted primarily to updates on continuing process initiatives, such as the recruitment of partners and successors in North America, the challenges of evaluating the Jewish Renewal programs in Israel, and the comparative evolution of capacity-building initiatives in North America and Israel. Partially as a consequence of the absence of any need for decisions, a significant amount of the meeting was devoted to getting to know and meet with representatives of existing Israel grantees.

Several of the Trustees said they valued this opportunity to meet with a wide range of grantees, though virtually all of them felt that the discussions needed more time than was available. As one Board member put it, "Meeting the people is very important. If we have three, four, or five big things on each side of the ocean that will continue for a few years, it's very important to see the people as well as the paperwork. ... We have to make the effort, because it isn't all about the numbers."

As Trustees sense the end approaching, their concern may be drawn more and more to broad questions of effectiveness and impact, and the durability of what the Foundation achieves, rather than the structure of individual grants and projects. "What we are starting to do," a Trustee said, "perhaps gives new meaning to what we do here [as Board members]. It isn't only decision-making or voting. Maybe we can play different roles in this very special time. Perhaps we can help [grantees] in other ways to continue after we are not here."

One expression of this focus on long-term impact has been an intensified interest among Trustees in

the development and success of Beit AVI CHAI, the Jerusalem-based cultural and educational center that opened in 2007, for which the Foundation intends to leave a sizable endowment. One North American Trustee, echoing several others, wondered whether "a larger slice" of future meetings should be "devoted to keeping people in this circle [i.e., Foundation Trustees who are not also on the Beit AVI CHAI Board] informed as to what directions Beit AVI CHAI has taken and plans to take."

Other avenues of long-term impact likewise have drawn increased attention from the Board. For example, one component of the June 2013 meeting program that was received with uniform enthusiasm was a panel on the Israel program's Nitzanim initiative. This is a comprehensive community educational and cultural development program that knits together local community centers, Jewish renewal organizations, and local government authorities into a single national network of regional/local initiatives focusing on fostering Jewish-Israeli identity.² Because of the quality of the partnerships behind Nitzanim and their reliance on bottom-up strategies, its prospects for outliving AVI CHAI are encouraging. Meeting with local leaders and activists gave Board members an opportunity for an in-depth discussion of the program's scope and resonance within each community—the kind of fine-grained examination for which earlier agendas would have provided little time.

This is not the first time the Trustees have shifted their focus and the nature of their meetings as they prepare to oversee the Foundation's concluding phases of work. Several years ago, they took a step back from what had been an extensive, hands-on relationship with every grant and project, in which no grant was approved without first being sponsored by a member of the Board. This "Trustee-driven" model had for decades been a defining feature of AVI CHAI governance.

² Earlier reports in this series have described Nitzanim at greater length. See, in particular, Joel L. Fleishman, "Some Strategies Beginning to Pay Off ... and Promising Hints of Others, Like Early Glimpses of the Dawn," Sanford School of Public Policy, Duke University, October 2012, pp. 7-8.

But as they contemplated the Foundation's needs in its final decade, they chose to shift to a "staff-driven" approach, by ceding to the program staff the responsibility for initiating and quarterbacking the consideration of grants. At the same time, the Trustees also agreed to stop considering and approving grants one-by-one and instead chose to review them in groups based on related purposes. They also shifted from voting on each annual renewal to approving three-year budgets for program initiatives embracing several related grants.

Although these changes had the effect of freeing up a good deal of Board time, their underlying purpose was to empower the staff and grantees to think more strategically over several years, rather than incrementally year-by-year. The effect was both to strengthen the program staff's leadership in shaping and phasing program initiatives, subject to Trustees' guidance and approval, and to make the lives of grantee CEOs much less hand-to-mouth.

Compared with that pronounced shift in its time-honored practices, the Board's latest adjustments in its role and functioning have been more tentative. There remains a question about the extent to which this year's adaptations are regarded as useful and fulfilling ways to focus the Trustees' energies.

2. How, then, should the Trustees use their time in the years ahead?

In the months after the latest changes in Board procedure, members overwhelmingly agreed that meeting with grantees was useful. But almost none believed that these encounters could, by themselves, constitute a fully satisfying way for Trustees to spend most of their meeting time. As the course of the Foundation's principal work is increasingly being set through multi-year decisions, some members suggested reducing the number of annual meetings from three to two. Others, recognizing that the Board's grantmaking role will inevitably decrease as the lights-out date approaches, urged some fresh, systematic thinking about where the Trustees' focus and energy will be most needed over time.

One suggestion, following the thoughts of the Trustee quoted earlier, has been for the Foundation Board to devote more of its time to Beit AVI CHAI. Because Beit AVI CHAI is to receive a large, final grant from the Foundation for its widely admired educational and cultural program, the next several years will be critical for strengthening the institution and establishing its prospects for future growth. Four Foundation Trustees are already members of both Boards, but at the June 2013 meeting, the full complement of AVI CHAI Foundation Trustees was invited to the Beit AVI CHAI Board meeting. Three were unable to attend, but, even so, the result was that two additional Foundation Board members had firsthand exposure to Beit AVI CHAI's operations and governance.

This is an opportune moment for ratcheting up the activities of Beit AVI CHAI's Trustees. One reason is that the institution's executive leadership changed in 2013, a development described in more detail below. Moreover, for Beit AVI CHAI to realize its potential and its promise, it will need more money than can be generated by the expected endowment from the Foundation. The additional money will have to be raised from donors, foundations, corporations, and the government of Israel. For Beit AVI CHAI to succeed in raising significant new income, its governing board will need to be augmented with new members who can make contributions, raise outside funds, or both. To give the new members time to engage with the institution, learn about it, and become effective advocates, the time to identify and recruit them is now, while the Foundation still has a few years left to be helpful in the process. During this time, Trustees of The AVI CHAI Foundation may be able to play a fruitful role in widening Beit AVI CHAI's circle of supporters and in building its capacity to raise money and build alliances.

In his first report to the Beit AVI CHAI Trustees, David Rozenson, the incoming Executive Director, correctly noted that there has been "very little if any interaction" between the staffs of AVI CHAI Israel and Beit AVI CHAI. The result, he wrote, has been

missed opportunities and duplication of effort. The discussion among Trustees that followed his report was wide-ranging and fascinating, touching on the institution's mission and how it relates (if at all) to the mission of The AVI CHAI Foundation. It was a discussion that seems likely to continue, and one that would benefit from the experiences and views of all the Foundation Trustees.³

AVI CHAI'S INVESTMENT POLICY

Earlier reports have described the conservative asset allocation in the Foundation's endowment, aimed at preserving capital against downside market risks and protecting against currency exchange risks. These have continued in effect, with the goal of maintaining current spending levels in Israel and North America through the end of 2019, phasing down the FSU program, and providing for an eventual endowment of Beit AVI CHAI. The Foundation's endowment contained about \$535 million in August 2013, down from a peak of \$777 million in 2007, just before the recession and the ensuing collapse in financial markets.

The result of AVI CHAI's conservative asset mix, as Trustee Leif Rosenblatt described it to his fellow Board members in June 2013, is "not a high-octane portfolio," but one that "can meet our marks in spending and ultimately in leaving at least \$150 million for Beit AVI CHAI." During periods of turmoil in world markets, the strategy has paid off in limiting losses, but it has also meant that the Foundation reaped less of the gains when equity markets turned sharply upward. In a quarter when the Vanguard Index of equities rose 19.1 percent, the AVI CHAI portfolio, just 30 percent of which is in equities, gained 4.6 percent, about one-quarter of the market rise. (Another 20-25 percent of the portfolio is in non-fixed-income, special situation, equity-related investments that do not track the performance of the public equity markets.)

³ Minutes of the Meeting of the Beit AVI CHAI Board of Trustees, Sunday, June 2, 2013, p. 3.

Alliance Bernstein, the Foundation's investment advisor, ran a number of scenarios regarding the endowment's current asset allocation. The firm concluded, in a 2013 report and recommendation to the Trustees, that "AVI CHAI has a very high likelihood of being able to spend \$50 million per annum for the next seven years (as of January 2013), and then endow Beit AVI CHAI with a minimum of \$135 million in today's dollars."⁴

THE PROGRAM IN ISRAEL

1. Brightening prospects for sustainable grantees

Earlier reports in this series have noted the overwhelming challenge that AVI CHAI faces as it prepares to end its grantmaking in Israel. As former Chairman Arthur Fried put it in 2012, "AVI CHAI's philanthropy in Israel concentrated on a few key projects, and represented in too many of them the vast bulk of their support." With a much smaller philanthropic establishment than in the United States, Israel does not offer these organizations many places to turn for alternatives to AVI CHAI funding. Several of them were struggling with leadership and governance challenges that further threatened their ability to persevere and thrive. The result, as one Israeli supporter described it last year, has been "a lot of anxiety about what will happen when AVI CHAI exits the field" in December 2019.

The remarkable news of 2013 is that grantees that just one year ago seemed likely to decline or falter in the post-AVI CHAI future now instead appear to have prospects for long-term sustainability. This is primarily the result of a series of negotiations among the AVI CHAI Israel staff, its grantees, and other independently financed, stable organizations operating in similar fields. These negotiations have not been easy, and one or more of them may yet unravel. But that virtually all of AVI CHAI Israel's core programs in Jewish Renewal, for example, today seem likely to have a bright future is nothing less than astonishing.

⁴ *Ibid.*

Much of the credit for this turnabout belongs to the program staff members, who have spent considerable time promoting the value of their grantees to other possible funders; helping grantees form strategic alliances, partnerships, and in some cases mergers; and making astute financial investments that create an incentive for other funders to join in. Although the results have become more evident in the past year, these efforts are far from recent. For years, staff members have led the strengthening of grantees' organizational capacity. They invented from whole cloth a strategic management consulting firm by finding and recruiting four highly-qualified independent consultants to work together with grantees as a group in organizational capacity-building. They beat the bushes incessantly for partners and successors. All of these are typically slow and painstaking exercises, demanding both diligence and creativity. They are now beginning to pay off.

2. Multiyear budgeting

More than a year ago, the leaders of AVI CHAI Israel had prepared an informal working budget for projected expenditures through December 31, 2019 at the expected spending level of about \$16 million a year. It specified the size and phasing of grants to all existing Israeli grantees through the end of grantmaking. At the time last year's report was completed, that budget was purely tentative and known only within the top AVI CHAI leadership. Since then, although it remains tentative at this writing, it has been revised and approved by the entire program staff, and Eli Silver, Executive Director of the Israel program, plans to present it to the Board of Trustees in February 2014, with the hope of establishing a complete, approved budget for the whole program extending through 2017.

3. Institutionalizing major initiatives

The signature AVI CHAI initiative Nitzanim, which had been incubated within the Foundation, was incorporated in the past year as a separate *amutab*

(nonprofit organization), with its own Board of Directors. Karen Weiss, the AVI CHAI program officer who has led the Foundation's capacity-building initiatives in Israel, will serve as the new organization's Board chair. In addition to the three original communities where Nitzanim functions—Nazareth Illit, Emek Chefer regional council, and Gan Yavneh — a fourth has been added in Modi'in. Negotiations to include Haifa, Beer Sheva and Jerusalem neighborhoods have faltered, but Holon is now considered a promising potential site.

Nonetheless, the reality is that Nitzanim is developing more slowly than was anticipated. It is the largest new program in terms of proposed budget, but, as Eli Silver notes, "the pace is slower in bringing in new municipalities than we had hoped. ... It just takes longer than we thought, and there are bumps along the way that stall things, and maybe we won't even continue with a particular city, and we go on to another city."⁵

Tzav Pius, an operating initiative that has been run directly by AVI CHAI, is an effort to promote mutual understanding and responsibility among Israelis. Among other things, it produces "encounter and dialogue programs between people at all points along the religious-secular spectrum; informational campaigns and advertising in the media; television and radio productions; and more."⁶ It is likewise now being incorporated as a separate *amutab*. AVI CHAI Trustees have approved support for the new organization through 2016, and will then review its prospects for carrying on beyond the Foundation's sunset.

Finally, a long-discussed advocacy initiative, designed to catalyze Israeli government support for AVI CHAI's Jewish Renewal grantees, is about to be incorporated as an *amutab* with its own Board. To lead the organization, Dani Danieli, the widely admired founding Executive Director of Beit AVI CHAI, has

⁵ *Ibid.*

⁶ From the Tzav Pius website, "About Us," at <http://www.tzavpius.org.il/node/665>.

agreed to move from that post and take charge of the advocacy effort. Commenting on his selection for the job, AVI CHAI Chairman Mem Bernstein celebrated Mr. Danieli's optimism, entrepreneurship, and "ability to recruit and inspire others, to enlist and delegate, and to craft a clear vision and turn it into a living, breathing reality."

4. A new leader at Beit AVI CHAI

Mr. Danieli's successor will be David Rozenson, who has led the Foundation's program in the former Soviet Union for all of its 12 years. In moving to Israel for this new position, Mr. Rozenson brings a remarkable entrepreneurial talent, described more fully in a later section of this report dedicated to the FSU program. But at Beit AVI CHAI he steps into a markedly different kind of challenge. Having managed a budding start-up operation that was largely his own creation, Mr. Rozenson will now assume responsibility for an established institution, with staff and programs that are already highly regarded. Sources interviewed for this report overwhelmingly agreed that the challenge at Beit AVI CHAI is less one of design and invention and more one of expansion, both of programming and of financial support, including widening the institution's geographic and digital footprint.

This is a different kind of entrepreneurial mission from the one in the former Soviet Union, but it nonetheless calls for talents that Mr. Rozenson has amply displayed. Not the least of these is an ability to stimulate enthusiasm and form new alliances, not only with individual donors but with other Jewish cultural and educational institutions. These will need to include possible supporters and allies in other countries, especially the United States.

For Beit AVI CHAI's next phase to succeed, its leader will need to expand and strengthen its Board of Trustees, raise additional financial support, and plot a course through changing times, tastes, and contexts, while adhering to the mission and the current programs that have made it successful thus far.

THE PROGRAM IN NORTH AMERICA

1. Forging partnerships with other funders

A few years ago, reversing a longstanding practice of go-it-alone grantmaking, AVI CHAI adopted a policy of not undertaking new initiatives unless they are at least 50 percent funded by others. Although the policy is open to some exceptions, it aims at ensuring that projects would not be orphaned when the Foundation eventually closes its doors. At about that same time, AVI CHAI began a concerted effort, led by Deena K. Fuchs as Director of Strategic Partnerships, to form working relationships with other funders, both to encourage their support of AVI CHAI grantees and to join in some of their initiatives in day school education or camping.

The results, as of mid-2013, have been impressive. Thus far, partners have committed a total of \$12.6 million to joint initiatives with AVI CHAI in day schools and camping, including \$4 million in the past 12 months. Explorations and prospecting in various U.S. communities are expanding, and new potential donors are surfacing with regularity.

Still, recruiting partners in support of national day school initiatives continues to be a challenge. Virtually all funders of individual day schools are local funders; encouraging them to invest in the field more broadly can be difficult. A cornerstone of AVI CHAI grantmaking in North America has been the support of "infrastructure" programs, which work to raise the quality of Jewish content in day school education overall. Some of these, for example, seek to improve the training of teachers and principals or to develop and promote high-quality curricula and pedagogic methods. The list also includes several promising initiatives in online and blended learning (i.e., classes that combine in-person and online education) as well as programs to address the sustainability and affordability of day schools. For funders who are accustomed to devoting resources to a particular school or community, an invitation to make grants benefiting a large number of schools, and fortifying the field of day-school education overall, may not have an automatic appeal.

To meet this challenge, the North America staff is beginning to augment its direct work with prospective partners by offering to aid key grantees in their own fundraising efforts—including, if they wish, an invitation to join in meetings with possible funders.⁷

2. A strengthened commitment to capacity building and to online/blended learning

North American grants in 2013 included major support for capacity-building for certain key grantees, including the Davidson School of Education at the Jewish Theological Seminary and the Schechter Day School Network. These grants, and the capacity improvements they support, were based on strategic plans drawn up by both organizations with earlier AVI CHAI grants. Other major grants included continuing support for the Day School Leadership Training Institute of the Jewish Theological Seminary and a significant increase in support to the Consortium for Applied Studies in Jewish Education, a joint project with the Jim Joseph Foundation, through 2019.

In a presentation to the Board at its May 2013 meeting, Dr. Susan M. Kardos, the Foundation's Senior Director for Strategy and Education Planning, pointed out that, historically, AVI CHAI had tended to “buy” programs rather than build organizations.⁸ Yet the organizations in the North American grant portfolio “are critical to the field, but unlikely to sustain robust programs without greater capacity” to raise and manage funds and to adapt to a changing environment. “With our help,” she added, “grantees can build and sustain capacity if they grow slowly.” She noted that the risk of such grants is mitigated by tying disbursements to grantees' success at raising funds from other sources.

The Foundation has also significantly increased its support for existing and new online/blended

⁷ Memo from Deena K. Fuchs on Partnership Building to the AVI CHAI Board of Trustees, May 9, 2013, p. 3 and PowerPoint presentation to the Board, slide 5.

⁸ Susan M. Kardos, PowerPoint presentation to The AVI CHAI Foundation Board on May 6, 2013, slide 3.

learning initiatives in new and established day schools, building on pilot initiatives that AVI CHAI has supported over the last several years. These and the grants for organizational capacity reflect a judgment by the AVI CHAI Board that strengthening critical organizations and expanding the technological repertoire of Jewish education will be essential steps in securing the Foundation's achievements beyond its sunset.

3. Steps toward multiyear budgeting

In 2013, AVI CHAI North America developed a tentative budget through December 31, 2019, following similar steps taken in the Israel program a year earlier. The process of projecting grant amounts for the next several years required staff members to forecast the likely success of grantees' fundraising efforts, the payoff of capacity-building, and the needs of an evolving field.

As North America Executive Director Yossi Prager put it, the scenarios they formulated “are a snapshot of a fluid and dynamic situation. We'll continue to learn and tweak, maybe even rethink, as our grantees are blessed with great fundraising success or buffeted by the winds of the world we live in; and also as some of the programs we didn't anticipate having great success will be blessed with great success, and some of those we had high hopes for turn out to be no longer relevant to the world we're in. It is fluid, and we imagine having to do this all over again a year from now.” Consequently, the projections were not meant to be firm, but to give Trustees an idea of where the staff members believe the program is headed.⁹

Later, reflecting on the budget-drafting process, Mr. Prager noted with some satisfaction that the deliberations leading to it were both probing and collegial. “Everybody projected forward their current programs,” he said. “Then we had a larger

⁹ Minutes of the Special Meeting of the AVI CHAI Board of Trustees: Capacity-Building and Financial Updates, New York, May 8, 2013, pp. 23-24.

staff conversation where people asked questions. We looked at the allocation of money across the different areas, and everybody asked open and constructive questions about whether this was the right allocation, why we would do things this way or that. We ultimately came to the point that I think the document produced was a staff document. People were not thinking narrowly about how to protect their own areas, but more broadly about the Foundation as a whole.”

THE PROGRAM IN THE FORMER SOVIET UNION

1. A record of achievement

Over the course of 12 years, as outgoing FSU Executive Director David Rozenson explained in his final report to the AVI CHAI Board, the Foundation has supported “a number of unique and successful initiatives that we literally birthed from conception and which have strengthened and enhanced Jewish and Israeli education and activity in the FSU.”

AVI CHAI programs, he wrote, were now “attracting new audiences of those previously unaffiliated with Jewish and Israeli life and study, opening new doors, and engaging those in ways that would never have existed had AVI CHAI not made that clearly risk-filled decision, over a decade ago, of expanding its philanthropic reach to the former Soviet Union.”¹⁰

Those years are now coming to a close, and Mr. Rozenson is departing to take the reins of Beit AVI CHAI in Jerusalem. He leaves behind a network of sound programs that have touched hundreds of thousands of Jews in a region where, in the decades of Soviet rule, ethnic and religious identity had been suppressed. In addition to the approximately \$52 million that AVI CHAI itself put into these programs between 2000 and 2012, Mr. Rozenson succeeded in attracting the support of other donors—international Jewish organizations including the Jewish Agency and the

¹⁰ David Rozenson, “Future of AVI CHAI in the FSU,” Report to The AVI CHAI Foundation Board of Trustees, October 10, 2012, pp 1-2.

Joint Distribution Committee; other foundations including the Stanley Chais Foundation, the Genesis Foundation, and the Rothschild Europe Foundation; and many Russian individual philanthropists—in partnerships with AVI CHAI that brought in approximately \$10 million in additional support. That amounts to a nearly 20 percent leverage of AVI CHAI’s investment.

These achievements would be remarkable for any foundation entering a new country for the first time, but they are all the more impressive when that country is Russia, which is not the most fertile ground for fundraising by nonprofit organizations—especially ones dedicated to the educational, cultural, and religious interests of Jews. Much of this success can be attributed to Mr. Rozenson himself. A Russian native who moved with his family to America when he was young, he spoke Russian from his youth and quickly learned Hebrew while doing graduate work in Israel. As an observant Jew, he personally modeled the kind of commitment to Judaism that made him a highly credible initiator of and attractor to educational programs for Russia’s unaffiliated young Jews—as well as for prospective donors.

A key factor in both his entrepreneurial skill in starting new initiatives and his salesmanship as a fundraiser has been his love for interacting with other people. Looking back on his years with AVI CHAI FSU, he concluded that success required “a lot of time and hand-holding, a lot of bar-mitzvah attending. I don’t do it because this is what you have to do to get the funding. I do it because I genuinely like the people. Even if they weren’t to fund [one of the AVI CHAI programs], I’m just enamored with some of these people and the way they live their lives and decide to spend the money they’ve made, and the decisions they make for their children. They are growing closer to Judaism.”

2. Transition plans

Following Mr. Rozenson’s recommendation, Foundation Trustees have set December 31, 2016 as the closing date for the FSU program. That is

three years earlier than the planned conclusions in Israel and North America, but still leaves time to help grantees plan their future and to phase out AVI CHAI support gradually and responsibly. Dr. Svetlana Busygina, who served as Education Coordinator under Mr. Rozenson, has been chosen to oversee the program in its final years. He described her previous role as “dealing with day-to-day technical issues, troubleshooting, and being the first (and, whenever possible, the last) person who deals with arising needs of supported programs, all of which represent projects that we have been involved in for years and [that she] knows well.”

3. Reasons for an early conclusion

To some extent, the ending date for the FSU program was determined by simple math. For some time, the AVI CHAI Board had allowed the program to exceed its approved \$4 million annual budget by more than \$1 million a year, on the condition that the additional spending would be deducted from future years’ allocations. Allowing for those deductions, there would be little funding available after 2016 in any event. Personnel considerations also played a role in the decision to close early: Dr. Busygina and her family plan to make *aliyah* to Israel in late 2016 or early 2017.

But there is a strategic rationale for this schedule as well. Mr. Rozenson has expressed a hope that when word spreads of the expedited closing of AVI CHAI’s program, it may motivate local leaders and possible funders to support the Foundation’s initiatives. There appears to be considerable latent support for the goals of AVI CHAI programs, which may be easier to tap once people know that a time of reckoning is near.

Among his recommendations to the AVI CHAI Trustees, Mr. Rozenson proposed that grantees’ support be tapered off gradually, “in an attempt to ensure, in most cases, a one- to two-year period of financial stability, display respect for dedicated staff, focus squarely on capacity-building and, at the

same time, send out a clarion call, one that grows in intensity from year to year, to prospective partners and successors.”¹¹

4. A deficit in capacity-building

“One of the main weaknesses of virtually all Jewish programmatic activity in the FSU,” Mr. Rozenson wrote in his parting report to the Board,

is the lack of a sustainable financial model for long-term operation combined with a glaringly missing focus on capacity-building. Programs live on, and their lifespan becomes naturally dependent on, funds a philanthropist, or in the more lucky cases, groups of supporters, provide. In many cases, donors support multiple projects for a set period of time; once the funding is gone or philanthropic interest, even with the best of projects, changes course, a previously-supported program falters, content weakens, staff walks, gradually collapsing the program and with it, the hours of planning, energy, expectations, and potential. Beyond the programs, many of the most talented young Jewish leaders and activists, those with far more potential to do more for the Jewish people and attract talented Jews like themselves, grow tired of the situation, choosing more lucrative and stable positions outside the Jewish world.

In this area, the FSU offers very few solutions; there are no ‘capacity-building’ consultants (for better or worse) and other than trying to make every attempt to continuously spark interest of new supporters, little can be done to sustain organizations and/or projects, especially those that rely primarily on several key donors who provide the bulk of a project’s operating budget.

In many ways, this has been my greatest fear for our work in the FSU.¹²

He noted that the Foundation’s FSU grantees have “strong administrative infrastructures and an outlined three-year work plan.” But their survival beyond 2016 will still depend on the organizations’ ability, in relatively short order, to improve their outreach to funders and partners and to become more effective marketers on their own behalf. These requirements, Mr. Rozenson acknowledged, had not been emphasized in earlier years, partly

¹¹ *Ibid* p. 5.

¹² *Ibid* pp 6-7.

because organizations were already under considerable pressure just to build solid programs of high educational quality and Jewish substance, attract top educators to staff them, and ensure that they could meet their current goals. Mr. Rozenson was also worried about the possible interplay between new programs and new funders, in an environment where donors have little experience in working with grantees. Some less-experienced funders, he feared, might become heavy-handed, micromanaging the grantees or distracting them from their core missions.

Finally, recruiting qualified leaders and fundraisers in the FSU is even more difficult than elsewhere, given the relative youth of the region's civil society and the wide range of skills required for creating, managing, and marketing a new program. A first-rate leader, he wrote, would be "a rare find in the FSU, even were we to split these responsibilities into separate positions and make multiple hires. Those who may have what it takes turn more often to the non-Jewish world, where salaries are more lucrative and professional growth a real possibility."

To be sure, many of these same concerns could also be raised in more robust philanthropic environments such as that of the United States. U.S. funders and program managers often prefer to concentrate on the substance of program development rather than the intricacies of building organizations. They frequently regret the choice later, when grantees turn out to be too weak to sustain the programs they took such pains to assemble. The challenges of institution-building are no doubt considerably greater in a more inchoate environment such as the former Soviet Union. But that is all the more reason why a strategy for organizational capacity must now become paramount, even as the time to execute it grows short.

CONCLUSION: UNDER NEW MANAGEMENT

For 14 years, since the death of its founder, The AVI CHAI Foundation's Chairman and CEO has been Arthur W. Fried. Its by-laws, which were written long before the Board decided on a 2019 sunset, provided that Mr. Fried should serve for 15 years, after which Mem Bernstein was to assume the top position. However, in 2012 Mr. Fried noted that, under the current spend-down schedule, this timetable would leave Ms. Bernstein only six years of service, and he chose to step aside a year early. (Another consideration may have influenced his timing: the number seven has a special place in Jewish tradition, signifying completion.) He made his decision known to the Board at the end of 2012, and Ms. Bernstein assumed the chairmanship on January 1, 2013.

On the one hand, there is nothing unique about a leadership transition, which occurs in most foundations and which would have occurred at AVI CHAI even if the Trustees had not decided to spend down. On the other hand, the fact of an impending sunset makes the job of the chair and CEO different in some ways. Taking the reins at a time when many decisions are becoming final, the role of Trustees is shifting, and the time for adjusting course is becoming extremely short, a new chief executive can experience pressures not typical in institutions that expect to continue in perpetuity.

However, Mr. Fried believes this transition will be easier than it might appear. "Ms. Bernstein has been preparing herself to take on this role for the past 14 years, since her husband died," he says. "We've shared an office, and she's been privy to all that went on during the post-Zalman, z"l, era. Therefore, when people speak of a smooth transition, how could it not have been?"

Even in the years before the founder's death, when she was not formally involved in the Foundation, Ms. Bernstein was being quietly prepared for the job—sometimes without knowing it. She recalls

that her husband “would bring papers home for me to read. ‘Tell me what you think,’ he would say. And I would, but I didn’t know that he was trying to gauge whether or not I would suit the Foundation.” When she became a Trustee, she immersed herself not only in the standard Board documents but other background material as well, becoming intimately acquainted with the Foundation’s activities and the ideas with which it was grappling. By the time of her first meeting as Chairman, in February 2013, Ms. Bernstein concluded that “it went very well. I was well prepared.”

Despite her long collaboration with Mr. Fried—they continue to share an office, exchange ideas, and express enormous respect for each other—their leadership methods are notably different in some ways. For example, she prefers to probe issues through frequent oral exchanges with the Executive Directors, in addition to written materials. Mr. Fried’s preference was to read and to comment in writing. Ms. Bernstein also seeks out her Board colleagues well before meetings to resolve disagreements and try to reach early consensus. Mr. Fried, by contrast, usually permitted, and sometimes even encouraged, impromptu debates at Board meetings.

For her management style, she says, “It didn’t make sense to have to introduce something that you were going to hash out at the Board table. People understand things differently. Their mode of imbibing information is different. If you can speak with the Trustees one-on-one, by the time they come to the table they’ve been able to absorb what you want to accomplish, and then they can listen to what other people say.”

She takes the same approach in her relations with Mr. Fried: “For all the years that Arthur was preparing me, one of the greatest things about the tutorial or mentorship was that we agreed with one another on almost everything. Where we did not, we came to agree. I certainly didn’t want to have to come to an agreement only at the Board meeting.”

That longstanding harmony has served the Foundation well in the leadership transition. It has ensured that, despite some change in personalities and practices, the essential direction of the institution remains constant. As the earlier sections of this report make clear, the remaining seven years will bring significant changes to AVI CHAI as it draws its operations to a close. A fresh approach to leadership amid those changes, combined with a steadiness in fundamental strategy and philosophy, may well be exactly what the institution will require.