WINDING DOWN *the* ATLANTIC PHILANTHROPIES

THE FIRST EIGHT YEARS: 2001–2008

Tony Proscio

CENTER FOR
STRATEGIC PHILANTHROPY
AND CIVIL SOCIETY

SANFORD SCHOOL OF
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Center for Strategic Philanthropy and Civil Society
Sanford School of Public Policy
Duke University
201 Science Drive
Durham, NC 27708

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INTRODUCTION

THE NATURE AND PURPOSE OF THIS REPORT

The Atlantic Philanthropies is by all accounts the largest endowed institution in history deliberately to spend itself out of existence. The decision was taken in large part because of the desire of Atlantic's founder, Charles F. Feeney, to witness the social benefits of his enormous donation—nearly all of his personal fortune—during his lifetime. Because of the scale and personal drama of that story, the idea of "Giving While Living" has become all but identified with Mr. Feeney and the Atlantic Philanthropies, even though a growing number of smaller foundations have also embraced the idea in recent years.

Yet in an important sense, Mr. Feeney already "gave while living" long ago. He irrevocably donated close to a billion dollars to Atlantic while still in his 50s, creating one of the world's largest and most respected foundations and devoting the major part of his later career to philanthropy. As his model, Andrew Carnegie, pointed out in a 19th century essay that profoundly influenced Mr. Feeney, many wealthy people wait until their death to part with so great a percentage of their assets. "Men who leave vast sums in this way," Carnegie wryly observed, "may fairly be thought men who would not have left it at all, had they been able to take it with them." Instead, Atlantic's fortune was a gift from not only a living donor, but also a relatively young one whose life and wealth were permanently changed by the gift. So by any literal standard, Mr. Feeney's seminal act of "giving" was complete nearly two decades in the past.

For Chuck Feeney and Atlantic, therefore, the remarkable experiment in charitable liquidation has been not only a case of "giving while living," but something more—something that might (less melodiously) be called "making a major difference while living" or "conducting an all-out offensive on social problems while living." Even more than its donor's near-total generosity, it is the scale and immediacy of Atlantic's grants, the size and brevity of its ambitions, that make its approaching sunset such an unusual and important undertaking.

Atlantic's story, however it turns out, will inevitably be a closely observed experiment in how philanthropy can be conducted and what a foundation can achieve when it pursues great ends on a brief calendar.

Yet the decision to spend down such a great fortune in such a short time, remarkable as that is, was just the first act in a much longer drama that is only now playing out. All of the questions that followed that seminal decision—spend how? spend on what? organize how? evaluate what?—present new layers of complexity and an assortment of fine-grained operational challenges that are uncommon, or at least take very different forms, in foundations that operate in perpetuity. How Atlantic confronts and resolves those questions is the subject of a series of reports that begins with this submission.

Most of the information presented here is drawn from dozens of interviews with Atlantic Trustees, staff, and grantees, all of which were conducted with a guarantee of anonymity to encourage candor. A considerable archive of minutes, memoranda, policy statements, and strategy papers, as well as a published biography of Mr. Feeney, also provides background and detail for this story. The facts asserted here are therefore taken, as faithfully as possible, from the written record and the firsthand recollections and observations of participants in the story. However, the inferences, judgments, and conclusions that we draw from these facts are solely those of the authors. Except when directly attributed or quoted, opinions expressed in this paper are not necessarily those of anyone at Atlantic or any of its grantees.

In this first report, we chronicle the eight years following Atlantic's decision to give away its whole endowment in two decades or less. Later installments will update the story year-by-year. In truth, this first period was not one in which the institution was much preoccupied with the idea of spending down and ending its work. On the contrary, with the end-date still blurry and remote, a decade or more away, most decisions had to do with the fundamental challenge facing any philanthropy, regardless of its lifespan. In this case, of course, the challenge was made all the more urgent by the scale of what Atlantic was trying to do, but it was one that any major foundation has to confront periodically: to design large, strategically smart programs that would be likely to achieve, in the words of one early statement, "a legacy. . .worthy of the generosity which brought us into existence."

Still, managing a foundation that will not exist when the next decade is finished—husbanding its financial resources to suit the wind-down, operating grant programs that will end responsibly, keeping

and motivating a staff whose jobs aren't indefinite—poses unique challenges and risks, even in these early years. This series of reports will describe how Atlantic's Board and staff deal with those realities, and how they guide their institution to a conclusion that demonstrates the possibilities of "Giving While Living"—not just as a means of distributing great wealth, but as a way of achieving great ends.

1.

PRINCIPLE

THE RATIONALE AND EARLIEST DECISIONS FOR SPENDING DOWN

On March 1, 1982, with an initial gift of $5 million, Charles F. Feeney created what was then called the Atlantic Foundation. Some two and a half years later, he transferred to the foundation virtually all of his personal fortune, consisting mostly of shares in the international retail enterprise Duty Free Shoppers (DFS), which he had co-founded two decades earlier. Because shares in the company had never been publicly traded, the value of this donation could not be established precisely at the time, but estimates ranged between $500 million and $1 billion.[1] When the shares were liquidated roughly a dozen years later, the foundation's endowment, which also included other investments and business ventures, was worth at least $3.5 billion. Attorney Harvey Dale, who oversaw the various transactions and served as the foundation's first CEO, described Mr. Feeney's massive surrender of personal wealth as "probably unique in the history of the world."

The donation was inspired, in part, by the writing of an American philanthropic pioneer, Andrew Carnegie. In the 1889 essay, "Wealth," which Mr. Feeney circulated to virtually everyone associated with the creation of the Atlantic Foundation, Carnegie wrote:

> [L]eaving wealth at death for public uses. . .is only a means for the disposal of wealth, provided a man is content to wait until he is dead before it becomes of much good in the world. Knowledge of the results of legacies bequeathed is not calculated to inspire the brightest hopes of much posthumous good being accomplished. The cases are not few in which the real object sought by the testator is not attained, nor are they few in which his real wishes are thwarted. In many cases the bequests are so used as to become only monuments of his folly.

1. This and many other assertions about the early years of Mr. Feeney's and Atlantic's philanthropy are drawn from Conor O'Clery, *The Billionaire Who Wasn't: How Chuck Feeney Made and Gave Away a Fortune Without Anyone Knowing,* New York: Public Affairs, 2007.

Carnegie's essay and other influences seem to have suggested to Mr. Feeney, from the very beginning of his philanthropic career, that the best use of the charitable fortune he had created would be to distribute the money during his life. Although he did not say so explicitly for many years, at least one longtime friend and foundation Trustee[2] feels no doubt that "Chuck Feeney always intended to give all the money away in his lifetime. That was perfectly obvious to me from the beginning. Even if he hadn't figured out quite what that would mean, at first, there was clearly no way the foundation was going to go on forever."

Even so, Mr. Feeney's early intentions about whether the foundation should have a limited life or survive in perpetuity were, like many of his views and beliefs, left largely unstated. Author Conor O'Clery, in his 2006 biography, The Billionaire Who Wasn't, noted a lifelong reticence in Mr. Feeney's personality, describing it this way: "Although brilliant when talking about business, Feeney was never good at articulating his philosophy of life. . . .Instead of explaining what was going on in his mind, he would give friends and family members articles or cuttings from magazines or newspapers. They had to infer the message." The Carnegie essay, Mr. O'Clery surmises, was just such an article, intended to reveal to foundation Trustees an otherwise unspoken philosophy that came to be known as Giving While Living.

In private conversation with friends and advisers, the subject of limited-term philanthropy came up often, but Mr. Feeney seemed in no hurry to set it in stone. Fifteen years after the foundation was created, when the Board began distributing the enormous proceeds of the DFS sale, there were still no rules on how much should be given away each year or for how long. Harvey Dale reminded the members in a confidential 1997 memo that the grants need not be limited to amounts that would keep the endowment intact. "We are not confined by any requirement," he wrote, that the foundation last forever. He added, to no one's apparent surprise, that the total annual grants he and Mr. Feeney recommended to the Board would sometimes exceed the level at which the foundation could be self-perpetuating.

Nonetheless, the first official statement that this was actually Mr. Feeney's preference did not come for another two years after that memo. In 1999, at a Board meeting at the Cornell Club in New York, Mr. Feeney read a short, prepared statement noting that the foundation's total donations would be close to $400 million that year, a

2. To encourage candor, interviews for this report were conducted anonymously. On rare occasion, with a source's consent, a quote may be attributed to someone by name, but only when the identity of the speaker is essential to the significance of the quote.

level that, if sustained, would use up the endowment and all earnings within two or three decades. He then proposed that annual outlays be increased to $450 million and that the Board consider setting the foundation's life expectancy at 20 to 30 years.

Seeing no need to foreclose its options at that point, the Board reacted favorably to Mr. Feeney's statement but took no formal action, nor did the founder ask for one. As at least one Trustee remembers it, "We really didn't see any need for a formal decision. We knew what Chuck wanted to do, and there was such reverence for him around that table that there was no way anyone was going to oppose it. On the contrary, there were a number of us on the Board who had concerns about the idea of foundations [operating] in perpetuity. But to some extent, the question was academic. If we kept on making grants at the rate we were making them, the spend-down was going to happen anyway. As a financial matter, a formal resolution was almost beside the point."

WHY SPEND DOWN?

The Trustees' "concerns about the idea of perpetuity" fell into roughly four categories, depending on the particular member and the issue under discussion at any given time. First was the risk, discussed at length in Andrew Carnegie's essay, that future leaders would eventually dilute or distort the institution's founding mission. This may have been an even greater concern for those closest to Mr. Feeney, given that he had not been inclined toward precise articulations of purpose and principle. In organizing the original Board and staff, and in later expansions of both, Mr. Feeney and Mr. Dale tended to select people who not only brought deep expertise in philanthropy and concern for the public interest but were also close to Mr. Feeney in worldview and temperament (though not necessarily personal friends). As he did in business, Atlantic's founder has preferred to pick people he trusts to run his philanthropy, and then leave them broad latitude for decision-making. But with the passing of time, there would be no reason to believe that future Boards would be similarly constituted, or that their choices and predilections would be compatible with those of the founder and the original Trustees.

A second belief about perpetual foundations, widely held at Atlantic, is that they can become, to use Harvey Dale's term, "sclerotic"[3]—

3. David Bank, "Some Foundations are Electing to Spend It All Now, Close Shop," *The Wall Street Journal*, Sept. 10, 2002, p. 1-C.

strategically hidebound, slow to change, and overly preoccupied with their traditions, image, and stature. Without the discipline of having to raise money or account to any authority, and without the prodding of a living donor, it would not be hard for a perpetual foundation to settle into lethargy or mediocrity—a point also raised by Carnegie. While it is not hard to name longstanding foundations of which none of these things is true[4], several Trustees readily cited institutions that they considered prime examples of their worst fears. And they were determined that Atlantic would not go down that path.

A third concern about perpetuity was largely personal, both to the founder and to some of the original staff and Trustees. As several early participants pointed out, donating money and accomplishing good work is invigorating and fulfilling in a way that establishing a perpetual endowment is not. For an entrepreneur like Mr. Feeney, a key satisfaction of making any investment had always been the pleasure of seeing what it accomplishes. The point of his massive donation was partly to experience the joy of giving, not just its solemn obligations. "If you want to give it away," he said to Conor O'Clery many years later, "think about giving it away while you are alive, because you'll get a lot more satisfaction than if you wait until you're dead. Besides, it's a lot more fun."

'DOING SOMETHING BIG, RIGHT NOW'

Finally, and most strategically, keeping a foundation alive in perpetuity requires holding grants to a much lower annual sum, in most years, than is possible if the endowment is allowed to decline to zero. Most perpetual foundations target their annual expenditures at the legal minimum, around 5 percent of their endowment's value, averaged over the previous three years. Though Atlantic's total giving fluctuated widely throughout its first 15 years, tracking similar fluctuations in its resources, by the end of the 1990s outlays were hitting 10 percent of the endowment and sometimes went higher. The reason was that Mr. Feeney, Mr. Dale, the staff, and Trustees saw large, dramatic philanthropic opportunities and opted to seize them, without much concern about whether the annual totals would lead to perpetuity or not. Commitments to expanding research institutions in Ireland, building health centers in Vietnam, strengthening civil society and human rights organizations in the United States (to name a few big-ticket endeavors) all placed outsize claims on the portfolio in

4. Including, arguably, Carnegie's own charities, which operate (ironically, some might say) as perpetual institutions.

the early years. But all of them, in different ways, represented historic opportunities to make a significant, lasting change in the way some aspect of human well-being was pursued and sustained. In short, a culture of "big bets" has prevailed at the foundation from its earliest years, largely as an outgrowth of Mr. Feeney's expansive philanthropic ambition and his history as a builder of huge new enterprises.

Yet although the language of "big bets" has gained considerable currency in and around the institution—the phrase is widely used by staff, Trustees, and some grantees—the decision to spend down was based not solely on the ability to make large grants. It had even more to do with the ability to make a critical difference *now*, creating social forces whose benefit to humankind, over time, would exceed even the best financial return on an endowment left perpetually in the hands of investment managers.

As one staff member put it, "If you're able to put money into the ground on projects that generate a social return, and that compounds at a higher rate than your financial assets would—in theory, that's the argument for spend-down. In theory, if you give all your assets now to a project that is going to create amazing social returns that will then compound rapidly, you're going to do more good than if you just took your assets, held them for 100 years, generated a massive financial return, and then gave them away at the end."

A Trustee put the thought more succinctly: "You're much more likely to make a difference by doing something big right now than by dribbling the money out to the end of time."

Though deeply held throughout the foundation, this principle is as much a matter of aspiration as of demonstrable fact. There is no guarantee, of course, that the foundation's philanthropic "bets" will necessarily result in more social value than could have been achieved over longer periods. As another Trustee acknowledged, "No one has ever been able to show, with evidence, that a big grant today is worth more than five smaller grants in the future. Obviously, it all depends on what the grant is for, what difference it makes now, and what changes it leads to later. There's no magic about spending down that assures you a better result than you could get otherwise. But spending down, at the scale and pace that we're doing it, on the issues we're focusing on, gives us an *opportunity* to do greater things than could be done in dribs and drabs over an indefinite future. It gives us something to strive for that would have been largely foreclosed if we were going to operate in perpetuity. Whatever you may think of perpetuity, it doesn't give you the *option* of putting a huge percentage of your

chips on something you think is ripe right now. At Atlantic, we can do that. Whether we do it wisely or not—well, that's a separate question."

THINKING ABOUT THE CONSEQUENCES OF SPEND-DOWN

The decision to limit the foundation's life triggered, in turn, many other decisions over the next eight years that will be the subject of the rest of this report. The first and most obvious was "how long a life?"—a question that would depend in large part on how much the Trustees chose to spend each year and how long the endowment could support that level of spending. Mr. Feeney's 1999 prediction that the endowment could survive 20 to 30 years with outlays of $450 million a year proved to be optimistic, especially given the harsh effects on the portfolio of the recession that hit a year later. So how long should the foundation survive, and at what level of annual donations?

Answering those questions called for detailed analysis and frank discussion, neither of which had yet taken place in 1999. Meanwhile, the high level of annual grant commitments continued, and in fact was rising. In late 2001, when John R. Healy succeeded Harvey Dale as the foundation's CEO, he quickly saw that the quiet, often unspoken understandings that had long characterized the foundation's governance—including the never-formalized decision to spend down—were going to have a profound effect on his budget and management of the organization. But he wasn't sure exactly what that effect was supposed to be.

Although he had served for years as senior vice-president, overseeing Atlantic's activity outside the United States, the new CEO had not been intimately involved, as Mr. Dale had, in the financial management of the organization. It was only when he stepped into the top job that he began to reckon fully with the effect that the enormous annual outlays would eventually have on Atlantic's finances, program, and personnel. It was time, he felt, to raise these questions explicitly and begin making longer-term plans to answer them.

"I went to the Board and said, 'Look, it seems to me as if we are spending this foundation down," Mr. Healy recalls. "That's what the figures tell me. But we've never taken a decision to spend it down. I think we should address this issue and decide: are we here for the long term, or are we not?' " The need for a decision was more than a formality, he explained. "If you are pursuing a policy of committing your resources which will have the inevitable end effect of running down the

foundation, but you don't make an explicit *decision* to run down the foundation, you are storing up a whole heap of trouble for yourself—trouble in terms of the staff, who are not stupid and can do the maths and will be able to see they won't have jobs—and trouble in terms of your grantees, to whom you always owe honesty and clarity. I just felt that this was a big gray area."

In Mr. Healy's view, the prospect of a limited life not only meant that staff would have to make future career plans, and grantees would have to prepare for the end of Atlantic support, but that grantmaking would need to become more focused, with a clearer sense of what the institution wanted to accomplish by the time it shut its doors. He felt that the program would need to concentrate in fewer areas of activity, in which it could plan for significant achievements in a set number of years.

The methodical quality of this approach was a marked departure from the more enterprising style of Mr. Dale and Mr. Feeney, who both preferred to keep options open and not set predetermined limits on their activity. (Once asked about his approach to planning, Mr. Feeney is said to have answered, "In my experience, one good opportunity leads to another." His philanthropy had largely followed that maxim for close to 20 years, and in many respects it still does.) Nor did all Trustees at the time share Mr. Healy's belief that narrowing the foundation's program interests was a necessary aspect of spending down wisely. "The evidence we can look at," one Trustee said, "would persuade me that at least sometimes you have tremendous impact with relatively small amounts given in a lucky or judicious manner in areas where you hadn't originally planned to invest. It can't be proved that by focusing on a small number of things you get more impact than with a more open-ended program." All the same, the Board was persuaded by the end of 2001 that the time had come for more explicit planning and decision-making to hone the program and determine the course of the spend-down.

So at the end of January 2002, the Trustees gathered for a strategic planning workshop to determine, among other things, the fields in which the foundation's program would concentrate for the remaining years of its life. They chose six possible fields of activity for exploration and, over the course of the year, eventually winnowed the list to four: Disadvantaged Children and Youth, Aging, Population Health, and Reconciliation and Human Rights. How the work in these four areas would play out over the foundation's remaining years, and how the scope of work could be tailored to suit a limited lifespan, would be decided in a more detailed planning exercise, conducted by staff and consultants, that continued for roughly 18 months more.

RUNNING THE NUMBERS, SETTING A DATE

The retreat took place in an atmosphere of plenty—the portfolio had grown by close to $1 billion in just the past two or three years—but that was soon to be altered by the recession of 2000-2003. Yet even before the recession took its toll, Trustees began to see that their hopes for longevity and annual giving would have to be scaled back. Based on projections from David Erskine, the chief investment officer, the Board felt it could set only a 15- to 18-year lifetime for the institution, with total outlays averaging $400 million a year, running to 2016 or slightly later. That was both a shorter life and a lower yearly payout than Mr. Feeney had hoped for when he outlined the idea a couple of years earlier.

It would not be long before the full effect of the recession would cause Trustees to trim the targeted annual payout even more, at least temporarily, to $350 million. Still, even if the numbers were more limiting than some had imagined, Board members expressed satisfaction, and in some cases relief, at having at last come to grips with the basic arithmetic of spend-down, setting a tentative timetable, and beginning to envision what the founder's remarkable act of philanthropy would accomplish before it concluded. (And yet, as Mr. Healy was quick to point out, they did all this "with no formal resolution.")

Aggregate spending over Atlantic's remaining years, assuming a modest return of 5.6 percent on the portfolio, was estimated to approach $7.5 billion.

PORTFOLIO, PROGRAM, PERSONNEL

With the retreat concluded, a raft of finer-grained questions now awaited analysis and decisions—among them how to manage finances for a 15- to 18-year spend-down, how to prepare grantees for Atlantic's departure, how to ensure lasting effects from the remaining years of philanthropy, and how to retain necessary expertise on staff until the end. The next three sections review these questions and how Atlantic has addressed, and periodically revisited, them over seven years following the 2002 retreat. The structure of these next sections of the report borrows from an observation by Harvey Dale that "AP comprises assets, programs, and people." The next three sections accordingly deal one-by-one with these three primary elements. A fourth section considers how the three component parts interact with one another in planning and managing the overall conclusion of the foundation's work.

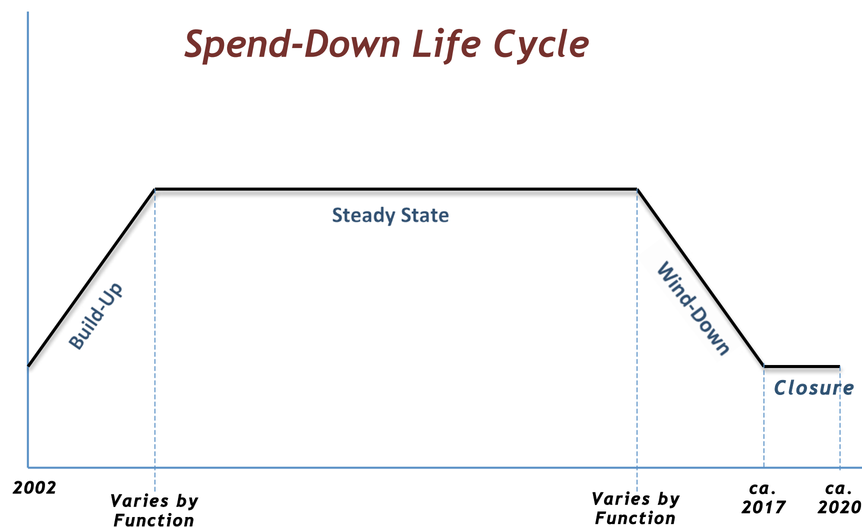
2.

PORTFOLIO

MANAGING INVESTMENTS AND FINANCES FOR LIMITED LIFE

Once the Board had finalized the decision to spend down, John R. Healy recalls, "we very quickly realized that we had to do something that nobody had thought of prior to the decision's being made: that is, we had to completely change our investment policy, our asset-allocation policy. Because once we were within a defined, or reasonably clearly defined, timeline, it was much more important for us than it would be for a long-term foundation to be assured of the availability of money. We had to therefore take a certain amount of risk out of the investment portfolio in order to have that assurance of stability."

In the grantmaking program that Mr. Healy imagined, and the Board generally supported, financial stability was crucial. After an initial period when the new program areas would be planned and launched, the total budget was expected to build, over two or three years, to the target level of $400 million a year and then to stay reasonably steady for 10 years through the end of 2016. There would then be a few more years to make final payments and wind down. What came to be known as the "steady-state" model was later diagrammed this way:



To provide for this kind of stability over a limited lifespan, the portfolio could no longer be managed the way it would be at a perpetual institution. With an unlimited time horizon, a perpetual foundation can invest a significant portion of its resources, often 60 percent or more, in longer-term and riskier assets, knowing that, in any given year, it will only need to pay out 5 percent or so of its endowment. In a bad year, when the portfolio suffers market losses, the grants budget might have to be tightened a bit; but any shortfall can be made up with larger grants later. There is always time and opportunity to make back the losses and increase payouts when conditions improve. Eventually, higher risks and limited liquidity usually lead to higher returns, so the perpetual foundation's strategy maximizes value in the long run. But it also severely limits the foundation's ability to come up with exceptionally large amounts of cash in the near term, and can lead to significant shorter-term volatility.

That, in essence, is what Atlantic's investment portfolio looked like in the years leading up to the Board's decision to liquidate the foundation gradually. At that point, the endowment was still heavy with equities—a form of investment that promises healthy returns over many years but can suffer severe short-term losses. The foundation's investments were mostly in the hands of what one observer called "long-term traditional managers," experts who might have performed the same service for any number of other large foundations, as many in fact did. Atlantic's market exposure was therefore high, and as if to demonstrate the risks that such exposure entailed, the bear market of 2000 to 2003 took a severe bite out of the endowment's value just as the Board was deciding on the future of the institution.

In most foundations, losses like those of 2000-2003 would normally have been only a blip, a temporary concern, that would correct itself over the long run. For a spend-down institution, by contrast, there isn't much of a long run to make up for short-term losses. In fact, with the liquidation clock now officially ticking, the "run" stretched out not much farther than 15 years and would become steadily shorter year by year. Each year, a shrinking portfolio would have to provide a large, steady, and reliable amount of cash, with fewer and fewer years in the future when lost value could be recouped. Illiquid investments in Atlantic's portfolio—which even today includes a number of business and real estate holdings—would have to be unwound responsibly, before the value of these assets would be needed in the form of cash to fund grant commitments.

Put simply, Atlantic's investment managers faced two related demands that are far less worrisome to their colleagues at perpetual

foundations: the need to *limit volatility* (i.e., avoid the risk of sudden drops in asset values) and to *ensure liquidity* (remain able to convert assets to cash when needed).

The simplest, surest way to meet both requirements would be to invest like a savvy pensioner: place most or all of the portfolio in index-linked bonds whose maturities are matched to expected annual payouts. But that would produce considerably less return than any of the budget forecasts had projected. Real yields on 10-year index-linked bonds are around 2 percent, and lower for shorter maturities; the expected real return on the Atlantic portfolio is close to 6 percent. This approach would mean that Atlantic would have to donate less money each year, shut its doors earlier, or perhaps both.

In a 2008 article, Philip Coates, who succeeded David Erskine as the foundation's Chief Investment Officer, explained the solution that he and Mr. Erskine had proposed, and that the management and Board approved in 2003:

> Atlantic's approach has. . .been to structure a portfolio which seeks to generate attractive returns over its limited life, but also seeks to protect capital better than a typical long-term institutional portfolio during periods of market stress.. . .Atlantic also seeks to have an asymmetric expected risk/return profile—i.e., for the expected upside volatility to be higher than the expected downside volatility. This is achieved in practice by investing heavily in absolute-return investment managers: both hedge funds and private equity (the latter for only as long as the remaining time frame is long enough to allow full investment and liquidation).[5]

The virtue of this approach, some Trustees and staff members suggest, was demonstrated in the run-up to the recession and financial crisis of 2008. Toward the end of 2006, the Investment Committee approved a recommendation from Mr. Coates to liquidate all the foundation's remaining market-related assets, a mixture of global equities, bonds, and commodities, which were worth close to three-quarters of a billion dollars. Combined with the significant cash that the portfolio already contained, the sale made for a far more conservative asset mix than would have been normal at a traditional foundation. Some observers questioned the sale at the time, suggesting that it was too soon to withdraw entirely from a market that was still rising steeply. But just two years later, with the market in free-fall, the decision seemed much more prudent: it resulted in Atlantic's endowment

5. Philip Coates, "Structuring the Investment Portfolio of a Limited Life Foundation," in *Effect,* a magazine published by the European Foundation Center, Winter 2008, p. 29.

suffering much smaller losses than were typical at most other foundations. At Atlantic, the peak-to-trough loss during the 2007-2009 financial crisis was 16 percent; many similar institutions suffered twice that, and some more.

AN 'EXOGENOUS' ALTERNATIVE

The reliance on hedge funds and other actively managed investments has remained the essence of Atlantic's portfolio management since the Board endorsed it in 2003. It has enjoyed broad support on the Board and its Investment Committee ever since. However, at least one Trustee, Harvey Dale, has questioned the presumption that the entire portfolio needs to be managed for eventual liquidation. Would it not be better, he has asked, to accept less liquidity and greater volatility, in the interest of earning a higher return and amassing greater charitable resources? True, that would mean that some non-cash assets would remain in the portfolio at the end of Atlantic's life, presumably because they were not or could not be sold earlier. But these could then be transferred as charitable resources to some other organization—perhaps a grantee or a public-interest institution willing and able to manage them according to Atlantic's instructions.

In Mr. Dale's view, the foundation would open a world of possibilities if it began to think of itself "exogenously"—that is, as a collection of resources, talents, and ideas that will live on in the world long after Atlantic has closed its doors. The "exogenous" view, he wrote in 2007,

> might suggest that the relevant investing horizon is not necessarily ten years [or less], but rather might be longer because of the ability to hand off more volatile, less liquid assets to others. . . .If markets are favorable in the near term, this sort of strategy would provide more assets to spend or disburse for charitable purposes. If markets are unfavorable in the near term, we could plan to hand off (or sell) the more volatile, less liquid portions of our portfolio to other foundations, grantees, or investors who, by holding and managing them over a longer time horizon, would be able to realize the higher total returns that should flow from them.[6]

The exogenous approach would have other consequences, too, touching on program strategy and human resources, which Mr. Dale considers even more significant than the financial implications. Some of

6. Harvey Dale, "Re: Exogenous AP," an undated memorandum to the Atlantic Philanthropies Investment Committee, presented at the meeting on 20 September 2007, p. 1.

these will surface under later headings in this report. But as a matter of investment strategy, his proposal has thus far encountered skepticism among fellow Trustees and Atlantic management. Although no action has been taken on his ideas at the time this is written, some Board members have expressed unease at the prospect of Atlantic assets being preserved intact beyond the end date, an idea one Trustee described as "shadow perpetuity—just extending the life of the funds indefinitely beyond the life of Atlantic."

Several others, both on the Board and on staff, note that a donation of relatively illiquid assets would be feasible only if the recipients are large institutions with sophisticated financial management experienced in handling these kinds of assets. As one person summed it up: "If you hold onto these [illiquid investments], as your remaining timeframe shortens, you might hit a point where you don't have any liquid assets to pay grants. And so then the question becomes, do you give grantees bits of the illiquid assets?. . .If you've got large grantees, like Cornell University, it may well be that they can take these assets. But. . .my guess is the vast majority of our grantees would not be able to handle them."

The idea might pose hidden costs as well, said one Investment Committee member: "For example, what if we were to say to another foundation involved in aging, 'We've got big chunks of private equity assets, and we are prepared to make those over to you. And in return you would in some way underwrite the program areas that Atlantic has committed to, and maybe some of the grants, and maybe absorb some of the staff.' Seems reasonable enough. But it's going to be more complicated than it might appear: Are there going to be legal obligations? What happens if in the last few years the more risky assets decline more than you expected in value? Would another organization be picking up the grantmaking slack? There's a lot of detail in this, and that means a lot of time for a whole range of management, and maybe legal staff. And maybe a lot of cost to resolve it all."

As of the time this is written, the idea has arisen several times at meetings of the Board's Investment Committee, but with no formal resolution. In the meantime, the portfolio has continued to be managed with the expectation of providing liquidity straight through to the end of Atlantic's intended life. In late 2009, the committee also decided that no additional investments would be made in the endowment's most illiquid asset: shares in General Atlantic, a global growth equity firm that was originally created by Mr. Feeney specifically to manage the foundation's capital, but that now provides investment services worldwide. General Atlantic's portfolio is designed to maximize

long-term return but is not aimed at the kind of shorter-term liquidity that Atlantic's investment plan calls for.

PLANS VS. REALITY

From the beginning, Mr. Healy and the Board acknowledged that the elegance of the steady-state plan was too tidy to serve as a literal formula for grantmaking. If nothing else, the 2001 recession made it immediately clear that real-world events would sometimes disrupt the smooth simplicity of the model. Even so, they believed that it served as a useful planning tool, as well as a helpful discipline, to keep expenditures on track until the end. Without such discipline, several Trustees said, it would be difficult or impossible to forecast a reliable end date, plan long-term relationships with grantees, and pursue philanthropic objectives that might take several years of steady grantmaking to achieve.

The relative predictability of the steady-state model had advantages for investment management as well, as one member of the Board's Investment Committee explained: "When we were designing the spend-down and the investment strategy, . . . we were always talking about spend-down as plus or minus 50, maybe 100, million dollars a year. You can't manage it with a greater degree of certainty than that, when you're operating at our scale. You may want the flexibility to seize opportunities available to you in grantmaking. But it was felt to be essential to have some view of what the expenditures were going to be year by year, and how you'd meet those with the investment portfolio. It would be much harder to manage the portfolio responsibly if we couldn't rely on a reasonably steady level of payments year-on-year."

But Atlantic had never been the kind of institution that adhered dutifully to plans and disciplines. Mr. Feeney, among others, was predisposed to seize opportunities when they appear—even (or especially) if they are big opportunities that demand large-scale investment in exchange for the promise of dramatic social benefits. Almost as soon as the model and timeline were adopted, annual grant commitments began exceeding the prescribed totals. For a time, as the 2001 recession ended and the portfolio resumed its steady growth, the high level of proposed spending drew some expressions of concern from the Board, but not much alarm.

By 2005, however, alarms were beginning to sound. A number of exceptional grants had driven commitments well above the approved target, and by midyear, senior managers and Trustees were asking the

foundation's investment staff to assess what effect this level of commitments would have. At the Board meeting in September 2005, Philip Coates and John R. Healy presented an analysis, previously reviewed by the Investment Committee, showing that the current commitments, though unplanned-for, "can be handled without undue risk" because of the strong performance of the endowment portfolio in recent years. However, "further unbudgeted commitments," they reported, "put at risk our ability to achieve the agreed-upon goals in the four programmes, to manage grantee relationships smoothly, [and] to exit responsibly from the programmes." By this time, Mr. Healy and the investment staff were basing their projections on an 11-year horizon, with $300 million in grant commitments in 2006, and $350 million a year thereafter, throughout the ten-year "steady state," until 2016. That plan, Mr. Coates and Mr. Healy concluded, would be "consistent with the size of our endowment and our expected investment returns."

But as the presentation continued, Mr. Coates and Mr. Healy then asked: "What room is there for additional unbudgeted grants?" The succinct answer, printed in italicized capital letters on a presentation slide: *"NOT MUCH."*

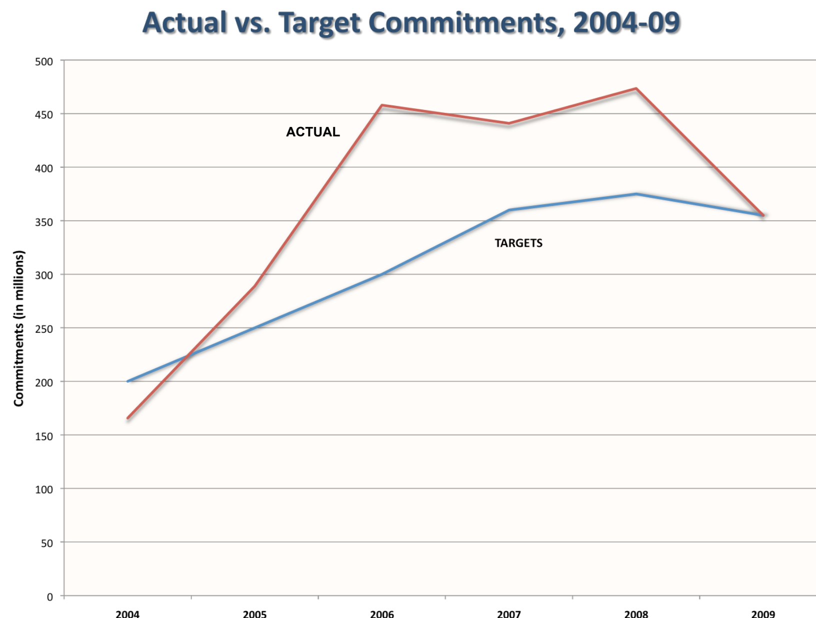
To demonstrate the point, they presented a scenario analysis showing what would happen if the portfolio were to earn "normal," "lackluster," or "bad" investment returns. "Normal" was defined as 6.5 percent real returns each year, consistent with the endowment's past performance. "Lackluster" was defined as 0 percent earned for the rest of 2005 and for 2006 and then a resumption of normal returns; "bad" was defined as zero earnings the first year and a 10 percent loss in the next, with normal returns resuming after that. Under each of these scenarios, they then presented the effects of either (a) staying within the approved "steady-state" grants budget—with and without the over-budget commitments already made—or (b) continuing to exceed the budget by $20 million a year for the next four years.

With normal or lackluster returns, the portfolio could support the current budget (even with the recent over-commitments) as planned, all the way to the end of 2016. A bad performance would shorten that plan by a year. If the budget were to be exceeded by $20 million a year for the next four years, however, only a normal-or-better portfolio performance would keep the steady state going through 2016. A lackluster or bad market would shorten the plan by one or two years, respectively. They emphasized that a dollar lost today, whether from a market downturn or increased spending, does more harm to the plan than a dollar lost four years from now, because that dollar will no longer be earning returns to feed future commitments.

In short, if the institution were to proceed on its planned path, annual grant commitments would quickly need to fall within or close to the yearly targets. “Programmes need some certainty about their life and investment levels, if we are to achieve desired impact,” Mr. Coates’s and Mr. Healy’s last presentation slide concluded. “If investment returns decline sharply, all bets are off!”

Several Board members spoke up to endorse the presentation and its recommendations, predicting (in the words of one Trustee) “drastic and unwelcome consequences” if the foundation were to have to reduce its life expectancy or severely curtail its annual donations.

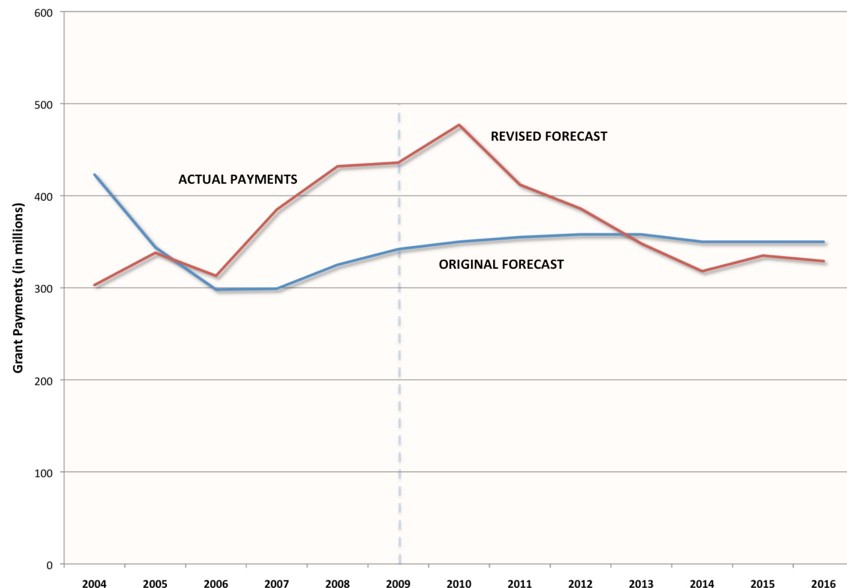
Balancing these considerations, however, was a countervailing concern that the foundation might fail to meet its annual spending targets in future years. As it happens, total grants committed for 2004 were below that year’s target of $200 million, though it turned out to be the last year in which that would be true. At two Board meetings in 2005, Mr. Feeney noted that it would not be easy to distribute $350 million a year with confidence that the money would achieve a significant effect. Seizing immediate opportunities of great scale, on the other hand, might offer a better chance of achieving great ends, even if doing so would limit or disrupt some longer-term plans. In his view, spending too quickly and boldly would be a lesser evil than spending too slowly or too timidly. Without resolving the issue in any formal way, the Board concluded, after Mr. Coates’s and Mr. Healy’s presentation, that it would like to remain on what was, by then, a ten- to 11-year steady course, meeting but not exceeding its yearly grantmaking targets. This was effectively the course that Mr. Healy and Mr. Coates had recommended.



[Note: figures for 2009 are estimates as of the end of the third quarter.]

Fortunately, the next two years did bring continued market growth, and with it a strong performance by Atlantic's investment portfolio. Mr. Coates's "normal" scenario was actually exceeded in 2006 and 2007 (the Standard and Poor's 500 index clocked a 15.6 percent return in 2006 and 5.5 percent in 2007, while Atlantic's returns were 14.3 percent and 14.8 percent, respectively). So although Atlantic's grant commitments continued to run well above their targets in both years, investment returns were good enough to cover the outlays. But in the much harsher market of 2008, grant commitments were again above the targets, exceeding the budget by more than $100 million. Most of these grants were in the form of multi-year commitments, so payments would continue over the next two to four years. As several Trustees had pointed out in successive meetings, strong markets do not last forever, and excess earnings would someday be needed to provide for leaner times.

The global financial meltdown of 2008 soon drove this point home. Although Atlantic's portfolio performed significantly better than average through this crisis, its ability to cover even budgeted levels of grantmaking suddenly seemed much more tenuous. Investment staff was asked late in the year to prepare an update on the endowment, and their analysis, delivered at the beginning of 2009, was sobering: Market losses and continued payments on big commitments had pushed the current value below what the original grantmaking plan had contemplated. Further over-commitment could soon "lead to the need to sell attractive assets meant for the longer term at currently unattractive prices." If this continued, the result could be a liquidity crisis in three to four years' time: "Due to current market conditions,



we are forced to sell our more liquid assets to cover payments, leading to the portfolio becoming more illiquid, which could become a problem if markets do not recover within a few years." In the worst case, if current market conditions persisted or worsened, the foundation might find itself without enough cash on hand to make even those grant payments that it had already committed, although this would not happen for several years.

Annual grant targets were promptly trimmed. The 2009 budget, which had initially been set at $375 million (the inflation-adjusted equivalent of the $350m steady-state target), was summarily cut by $20 million in mid-year. Program staff scrambled to revise grantmaking plans that had been months, sometimes years, in the making. Still, because earlier budgets had been based solely on commitments, rather than actual payments, there was little the foundation could do to trim the "tail" of already-promised payments that earlier commitments had set in motion. In June 2009, the grant tail consisted of some $850 million in committed dollars that were yet to be paid—a sum that placed a priority claim on future cash flow for several years. If the foundation was going to manage its annual cash disbursements more carefully from now on, as investment officers were recommending, it would have to begin budgeting cash payments, not just commitments. And it would have to adhere to the budgets it made.

The change may seem obvious, but it was a profound shift to an institution in which commitments, not payments, had long been the sole unit of planning. As Atlantic was learning the hard way, budgets in which grant commitments are held steady do not necessarily lead to a steady outflow of cash. For most of its history, a grant commitment at Atlantic may have extended over as many as five years—or it might have been paid out all at once. Knowing that the institution committed $350 million in Year X gave no clear indication, by itself, of how much money would actually flow out of the foundation accounts in Year X or Year X+1 or any of the next three or four years after that.

Even so, until recently Atlantic's financial managers had made a dependable science of forecasting how much cash would be needed to fund annual commitments and then ensuring that the portfolio would supply the necessary liquidity. Their models ran into trouble, however, with the confluence of three developments that together upended many of the assumptions on which the forecasts had been based. The first of these developments was the surge in grant commitments above the annual targets, beginning in 2006. Second was the effect that the 2008 market crisis was having on grantees, many of whom were experiencing sudden drops in funding and turning to

Atlantic for emergency aid. (When major human-rights funders like the Jeht and Picower Foundations collapsed in the Bernard Madoff debacle, Atlantic took the lead in forming a foundation consortium to help grantees whose promised support had just evaporated.) The third factor was the U.S. national elections of November 2008, which brought to office a president and Congress more inclined toward some of Atlantic's program initiatives. The resulting opportunity for additional grants on U.S. domestic issues—many of which were quick projects calling for immediate payouts—drove up both the commitments and the cash outflow in 2009 and beyond. All of this was happening at a time when the liquidity of the portfolio itself was worsening because of the financial crisis and the market environment.

These were serious pressures, but they would likely have been more manageable in the foundation's earlier years, when coffers were full and timelines were fluid. Now, though, when the endowment had fewer and fewer years to recoup any lost value, a sudden drop in capital combined with a surge of outlays posed grave problems, both immediate and longer-term.

In 2009, for the first time, program staff began working with annual payment caps, to ensure that money would be available when promised. The new plan called for a gradually declining annual expenditure on grants and operating costs: less than $550 million in 2009, $500 million in 2010, $450 million in 2011, then $400 million in 2012 and beyond. In effect, these adjustments would gradually bring the foundation back into line with the original steady-state plan that had been drawn up before the mid-decade boom years of big grants and high returns. But although the financial adjustment would be gradual, the change in operating and budgeting practice would be immediate and pronounced. A whole institution trained to think in commitment terms will now be focusing on cash flow as well.

One staff member clarified the change this way: "It's not that we never tracked cash before. Whenever commitments were made, there was always a very good process for tracking the payments; it was all very well controlled. But there have never been limits put on the aggregate amount of cash that goes out in any given year, because it always just kind of worked out okay. Some grants had very long tails; some had shorter tails. But on average, there was never a problem. Now there is, and now we're going to start thinking about payments first, rather than as an afterthought."

BACK TO A STEADY STATE

Despite the financial vicissitudes of the first eight years, a senior Atlantic official predicted in late 2009 that "we're not going out of business any earlier" than 2017. "We have a plan that requires periodic adjustment. At one point, it looked like we could spend at a steady state of $350 million in 2007 dollars, and for a time it even looked like we could go up a bit. Now a more conservative estimate would have us spending somewhere upwards of $300 million, but not as high as $350. The numbers could go back up, but we're trying to take as conservative an approach as possible. The grantmaking budget came down a bit this year [in 2009] and it will come down a bit in 2010. This will be the first year that we will end right on target with grantmaking. . . .But we don't have a margin for error. So if the annual number has to be adjusted, it will be. But the timeline isn't going to change significantly."

Senior managers have intensified their review of commitments, payments, and returns on the portfolio, conducted frequently throughout the year. Between reviews, an internal management "dashboard" contains the most current figures showing where cash payments and commitments stand relative to forecasts. These reviews and forecasts are not new—they have been part of the foundation's routine financial management since the start of the spend-down. But both staff and Board members say they have become more vigilant in monitoring and adjusting for any major deviation from the long-term plan. One manager who participates in the regular regimen of comparison and adjustments describes the process this way:

"We keep what we call a 'spend-down model,' which is simply an [electronic] spreadsheet which projects out the spend-down path. Inputs into it include the expected portfolio returns, expected liquidity from various segments of the portfolio, the tail of current grants already committed with their expected payouts, and assumptions for future annual commitments for grants and their payouts, as well as expected operating costs. We also track where we are from an asset value perspective versus where we expected to be when we first did the model. We expect variation around the central expected spend-down line, but if the variation gets too big, we can adjust up or down the future grants to enable us to finish at the right time. We actually run two versions of the model: a normal-return and a reduced-return scenario. We can also use the model to run as many different scenarios as we see fit, and have done so at different points in time."

Barring a serious market setback, managers believe that the process of review and revision comes in plenty of time to restore the prospect of a steady state of grantmaking through 2016, with a wind-down and conclusion thereafter. The net result of the decade's great fluctuations—the recessions in 2000-03 and 2008-09 and, in between, the bull market of 2005-07—has been to bring the value of the endowment back in line with original forecasts. Though strained somewhat by years of above-target commitments, the original model has been essentially re-established, with slightly reduced activity in the near term. From there on, the discipline of periodic reviews and corrections is designed to keep the model on track, or to revise it in a thoughtful way, before the final years in which there will be no remaining room for adjustment.

3.

PROGRAM

FORMULATING GOALS, ENVISIONING A LEGACY

In June 2008, Gara LaMarche, who had succeeded John R. Healy as Atlantic's third CEO some 18 months earlier, wrote to the foundation's Board that it was "time to start thinking and planning" for the foundation's concluding stages. "We have a plan for assuring the flow of funds to maintain a planned level of grantmaking" between now and the expected end-date, he wrote. "We have a plan for assuring the stability of key staffing. We do not have a plan for leaving the fields and countries in which we work in a manner that protects and sustains the investments we have made. We have some ideas, and it's not a matter to which no thought has been given. But we do not have a plan, institution-wide or within particular programmes or regions."

"We won't have a meaningful legacy," he continued, "much less the kind we might wish for ourselves, if we don't think about this now—if we don't imagine the end of Atlantic and work back from there."[7]

The statement was a blunt but fair summary of where Atlantic stood less than a decade before it was scheduled to end its operation. It was certainly not true that the foundation had done no program planning. But it had done little or no planning that focused specifically on how the programs would *end,* by what time, and with what final results. At the time of Mr. LaMarche's paper, program staff were midway through their second major round of strategic planning, a process that he had set in motion soon after taking over as CEO. The first round, in 2002-2003, had constituted the beginning of the streamlined, four-field program mix that Mr. Healy and the Board had decided on shortly after deciding to spend the foundation out of existence. In that exercise, the goal had not been to "imagine the end of Atlantic," but something like the opposite: to outline the goals of four substantially new programs on children, aging, health, and human

7. Gara LaMarche, "The End of Atlantic as We Know It: Time to Start Thinking and Planning—A Thought Paper for the Atlantic Board," unpublished manuscript, June 23, 2008, p. 1.

rights; to design a strategy for them; and to set them in motion. It was an exercise almost entirely devoted to beginnings, not endings.

"It was too soon," said one senior manager at the time, "to be planning particular accomplishments by particular dates. We were setting strategies up, not winding them down yet. The whole idea of the steady state was that we were going to go into these fields, we were going to have a clear strategy, but we were also going to learn, see what worked, build on the promising bits and shift away from other things. The time would come later, once we had a sense of what was really taking hold, when we could start to say, 'We're going to start winding this down, we're going to redouble our efforts on that, and we're going to end by trying to accomplish these two or three big things by Year X.' "

A LEGACY OF LASTING CHANGE

In short, the strategic vision that governed Mr. Healy's years was not primarily one of a philanthropy shutting down, but of one building up. Still, that does not mean that the Board and management were not preoccupied with questions of legacy, more than might be typical at other foundations. In fact, arguably the first word the Atlantic Philanthropies published on the subject of its spend-down, at the top of a paper prepared by Mr. Healy in March 2003 and co-signed with Mr. Feeney, was "legacy." Under the general title "Legacy and Purpose," and the opening heading "Legacy," the statement's first sentence read, "Our vision of the future of The Atlantic Philanthropies is to create a legacy, through our work, which is worthy of the generosity which brought us into existence."

The statement announced that the foundation would "spend down our total endowment and expect this to take between 12 and 15 years. When we have spent down and completed our work we would like to be remembered for:

- Our belief in the value and importance of "giving while living"
- Philanthropy of enduring impact, characterized by
  – a tight focus on our programs and geographies
  – a willingness to place big bets and to make long-term investments
  – an accent on solvable problems
  – a readiness to take risks in the fields and geographies we tackle
  – a proactive, pragmatic, and entrepreneurial approach

- a willingness to support advocacy
- Our concern for the disadvantaged and vulnerable
- A modest and selfless operating style."

The statement then articulated a formal mission statement, the foundation's first: *"to bring about lasting changes that will improve the lives of disadvantaged and vulnerable people."* It added an additional "guiding principle": *"to demonstrate the value and benefits of Giving While Living. . .to increase the number of philanthropists who distribute their charitable funds while they are alive, and thereby to expand philanthropic funding."* Although it was meant as a formal corporate manifesto, the paper's vision of the foundation and its aspirations also appealed to Mr. Feeney on a personal level, according to a Trustee who spoke to him about it at the time. "He was very happy with it," the Trustee recalls, "and with the emphasis on disadvantage and vulnerability. Even when he was giving money to big institutions like research institutions and medical centers, and working with university presidents and hospital CEOs, he was always interested in how these grants were going to benefit disadvantaged people, both directly and indirectly. Those are the things that have always had real meaning for him. And this mission made that explicit."

In a briefing note to the staff the day after the Board adopted this statement, Mr. Healy expanded on how the new language would guide the scope of the four program areas and the completion of strategic plans on each of them. But like the statement itself, Mr. Healy's note to the staff expressly avoided any discussion about what substantive legacies might ultimately be hoped for, or precisely what "lasting changes" the programs might plan to make in 12 or 15 years' time. Rather, it said, "the Board shares the view of management and staff that our best learning about the new fields will result from actually making grants in them."

For all its introductory emphasis on completions, conclusions, and legacies, the body of the statement—and virtually all of the staff briefing that followed it—was essentially a broad articulation of philanthropic purpose. It would have been equally at home in any thoughtful, well-run, perpetual foundation. It was a first step in a new approach to grantmaking, but it was not a significant first step in spending down, at least not explicitly. To the extent that the message addressed the way the foundation would use up its endowment and complete its mission, the answer seemed to be: by being a top-quality foundation and seeking lasting, positive change, as any foundation might want to do. As one member of the Board later pointed out, "Nearly all foundations exit their programs sooner or later. We'll

be exiting ours. Yes, our exit will be a little more final than theirs, because we won't be around for a second act. But basically, the challenge is the same: to achieve something important and lasting in a long but not indefinite amount of time. We still had 15 years left, which is a lot longer than many perpetual foundations stay in a given field. So there was no reason for us, at that point, to be fixated on spending down. Our job was to worry about doing good, and doing it well."

Nor had the four new program areas been selected particularly for their fitness for a spend-down regimen. Instead, they were chosen primarily based on three criteria: the particular kinds of expertise represented on Atlantic's staff and Board, the depth of the social need in each of the countries where Atlantic worked, and the likelihood that the foundation could make a meaningful, long-term difference in the chosen fields. The search for broad program categories, a Trustee explained, had everything to do with identifying big philanthropic opportunity, and little or nothing to do with the spend-down calendar: "If you're going to spend out the money, then one of two things has to happen. Either you pick program areas where the problems are serious and complex, and therefore justify big grants, or you pick ones you think you can literally solve in six years. The latter would be very boring, and there would be very few of them—if any. So if you're serious about trying to tackle complex problems that have been with us forever, the decision to spend down only has to do with the *rate of speed* with which you apply assets in the hope that they'll make a difference. It doesn't determine what area you invest in."

Within the four chosen programs, however, Mr. Healy and the staff were charged with ensuring that the foundation's particular lines of grantmaking would fit the projected timetable and would reach a conclusion "worthy of the generosity which brought us into existence." In that respect, as one Trustee put it, "we did envision the program as being designed for a limited life. While it's true the program *categories* aren't necessarily time-specific, and weren't chosen with a deadline in mind, the things we decided to do *within* those categories needed to be very carefully delineated with our lifespan in mind. That wasn't something that we, as a Board, could do or ought to do. Selecting particular sub-fields and strategies and so on is a staff function, which we reviewed very carefully and made many comments and adjustments on. That is where all the lifespan calculations were made, and they were made very consciously and deliberately."

As another Board member put it, "If your main concern was taking on work that you could wrap up in 15 years, would you pick

disadvantaged children—who will always be with us? Obviously not. But there are a great many things you could do to benefit children in a lasting way that can be accomplished in 15 years, and that's true of most fields. So the challenge was to pick fields where we had confidence that we could do important things in the time remaining, and do them well. And that's what we did."

Not every Board member necessarily found the mission statement compelling; not everyone was excited about every field selected for concentrated effort. Some believed that a more deliberate match could have been made between the foundation's expected lifespan and its chosen fields of endeavor. Others felt that fine-gauged attempts at timing and predicting results were bound to err and therefore were not critical in designing a program. In any event, these were relatively minor disagreements and they quickly faded from discussion. Taken together, the Board decided that this mission, with these four areas of focus, offered what one of them called "a chance to do something historic, to leave a legacy commensurate with the kinds of resources we were about to put into it."

'FOCUSING THE MIND'

Even though the Atlantic grants program was not designed primarily in response to the decision to spend down, the presence of an end date on the distant horizon unquestionably had an effect on the way both staff and Board members thought about their work. Time after time, in describing how the programs took shape in those years, employees and Trustees invoked Samuel Johnson's maxim about how the prospect of a hanging focuses the mind. (Though often paraphrased, the quote as reported by Thomas Boswell is, "When a man knows he is to be hanged in a fortnight, it concentrates his mind wonderfully.")

So even though the initial program strategies drafted in 2002-03 contained little reference to the fact that they would all be ending in 15 years' time, there was a sense of urgency and finality to them, as one longtime staffer explains: "The bar certainly was higher. From now on, you would get a chance to fail only once. In most public-sector and voluntary organizations, you get to fail several times. You just redefine the problem, adjust the model, pat yourself on the back for learning a lot, and then try again. But here, it'll be just once. And therefore if you fail—so to speak, assuming you could measure that in our business—well, that would be your epitaph. Because you wouldn't have any way back."

One consequence of this "focusing of the mind" has been a preoccupation—visible from the earliest program strategies—with creating durable institutions, movements, and funding streams. The ultimate objectives of these four programs (healthy populations, equal opportunity for children and seniors, secure guarantees of human rights) are unlikely to be achieved in Atlantic's lifetime, as nearly everyone acknowledges. So a lasting "legacy," in most observers' view, would have to take one of two forms: either a significant leap forward, marking a profound and lasting improvement over current conditions, or else the creation of an engine of change that is capable of seeing the cause through to future success.

In reviewing program strategies, the Board insisted on four criteria that, as one member put it, "would make sure that we concentrate on doing something with permanent impact by the time we're done." First and most obvious was that proposals had to be consistent with the mission and the spirit of "Legacy and Purpose." Second, programs should normally be built around established organizations and leaders, so that time and money could be used in achieving results rather than creating new capacity from scratch. Third, in the same Board member's words, "there had to be leverage, with the state or public entities or from private donors as funding partners, to ensure the sustainability of whatever we're supporting." And fourth, programs should put a premium on improving public policy, which would ultimately affect far more people than the foundation—or even all of philanthropy combined—could accomplish on its own. Although some grants might represent an exception to one or more of these principles, the "big bets" would, as the Trustee described it, "need to tick all four boxes."

Nurturing durable institutions, organizing coalitions and networks of effective organizations, recruiting new donors, advocating for favorable public policies and government funding—all these goals feature prominently in the original program plans. And they have continued to play a central role, often becoming even more pronounced, in later revisions and updates. But in the original version of the program strategies, drafted at the start of a relatively optimistic period in global markets and politics, the drive to create complex, systemic reforms and lasting, well-funded movements seems especially bullish when viewed from the harsh economic climate of 2008-09.

In 2002, the Celtic tiger was roaring; dramatic reconciliation processes in Northern Ireland and South Africa had made advances that would have seemed fanciful just a decade earlier; economic and technological modernization was transforming Vietnamese society. Even

the United States—though deeply unsettled by the tech bubble, 9/11, and the impending Iraq invasion, and starting to feel the domestic-policy retrenchments of the George W. Bush years—seemed awash in new philanthropy and poised for a rapid rise out of recession. It was a time when the leap from innovation to lasting change seemed not merely achievable but predictable.

As a result, the most important challenge at the time seemed to be ensuring that the programs were pursuing the right innovations. In the years when the four programs were first being designed and implemented, it was the discipline of "logic modeling"—identifying, fueling, and arranging the forces of change for likely impact—that stood in the foreground of the foundation's thinking and planning. Spending down was an implicit, but often not explicit, part of that discipline. "There were the two things, and it's hard to disconnect them," a staff veteran recalls. "There was the spend-down, and then there was also the introduction of logic modeling, this notion of working to outcomes. They happened in concert. So whereas the spend-down was the broad discipline you had to apply, it was kind of like knowing you're going to die someday. It makes you want to do something positive during your lifetime, but it doesn't necessarily start you making funeral arrangements. So for example, it would have influenced us in those days: 'Well, there's no point in taking on something so long-term that it's way after our ending.' But the planning itself was of course shorter-term—we worked on three-year terms anyway. Both things governed how we thought and talked and wrote about these programs. But the shorter-term issues were the ones we had to wrestle with *now*. The spend-down was more of a far limit on what we could do, rather than an immediate influence."

Another staff member at the time succinctly agreed: "The visibility of spend-down, in any operational sense, was limited, to be honest."

REVISING AND REVISITING

Soon after Gara LaMarche became CEO in early 2007, he launched a second round of strategic planning in the programs, to review where they had come in the past three to four years and to refine, re-focus, and update their strategies. In a statement to the Board that November, he argued that "Every question. . .proceeds from a prior one of what makes sense in light of the fact that we have a limited lifespan. And the single greatest consequence of that decision and question is that, despite the considerable size of our resources relative to all but a handful of foundations, we wish to be extremely

focused."[8] For Mr. LaMarche, at this stage of his thinking at least, the challenge of spending down responsibly had mostly to do with harvesting the lessons of the past few years and aiming the programs more narrowly at the things that were showing the greatest promise. One goal of the new strategic review, he wrote, would be that the foundation "will do a number of fewer things" and will adopt "clearer standards to guide our programme decisions." And chief among those standards would be achieving "impact, within the context of our decision to spend our assets in the next ten years."

Admittedly, Mr. LaMarche continued, the desire for impact is nothing new in philanthropy: "Who doesn't want to make an impact?" But in his vision for Atlantic, the impact would not be measured solely as most foundations measure it, in ways that are "tangible and close to hand: the kids in the afterschool programme, the new instruments for the orchestra," and so on. Instead, Atlantic's yardstick for impact would have even more to do with "systemic change, . . . more state funding for the afterschool programme, increased government and private support for the arts"—things that reflected a new and better way of conducting public business. The foundation's interest in building lasting institutions, policies, and funding streams, which had been a prominent but diffuse element of the earlier plans, would now be the central means of focusing and concentrating effort in the next round of strategic planning. But the target of this effort would increasingly have government at its bull's-eye. For the issues on which Atlantic is concentrating, he wrote, government "is the only level at which these problems can be seriously addressed. So we choose to engage in supporting advocacy for increased and smarter government funding, and stronger and fairer laws."

Mr. LaMarche then went on to list 13 questions that would determine where the greatest opportunity for impact and systemic reform might lie. Among these was whether the problem and the proposed solutions were big enough to improve the lives of disadvantaged and vulnerable people fundamentally; whether measurable progress could be achieved "within Atlantic's lifespan"; whether an idea might be "transformative without needing to be permanent"; whether a big investment now would "reduce the dimensions of the problem later," and whether other funding partners, including government, could be rallied to the cause before Atlantic exits the scene. The majority of the paper then went on to apply these questions individually to the four program areas and the various geographical settings, suggesting ways in which they might lead to a sharper focus

8. Gara LaMarche, "Focus, Impact, and Legacy: How Should We Think—and Re-Think—About Them?" unpublished manuscript, November 2007.

in each instance. Although the paper was written months before the global economic collapse, it was already showing a consciousness of limits and of diminishing time that had been far more muted in earlier planning documents.

The coming year would make those constraints all the more pressing. Besides dealing a sudden blow to Atlantic's endowment, the collapse of world markets in the fall of 2008 soon brought the government of Ireland to near-ruin, and severely depleted the resources and will for public initiatives in Northern Ireland. Although South Africa suffered less from the financial crisis than other countries, its politics were unsettled by rifts within the African National Congress in 2008 and the presidential election a year later. In the United States, the results of the November election made the policy environment seem more favorable to Atlantic's agenda than it had been in years, but economic constraints, including a sharp downturn in philanthropic giving, nonetheless darkened the horizon.

In short, within months after Mr. LaMarche submitted his first major strategic statement to the Board, circumstances around the world would make his emphasis on focus, impact, and advocacy even more crucial to the foundation's hope of success in the decade or less that remained of its life.

In concluding his 2007 paper, however, there was one idea that Mr. LaMarche took pains to de-emphasize, and that was "legacy." "Worrying about your long-term legacy can be paralyzing to action in the here and now," he wrote. "Either legacy is the cumulative effect of impact in various areas, or it is somewhat random—some of what we do may endure, much may not, and we have no way of telling right now." It would be better, he argued, to concentrate on making a tangible difference in each of the fields and places where the foundation was working, and to try to make those accomplishments as durable as possible. Which of them might later be regarded as history changing, the paper strongly suggested, was a matter best left to history.

THE 'LARGER VISION' FIRST, THEN THE TIMELINES

The round of strategic reviews that Mr. LaMarche launched in 2007 continued into 2009, with detailed plans reaching the Board one-by-one for approval in the intervening months. Each of the revised plans bore the clear mark of the foundation's new emphasis on focus and impact. The number of objectives and activities were reduced

somewhat, and indicators of progress and impact were updated and clarified. A unifying theme or framework for the programs, built around an overarching goal of social justice, helped draw the various activities into a clearer, foundation-wide focus. But one thing the new plans did not change from their earlier versions was the absence of any specific discussion about how the planned activities would wind down. Even in the sections discussing longer-term goals—things that might take several years to achieve, or might even lie beyond Atlantic's life expectancy—there was little indication of how the foundation would draw its effort to a close, how it would decide what activities to wind down first, or what work (if any) it would hope to hand off to others.

One exception to this rule, in a sense, was the increased emphasis in all of the revised plans on building durable organizations and movements, creating powerful advocacy campaigns, and attracting new or increased funding to Atlantic's grantees and fields of interest. These efforts—generally referred to as "capacity-building" (for stronger organizations) and "sustainability" (for better-funded fields)—clearly aimed at paving a long-term path beyond Atlantic's lifetime. Although the plans almost never said so, the attention to capacity and sustainability was the clearest indication that the programs were meant for a relatively short life and were beginning, at least, to consider what might lie beyond the horizon.

On the surface, however, the new documents could have been drawn up, almost word-for-word, in any perpetual foundation that took strategic planning seriously. Indeed, as one program staffer pointed out, the harsher economic climate of 2008 would have made it all but unthinkable for any foundation *not* to devote more attention to questions of capacity and sustainability, spend-down or no. As a senior employee put it, "All the staff—and all the plans, if you read them carefully—have a sense of limited time and the need to prepare for an exit. But mainly, they're about focusing the program, incorporating new information and ideas, revising the assumptions. They're about operating *good* programs, not limited-life programs specifically."

"The challenge," he continues, "is that when you translate that into a spend-down, where you need to have actual closure about things, you need a process around it, with clarity for everyone. That's not in any plan or anything else yet. It's interesting that most of [the program staff] are assuming that 2016 is the date, or 2017, or something, and they're assuming that their budgets will remain broadly stable until then. If you read the strategies, there's nothing in there to suggest otherwise. But surely not *everything* is just going to coast along

until 2016, with every program making its last commitments all at the same time, at 11:59 on New Year's Eve. On some level, everyone knows that somebody, some line of work, is going to have to go sooner. And that could be starting just a couple of years from now. There could be programs or sub-programs out there that have only a couple of years to live, but don't know it yet. Everybody is assuming—or anyway, everybody is acting like they assume—that someone else is going to have to take the fall, and their own program is going to soldier on right to the very end."

To be sure, a few branches of program activity are expressly preparing to wind down before the foundation's ultimate sunset. Grants for out-of-school-time programs in the United States, integrated Catholic-Protestant education in Northern Ireland, palliative care in the Republic of Ireland, and legal representation for indigent defendants in the United States are all being planned for completion in the near term. But these involve a relatively small number of grantees, and most have good odds for continued funding from other sources. Collectively, they represent a small fraction of Atlantic's total program portfolio. They are, in a sense, the exceptions that prove a larger rule: As one senior manager put it, "We are not planning as if we were going to be out of business in six or seven years. We need to start doing that now, but that isn't how we've been thinking thus far."

That reluctance to focus on sunsets and conclusions is not an accident, in this manager's view, nor is it a mistake. "The first and most important thing we are concentrating on is having an impact. Yes, we want to plan so we have that impact, or so we see it taking shape, in the next six or seven years. But that's got to be part of a larger vision. So the trick is to lay out the vision in its fullest form, and then figure out what is most strategic to do to get there—as opposed to starting with a more constrained vision of what would be easy to accomplish in x-many months or years. Because that way, you run the risk of thinking too small, of concentrating just on what will happen in a few years, rather than on what's necessary, rather than on what big difference you want your work to make. Get that big picture right, as I think we're doing, and then is the time to start asking how you wind it down."

Mr. LaMarche incorporated this phased approach into his 2008 paper for the Trustees, titled "The End of Atlantic as We Know It." In that statement, he described the foundation's future as falling roughly into three "trimesters"—three-year periods beginning with the period 2009 to 2011. In these years, he wrote, "we should ease out of any programme initiatives that are not aligned with a more

narrowed strategic focus or that are not getting the kind of traction we need and want, and we should consider and launch any new strategies or expand them to other geographies." In this period, the foundation is also experimenting with a more loosely defined Venture Fund, a budget set aside for seizing unforeseen possibilities, such as "short-term advocacy opportunities within our mission and programmes." This included a large grant in 2009 to Health Care for America Now, a public advocacy effort aimed at shaping the national debate on health care in the United States, a top priority of the new Obama Administration.

The next period, 2012-2014, would be "the time for us to solidify and deepen our core commitments, exiting out of other ones." In this period, some programs would shrink faster than others, and "we would in all likelihood make fewer grants and begin to lay the groundwork for the final three years of exit commitments." In those last years, 2015-2017, "almost everything would be focused on leaving the fields, organizations, and countries of operation in as strong a shape as possible for a world without the foundation."[9]

THE 'SUSTAINABILITY CHALLENGE'

From the foundation's internal perspective, the need for focused discussions on how the spend-down will proceed, and how the fields and grantees will survive it, may well be able to wait until 2015. But from the vantage point of many grantees—especially those that could find themselves on the "exit" list in the 2012-2014 period—the prospect of Atlantic's departure opens up a number of gaping questions that many have yet to confront realistically. Some grantees, in fact, seem to be living in what one Atlantic officer called "a state of cheerful denial." Beyond the few fields that are already receiving or expecting their terminal commitments, a great many grantees appear to be expecting their support from Atlantic to continue all the way through the end of the next decade. More than a few imagine (unrealistically, in many cases) that they will ultimately receive an endowment, or at least tie-off funding large enough to fuel an endowment campaign.

In November 2008, Atlantic's general counsel, David Sternlieb, and financial controller David Walsh prepared an analysis of the sustainability issues facing the foundation, its grantees, and their fields. Their memo focused on grantee "dependency" on Atlantic support, "on the theory that high dependency today could translate into high

9. Gara LaMarche, "The End of Atlantic," pp. 3-4.

grantee mortality when we close our doors."[10] Focusing on the years 2005-07, they defined grantees as "dependent" if they receive more than one-third of their annual budget from Atlantic in those two years. "This measure is crude," they acknowledged. "Among other things, the test. . .makes binary what is a question of degree." Even so, the standard was high enough to describe a situation that would almost certainly alarm both a departing funder and a dependent grantee. Yet a review of 166 Atlantic grantees yielded 59—35.5 percent—that fit the description. Worse, the average share of all annual budgets that was being met by Atlantic was 53 percent. The situation was worse outside the United States: Dependency ran to 50 percent in Bermuda, South Africa, and Northern Ireland, and 60 percent in the Irish Republic.

The memo went on to outline several reasons for the dependency problem—among them the fact that Atlantic concentrates on several issues and countries where other philanthropy is scarce and grantee organizations are therefore fragile. The foundation has also expressly sought to create and build significant new institutions, which in turn may take several years to establish themselves and diversify their funding. But the fundamental question—one that could ultimately mean life or death to some grantees—was what Atlantic could do to mitigate the dependency problem before it closes its doors. "We can endow grantees," the memo notes, citing the conceptually simplest solution, "but we cannot count on endowing many of them. For example, $350 million—a year's worth of steady-state grantmaking—produces a 30-year annual, inflation-adjusted revenue stream of only $20 million, or a 20-year stream of $26 million, and then only if we assume that financially unsophisticated grantees can generate 4 percent real returns annually." In short, endowments might be an option in a few instances, but if so, those cases will necessarily be rare and costly.

The memo then raises the other most likely avenues of long-term support: attracting other foundations, winning dedicated funding from government, and boosting contributions from individual donors. All these options already feature prominently in the programs' strategic plans, but all have been viewed as steep challenges. And that was before the 2008 recession.

The remaining solution, Mr. Sternlieb and Mr. Walsh concluded, would be "shrinking the gap" by "weaving sustainability into our programs, our grantmaking approach, and our other planning sooner

10. David Sternlieb and David Walsh, "Spend-Down: The Sustainability Challenge," unpublished memorandum, Nov. 11, 2008.

rather than later." If endowments are to be considered in some cases, they argued, the planning for such big allocations would need to begin soon, to be certain that there is sufficient money at the end of the road to supply the capital. In other cases, they noted, the end of a project, or even the closing or merger of whole grantee organizations, would not necessarily be catastrophic, provided that this is planned and prepared for well in advance. Other steps, like supporting fund-raising and other "capacity-building" efforts, forming co-funding partnerships with other donors, and advocating for government support, are already under way, but these take years to bear fruit and will demand considerable staff time and attention along the way.

The memo ends by urging caution, throughout the foundation, "that our support over the next few years does not set our grantees up for a fall by creating a long-term sustainability problems. Success requires treating sustainability as more than a grantee-specific inquiry and making it a key design element of our programs, our grantmaking approach, and our organizational strategy generally."

ENVISIONING THE END

To some extent, of course, sustainability is "a grantee-specific inquiry," or at least field-specific and country-specific, in the sense that the means of sustaining different kinds of activity will necessarily be profoundly different from field to field and place to place. Health or education reforms in Ireland, South Africa, and the United States, for example, may well become adopted policies of the respective national governments—politics and economics permitting. But human rights organizations in those countries probably won't and arguably shouldn't be wards of the state. The movement to widen opportunities for older people may sometimes depend on government action or expenditures, but often not. In Communist Vietnam, virtually everything depends on the public sector; in cash-strapped Ireland, prospects for growth in the public sector have all but vanished. In America, some branches of domestic policy may be headed for growth, but not many, and political winds have a way of shifting abruptly.

Across Atlantic's varied landscape of programs and geographies, one small, local effort thus far has set out to address both the sustainability challenge and the end of grantmaking with a deliberate, near-term regimen of planning and preparation. It may provide a model, or at least a point of departure, for other parts of the foundation. In South Africa, program executive Gerald Kraak has informed the country's gay and lesbian grantees (technically LGBT, for "lesbian,

gay, bisexual, and transgender") that his grant budget for them will be depleted by the end of 2011. To help them confront and deal with this reality, he gathered the whole field of LGBT organizations, including some non-grantees, for a session of scenario planning in October 2009.

The group's assignment was to envision what would become of their movement and goals, as well as their individual organizations, when Atlantic's support ended. Also present were two international re-granting organizations, the U.S.-based Synergos Institute and Hivos, a funding, advocacy, and technical assistance organization sponsored by the Netherlands government. A South African capacity-building organization called Inyathelo Institute for Advancement, which Atlantic helped to create and which had provided management, fundraising, and other guidance to many of the grantees in the room, likewise participated.

For two days, a management consultant who specializes in scenario planning led the group through various stages of the standard exercise: listing the field's main constraints and opportunities, the key external variables that will shape its future, ways in which these variables could be altered, and the possible circumstances and conditions in which the organizations might find themselves in five years' time. Mapping these factors on a four-quadrant diagram, the facilitator helped the group pinpoint the primary strategic decisions they would have to make in order to point their future trajectory toward the most desirable scenarios and away from the most harmful ones. Little by little, a cluster of relatively new, often tiny, and mostly fragile organizations began to outline a course by which they would solidify and take greater control over their movement, expand its reach, and draw in new sources of funding and political support. On the third day, the grantees met on their own, with no funders or facilitators present, to reach a consensus on their next steps.

Other programs and offices across the foundation have worked with grantees to pursue additional fundraising, to build their leadership and organizational strength, and to envision their future without Atlantic. But as Mr. Sternlieb and Mr. Walsh put it, these efforts have largely been "grantee-specific." And few if any of them have been premised on a firm date, sooner than 2016 or 2020, by which Atlantic funding would disappear. What made the South Africa LGBT gathering remarkable, and possibly unique so far, was that it engaged a whole cluster of grantees in confronting the imminent withdrawal of their biggest funder and asked them to plan, together with other financial and technical supporters, how they would carry on.

The meeting was just one step in a longer process. Working with Synergos, Hivos, and other funders and grantees, Mr. Kraak had also convened a strategic workshop in 2008 that drew up a preliminary proposal for the creation of a new South African philanthropy, modeled on community foundations in the United States. Its purpose would be to aggregate donations from multiple sources to support the gay and lesbian movement nationwide. Atlantic, Hivos, and other international donors might help to seed the new organization, though it would also have to raise considerable support from within South Africa. The idea figured prominently in the scenarios that the group considered in October, but it was not the only source of future support they considered.

Separately, through Inyathelo and other grantees, Atlantic's South Africa office has also been pressing an aggressive advocacy campaign for more productive use of two of the national government's funding pools that are theoretically earmarked for antipoverty efforts and social development: the proceeds of the national lotteries and the budget of the National Development Agency. Neither is well managed at present; but with major reforms, both could become sources of new funding for many areas of Atlantic's involvement in South Africa, including health and rural poverty as well as the LGBT groups. For the purposes of the October meeting, these and other efforts became available building-blocks for the scenario exercise: practical measures that could be pursued in the next few years to keep Atlantic's departure from being a body-blow to a movement it had helped to create and expand.

A central strength of the South Africa planning process is that it relies, primarily, on grantees' own will and choices. It encourages them to grapple with their own future, provides them forums and tools for developing options, and invites them to offer advice on Atlantic's final contributions to their field. It encourages them to decide, in advance, how (or whether) they will survive the loss of Atlantic support. The process seeks to strike a difficult balance between ensuring, on one hand, that the foundation takes responsibility for a supportive, constructive exit, and nonetheless recognizing, on the other hand, that grantees have the ultimate responsibility for constructing a sustainable future for themselves.

As one of Atlantic's senior managers put it, "We have a responsibility to try to strengthen the fields in which we operate as much as possible. But it's a shared responsibility. The groups and the fields with which we have relationships are owed notice and assistance and planning. But they're not owed—or anyway, we can't promise them—any

particular outcome. The grantees are not wholly owned subsidiaries of ours. It's not our sole responsibility to assure their continued stability. It's our responsibility to help them get to the point where they have the tools to do that."

SUSTAINABILITY AS LEGACY

An early strategy paper for Atlantic's Reconciliation and Human Rights program suggested that the foundation's "most important legacy" in that field "would be a sustainable set of organizations with the proven ability to protect and advance rights."[11] Something similar might be said in each of the three other program areas. Seen in this light, "sustainability"—the creation of organizations and movements that endure, that carry on the long-term struggle for human advancement and social justice beyond Atlantic's time in the field—is simply another way of thinking about legacy. And it is a way that does not require waiting for a distant judgment of history to know if it is worthwhile.

Given Atlantic's tradition of institutional self-effacement, one can assume that a true "legacy" would not necessarily require that future generations specifically identify Atlantic or Mr. Feeney's donation as the prime source of some social benefit. Instead, it would be reasonable to envision an Atlantic legacy as having played a pivotal role in establishing vigorous advocates, productive providers of knowledge and service, and stable institutions to carry on the philanthropic purposes for which the foundation was established. Andrew Carnegie, whose thought and example inspired Atlantic's founding, did much the same thing in his multiplication of public libraries across the United States. He did not imagine that he could, single-handedly, create a national culture of literacy and learning. But he provided the institutions, and engineered the public support, that could serve that goal far into the future.

Whether this is the approach to "legacy" that Atlantic chooses to adopt is a matter still open to discussion. But it appears to be the approach that the foundation is gradually settling into, with or without deliberate intent, as it inches toward the final stages of its life.

11. Quoted in Sternlieb and Walsh, p. 5.

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PERSONNEL

RETAINING TALENT AND PRESERVING MORALE

As soon as the Atlantic Trustees decided that the foundation would close its doors in roughly 15 years, then-CEO John R. Healy warned them that the decision would need to be unveiled with great care. "The spend-down will have a huge human resources impact," he said. The professional and psychological effect on Atlantic's employees was one "which management must start planning for immediately." To be told their jobs would all be eliminated and their organization would disappear, he imagined, would leave many staff members feeling both expendable and vulnerable, provoking reactions of anxiety and betrayal. He envisioned a loss of enthusiasm at best and loyalty at worst. Of all the consequences of the decision—for financial management, mission, program strategy, grantee relations—it was the effect on personnel that had Mr. Healy the most concerned.

"*Incorrectly* concerned, as it turned out," he observed years later. "After that January meeting, I communicated two things to the staff: One, this organization is going out of business. And two, we're changing our programs pretty significantly. I have to say, I thought the first message was the more important one, because people's jobs would be disappearing! But in actual fact, nobody was bothered about that. What they were bothered about was their programs. What was going to happen to their programs?"

Some veteran staff members recall the episode in nearly identical terms. Said one: "I don't remember exactly how we were told. There was a briefing or something. But I remember giving no thought whatsoever to the fact that we were going to be closing up shop someday. There were going to be all these major changes to the program, things winding down, new plans, a whole new set of priorities. That was going to affect my life a lot more than the prospect that, what, some decades hence, I'd have to find another job. Who even imagines still being in the same job a decade from now?"

A more recent employee, hired well after the spend-down decision was public knowledge, likewise described the matter as unimportant in considering a job at Atlantic: "I've never worked more than six years at any job. I get restless. And look around: Who stays in one place forever anymore? I guess I knew, before I interviewed here, that it wasn't going to be a permanent job that I would retire from someday. But I didn't ask about that, and I'm not even sure it came up in my interview. If it did, it didn't come up for long. I never expected to be here when I retired, and I don't expect to be here when Atlantic shuts its doors. They probably won't need me that long, and anyway I probably couldn't stay in one place that long."

'WHERE AM I GOING TO GET ANOTHER JOB LIKE THIS ONE?'

It was not unreasonable for Mr. Healy to expect some anxiety from employees when they heard the news. Jobs at Atlantic are widely regarded as among the best in philanthropy, and the thought of losing such a job would be disquieting for many people. Not only are the compensation and benefits above-average for the field, but the lean, relatively flat structure of the organization gives many employees, even at more junior levels, a scope of authority and independence that would be much narrower elsewhere. The intellectual environment, many employees say, is stimulating. Few institutions in the world distribute so much money each year, so the potential for enormous influence is great. Most of all, Atlantic invests heavily in several fields, like aging and human rights, and in some countries, such as Ireland and South Africa, where few other foundations have much of a presence. For anyone deeply committed to those fields and countries, the prospect of finding a similar job at some other institution is remote.

But 15 years—or even ten, or eight—is a distant horizon for most people's career planning. And although it's almost certainly true that some jobs will be eliminated sooner than that, employees interviewed for this report said—to a person—that the time for worrying about next steps simply hasn't come yet.

A few people, mostly in their 40s or early 50s at the time this is written, acknowledge "doing the math," as one person put it: calculating one's age at the time the foundation will close and wondering how welcoming the job market will be to someone at that age. Even then, however, the level of concern seems relatively low so far. As one person noted, Atlantic has been a national leader in promoting "encore

careers" for older people who retire or find themselves stuck in a line of work that holds too little interest or opportunity for them. "For years, we've been telling the world that your older years are the perfect time to do something new, fulfilling, unprecedented. So guess what? A bunch of us will probably be proving it. Talk about walking the walk!"

The most pointed thought about the limitations of working at Atlantic tends to take place when some specific opportunity arises elsewhere. At that point, the staff member inevitably has to weigh that option in a way that people in other, more permanent organizations need not. One longtime employee tells a story that sheds light on this situation:

"A while ago I got a call from a head-hunter saying, 'We've been given your name; we'd be really interested in your coming in to talk to us.' The money was better than what I was earning here—and we're paid very well compared to the foundation world. I turned that down, and I don't regret that I turned it down at all. But I remember going home and telling my wife, saying 'It was very nice,' etc. And she said, *'What did you say?'*

"Then a month later [another possible position] came along, and a guy I know rang me up and said, 'Listen, I think you'd be really good for this. And would you be interested?' And more or less offered the job. I thought about it, and I turned it down, probably within a day. And I went back and told my wife, and that's when she said, '*Are you crazy?* You're in an organization that's going out of business!' Well, it wasn't that I hadn't thought about that. It's just that I wouldn't get to have this much interesting fun anywhere else. And it's not just self-indulgent fun. There are really important things happening here."

This same employee notes, in a darkening tone, "As to whether I'll still be here in 2016, I'd like to be. I like this organization, and I obviously like my job. But there is always the possibility that the decision won't be mine. There's always the possibility of being pushed. So in terms of what I'd like, yes, I'd like to be here till the end. But will I be? Probably not. I wouldn't say the odds are any better than 50/50."

Another staff member recalls being invited into a senior manager's office some years ago and being told that managers were concerned about the prospect that this employee might be looking for more permanent work elsewhere. A long conversation ensued, the staff member recalls, with amusement. "Afterward, I thought, 'They're joking, right? Where am I going to get another job like this one?' But they

seemed to be genuinely worried, like they thought we were all going to be streaming out of here. And I think they were having conversations like this with other people."

RETENTION AND REPLACEMENT: DIFFERING VIEWS

Worries about staff retention have, in fact, been genuine—at least among some senior managers and Trustees. Concerns about what some Trustees called "the human dimensions of the spend-down"[12] surfaced several times in Board minutes, mainly in the early years after the decision was first taken. But more recently, opinions on the subject have ranged widely. On one hand, as a manager put it in 2009, "We've organized these programs on an arc, and we're approaching the top of that arc: the sensitive time when we start to determine what we're going to concentrate on, what we're going to wind down, how we move smoothly toward the conclusion. That's not a time when you want to be bringing in a lot of new people. No matter how experienced and smart the new people are, they're not going to have the feel of the program and the grantees to keep that arc smooth and productive. It's just not a time when we want to be losing many senior people. So we need to make sure people feel secure here—within the limits we all recognize."

A Trustee concurred: ""We have always viewed the staff as a family, and we have obligations to one another. I can't envision a day when we just send out pink slips and cardboard boxes, and just put people on the streets. That's not going to happen. But if we expect people to stick with us, and accept a level of risk, putting their career decisions off a few more years and risking that they'll get to the end without a concrete next step—well, we owe them some effort to make that worth their while. And to make sure they're not on the sidewalk someday with no place to go next."

Human resources staff have, for some years, encouraged employees to formulate "development plans" for themselves, incorporating training, experience, and networking, among other things. Not all employees have taken up the challenge in a serious way, and recent budget cuts, resulting from the market crash, have reduced the options for foundation-supported training somewhat. But the emphasis on personal development plans continues—not only to ensure that no one ends up "on the sidewalk with no place to go," but also to promote loyalty and morale, in an organization where upward mobility

12. Minutes of the March 2003 Board meeting.

will necessarily be more limited than elsewhere. As a manager explained: "When we're working hard to keep senior-level staff in place, and when all the jobs are going to disappear in a few years' time, we can't really offer junior employees a lot of hope of promotion within. Instead, they need to be thinking about how the skills they develop here will be useful to them on the outside."

By contrast, another Trustee felt that the concern about loyalty and morale is at least partly exaggerated. This Board member argued that it is unrealistic, and in any event unnecessary, to expect senior staff members to stay at Atlantic longer than they might stay in another foundation position. "This is a field where people tend to move around, and that's fine. If you were at Ford or Gates or Robert Wood Johnson, and you'd already been there five years, how much longer would you expect to stay? We don't need to be telling our people, 'plan your careers differently, just because we're spending down.' If someone had a good opportunity and we discouraged them from taking it, I think that would be unfair and unwise."

"On the program side," said yet another Atlantic Trustee, "I really don't worry about staffing at all. We're a charitable organization, and charity begins at home—so yes, we're generous with our staff, as we should be. And we care about people as individuals, which I believe we demonstrate in many, many ways. But there's a tendency to get carried away and think we just can't live without so-and-so. As de Gaulle said, the graveyards are full of indispensable people. When we get close to closing, there may be a few who will have an age problem, and we should think about that, especially about health benefits for people over a certain age.. . .But otherwise, if people think it's in their best interest to leave, I don't see any great cause for concern in that. In this field, it's relatively easy to replace good people with exceptionally good people. It's a great job, working at a foundation."

Some recent experience at other spend-down foundations bears out this view. For example, the Beldon Fund, which closed in 2009, reported toward the end of its life that "attracting talented professionals proved to be much easier than many outsiders might have expected.. . .Beldon was able to attract even better professionals—adventuresome and creative—than it might have otherwise." A veteran Atlantic employee essentially agreed: "I never saw myself as a lifer here. I frankly figured I'd be long gone by now. But in a funny way, the impact [the spend-down decision] had on me was to become much more energized, much more interested in seeing out the project and achieving something significant. The excitement of actually seeing something *through* is a fantastic motivator."

It's significant that these views tend to come mostly from American Trustees and U.S.-based staff. Elsewhere, as Senior Vice-President Colin McCrea points out, "very few, if any, program staff leave Atlantic on their own accord, probably because there are very few foundations in these countries, and therefore opportunities to move do not exist." A small number of non-U.S. employees did say they felt no anxiety about their eventual transition away from Atlantic. But these tended to be people whose careers had largely been made outside philanthropy, and who weren't necessarily hoping for another foundation job. Among those outside the United States with long histories at Atlantic, however, future career planning could be more complicated. "In these countries," Mr. McCrea adds, "being responsible to staff and ensuring that they do not end up on the sidewalk is more difficult, and helping them to move into employment other than foundation work will require a different approach."

AN ISSUE FOR THE FUTURE

In any event, the discussion is almost entirely theoretical at this point. In nearly a score of interviews with current Atlantic staff, the prospect of leaving the foundation in the next year or two came up in only three cases. Not one of those had anything to do with the plan to spend down. Nor did any of these employees envision making a career decision based primarily on the fact that their jobs were time-limited—at least for now. "Maybe toward the end, I'll start to feel the heat," said one staffer. "But at this point, I give it pretty much zero thought."

That pattern may change sooner than some employees believe, however. "Year after year," said one anxious employee (who has no plans of leaving), "I ask at my personnel review: When are we being retrenched? And I never get an answer. There's long-term financial planning that we need to do, both as programs and as individuals. Without sufficient information on where our future lies, the risk of losing staff gets bigger and bigger. But losing staff can be really disruptive, especially as time gets short. It takes a new staff member a year or more to get fully up to speed, so not only do you lose the experience and knowledge of a departing employee, you lose a year of productive time while a new employee, no matter how brilliant they are, gets acclimated. These are things we all worry about, but they're just abstract concerns for the moment. They're going to get a lot more concrete from now on."

A manager acknowledged many of these same concerns, but envisioned more of an emphasis on resolving them in the near future:

“It’s all about the timing. For the last few years, we’ve been mostly ramping up, on the program side. And when you’re ramping up, it’s very hard to think about shutting down. You notice in all the planning and strategic review that’s been going on, there hasn’t been a lot of discussion about closing anything out. It’s all very forward-looking. . . .But given the economy, and just time marching on, we’re starting to get much clearer on where we are. Our dates are now much closer.”

“Even our wisest, most senior people,” this manager continued, “literally envisioned that because we were loyal to the mission, and we were so dedicated, that we would somehow all be staying right to the very last minute. We all picture our hands on the light-switch the day the lights go out. But little by little, reality is going to start sinking in, and I think you’ll see a subtle change in outlook over the next few years.”

5.

PLANNING

BRINGING PORTFOLIO, PROGRAMS, AND PERSONNEL TO A COORDINATED END

"This is not going to be an easy maneuver to pull off," John R. Healy recalls telling the Trustees in mid-2005. "Because nobody's done this at this scale." As he started to reckon with how the various pieces of a gigantic spend-out effort would work together, Mr. Healy said years later, "we thought it would be an exercise in good management to start trying to think our way through how we do this." He asked Deborah R. Phillips, now Atlantic's executive vice-president and then the senior vice-president for non-program support services, to form a task force to draft a plan.

The difficulty Mr. Healy was referring to was not any single one of the challenges outlined in earlier sections of this report. Each of those, formidable as it may be, is governed by a professional discipline or body of practice in which similar problems have arisen before. Portfolios have been liquidated; philanthropic initiatives have drawn to a close; organizations and departments have closed shop and said farewell to their employees. But the complexity of distributing billions of dollars, winding down a staff of roughly 130 people, and accomplishing ambitious goals in four programs across seven countries—all on a single timeline now extending less than a decade into the future—was a combination of intertwining responsibilities on a scale, and at a pace, that no one in philanthropy had ever tackled before.

The Beldon Fund, a U.S. environmental philanthropy that spent down its endowment in a decade, did tackle something similar, though on a smaller scale. The fund documented its spend-down process in detail, in a candid 2009 report that constitutes one of the few extensive self-portraits of a foundation putting itself out of business. But Beldon was one-fortieth the size of Atlantic. At its peak, the Beldon staff numbered 15. The fund concentrated on a single policy area in a handful of U.S. states. Nonetheless, even on that much-smaller scale,

Beldon's chief executive, Bill Roberts (who is now Atlantic's director of U.S. advocacy), wrote in his retrospective report that the spend-down was "akin to setting an airplane down on a narrow runway after a long flight." Given Atlantic's much-greater size, the analogy might be more like landing the Space Shuttle.

As Atlantic's senior vice-president in charge of the various support functions—legal, financial, human resources, technology, and evaluation, among other things—Deb Phillips had as broad a perspective on landing the aircraft as anyone other than Mr. Healy. The Spend-Down Team she formed included representatives of all the support divisions under her direct supervision, plus one of the foundation's four global program directors, Martin O'Brien, who oversees the Reconciliation and Human Rights program. The team met monthly by conference call, starting in May 2005.

Its first major effort was to come up with an interlocking set of planning modules, in which each of the foundation's major functions would sketch out, on a summary chart, what they would try to achieve and what they would need from one another—in what sequence, under what assumptions by what time—in order to bring their work to a productive close in or around 2017. Within two months of starting work, the team had created the first draft of a planning template on which the various divisions could lay out the major milestones in their expected life cycle and the main assumptions and objectives at each stage, then predict their resource needs and challenges over time. The template was synchronized with the life-cycle diagram that describes the expected ramp-up and wind-down of Atlantic's operations (see page 8).

By the early autumn of 2005, two support divisions had given the template a trial run and produced completed versions. The remaining divisions, including all four of the programs, would perform a similar first-draft exercise in the next couple of months. In early 2006, the Team also reviewed the portfolio analysis and financial plan drafted by Atlantic's investment team (see pages 12-13) and incorporated those projections into the planning timelines.

UNEXPECTED QUESTIONS AND CHALLENGES

The completed templates showed projected turning points in each program and division over the course of Atlantic's remaining years, and suggested resources and adjustments that would be needed for

each. For example, Mr. O'Brien's draft chart on the Reconciliation and Human Rights Program projected an increased need for support from the foundation's Strategic Learning and Evaluation staff between 2009 and 2013, to help "distill and disseminate learning" from the first few years of steady-state grantmaking. It also foresaw a need for grants budget increases and additional staff skills in the final period, 2014-2018, to allow for the possibility of endowment grants. Other divisions went into even more detail—envisioning their response to significant changes in program structure, the closing of one or more country offices, or the result of a discouraging evaluation of some branch of activity.

The completed templates were frequently illuminating, if not always a clear guide to action. In this initial, rough phase, they proved to be more of a diagnostic tool—spotlighting issues that would probably arise and pinpointing the stages in which cross-departmental coordination would be critical—rather than a blueprint for how to address particular needs. As one division director pointed out, it was not always easy to distinguish activities that were specifically related to the spend-down process from those that were just the regular ebb-and-flow of normal work. In fact, many of the needs and challenges noted on the initial templates were regular challenges that surface periodically in any foundation. Strategies always have to be adjusted; budgets revised; communications planned; evaluations completed. Are these spend-down issues, or just general management? In other words, it was not always easy to identify the boundary between the Spend-Down Team planning exercise and routine planning of all other kinds. Some members worried that, unless the boundaries were kept clear and firm, the team's mission could easily have grown into something unmanageably broad—"a big, all-inclusive Plan to End All Plans," as one person described it.

But that was mainly a concern about later stages of effort. Most of the early questions on the team's agenda were unmistakably linked to spend-down, but exactly how to answer them was less clear. For example, in a March 2006 discussion of the financial plan, the group concluded that a "discussion of and decision on endowments needs to be moved forward, and [program directors] need to start assessing the scope and need for endowments." The question of endowments posed a possible challenge to the foundation's steady-state financial model, which had long assumed that annual outlays and the overall scale of grantmaking were going to remain relatively flat until they dwindled in the final years. If, instead, there were to be late years of big, endowment-size terminal grants—as Mr. O'Brien's hypothetical template speculated—then the grant budget might have to tick

upward in its penultimate stage, before the final wind-down. Unless today's budgets were adjusted to make that feasible, there might not be enough money to allow for much discussion of endowments by the end of the program.

This was a potentially important question that directly challenged the (often unspoken) strategic and financial assumptions on which both the Board and management of Atlantic had been proceeding. "I would expect that in the last few years we may be endowing some of these organizations," a Trustee said in the midst of one fairly typical discussion about the long-term survival of certain grantees. "But that will be up to the Board in the last two to four years." Looking at the financial forecasts and thinking about program strategy, the Spend-Down Team wondered, reasonably enough, whether the Board would have very many options left by those last two to four years, unless the list of options was deliberately widened now.

UNKNOWNS AND IMPONDERABLES

Several senior staff members agreed that such questions would be fundamental to any real spend-down planning, but acknowledged that the questions had yet to be directly confronted and resolved. Said one: "The 'steady-state' approach has always seemed so simple and reasonable that we haven't really questioned it relative to what we want to achieve. Do we really want to spend the same amount year after year, and then just end? Maybe. But maybe we'll want to husband some of the resources so that we can give some really major, life-sustaining grants at the end, to the activities and organizations that we really think need to live on beyond us. Or maybe we don't want to risk having a lot of money still on the books at the end, and we decide to rule out the big last-minute gifts. Maybe we're going to come upon some really big opportunities sooner than the end, and we'll want to reserve money for those in earlier years. I could make you a defense of any one of those choices. But they're all different choices. And we haven't really grappled with them."

Nor did the Spend-Down team, working in mid-2006, see a clear way of grappling with them. For one thing, in 2006 the ramp-up phase for some of the programs was still under way or just ending. Most programs had not had enough time in "steady-state" operation to know whether some activities might later be worthy of greater effort, including large terminal grants, or whether steady support might be the best approach all the way to the end. The team's consensus, at that point, was that staff "will have more definitive information at the end of the

first five-year phase of steady-state grantmaking"[13] with which to envision the later years of their plans. Until then, it seemed, discussions about endowments or other non-steady approaches to grantmaking were theoretically important but practically hard to resolve.

Another imponderable question was whether, or how, the foundation might choose to end some of its program activities before the final stage of work starting in 2014. As a theoretical exercise, to envision how the various divisions would have to collaborate in response to such a decision, the team worked through two possible scenarios: one in which all four programs continued, largely intact, through the end, and another in which a sub-program was terminated in 2009 and a full program ended in 2011. In the latter case, the needs would include Human Resources services for departing or reassigned employees, re-budgeting of grant funds, well thought-out communications, and maybe the closing of a set of offices, depending on which activities might be terminated. Although the effort was purely hypothetical, it demonstrated how profoundly most divisions' work would be affected by an unexpected change in the trajectory of the programs during the "steady-state" period.

Despite the many uncertainties, by the time John R. Healy stepped down as CEO at the end of 2006, the Spend-Down Team had synthesized its various scenarios and templates and prepared a summary report to the Trustees for their December meeting. The summary outlined four phases of the foundation's remaining life, with the particular functions and forms of expertise that would predominate in each stage:

> (i) 2007 – 2011 – Emphasis on programme content expertise, negotiation, due diligence, and monitoring skills.
> (ii) 2012 – 2016 – Increased emphasis on evaluations, communication, and ability to influence policy and nonprofit practice through dissemination of lessons.
> (iii) 2017 – 2018 – Transition from active grantmaking to monitoring, communication, and dissemination.
> (iv) 2019 -2020 – Provision of data, final evaluations and communication of lessons.[14]

The Board's discussion of these phases, and of the fuller report that Dr. Phillips delivered to flesh them out, revealed a division of views

13. Quotes about Spend-Down Team deliberations are taken from "Spend-Down Team Chronology," an unpublished file document prepared by Deb Phillips, 2007.

14. From the minutes of the December 2006 Board meeting.

that has persisted, both on and off the Board, ever since. On one hand, several Trustees cautioned against too detailed a planning effort at that stage, given that (a) a new CEO, Gara LaMarche, would soon take office and might want to adjust some of the underlying assumptions behind any long-term plan; and (b) the progress of grantmaking in the next few years would surely change some of those assumptions anyway, as the team itself had acknowledged. On the other hand, other Trustees cautioned against taking too leisurely an approach to mapping out the foundation's remaining years. One Board member emphasized that the foundation's spend-down schedule "is critical to grantees, goes to Atlantic's credibility, and is important for addressing the internal resource challenges which will arise." In the worst case, an ill-planned, abrupt, or hasty end to any line of grantmaking could have harmful effects on the grantees involved and would provoke broader anxieties among Atlantic's staff and cofunders. The consequences of haphazard action, according to this view, would be far worse than the problems that might be caused by excessive or premature planning.

Thinking about the debate some years later, a staff member put this latter idea in even starker terms: "Exiting programs and terminating people is not a bad thing to do, and if the institution is closing, it's a necessity. But doing it with the appropriate bells and whistles for the person who's going—doing it with enough lead-in time so they can make appropriate choices, and making sure that it's communicated as to why decisions have been taken—that's more than just a matter of being decent. Because otherwise people make up their own stories based on their own morbid fears. . . . Now is the time that we really do need to start developing scenarios, working with staff to develop them, get some buy-in to the principles, and then share them. And then of course there has to be some executive latitude in terms of how those choices are implemented across the geographies and the programs."

AN UNANNOUNCED PAUSE IN THE PLANNING REGIME

The arrival of Mr. LaMarche, and the strategic program review that he set in motion when he took office, soon made it clear that the former point of view, calling for a delay in spend-down planning, would prevail for the time being. As a staff member recalls, "Gara's first concern, necessarily, was to get the programs tuned up, put his mark on them where he saw fit, and just make sure they were on a sound footing for the steady-state years, which were just beginning. To have

carried on a simultaneous planning process dealing how all these things would *end*—while we were still examining what these things were going to look like and how they were going to be managed for the next ten years—might not have done any particular harm, but it would have been a waste of time. And the effort involved in this spend-down planning was considerable. People had other things, higher priorities, they needed to be concentrating on at that point."

Members of the Spend-Down team essentially agreed, though some imagined that they might "regroup," as one document put it, and approach the planning exercise in a new way. That has not happened thus far. Instead, the December 2006 report to the Board was the group's last official act, although it met once or twice more at the beginning of 2007. It has remained in a kind of suspended animation ever since—"not dead exactly, but kind of a Sleeping Beauty," as one observer put it. After this two-year hiatus, a senior staff member in 2009 predicted that the exercise would soon be resumed, in a different form, now that the program reviews were complete. "The Spend-Down Team did a lot of extremely valuable work. We're now going to have to pick it up again, and a lot of what they came up with we'll be able to update and resume work on."

Yet the suspension in spend-down planning was also a lesson in the importance of communication in the midst of uncertainty. Time after time, in interviews for this report, Atlantic employees would assert with confidence that a Spend-Down Team was resolving this or that important issue, and that decisions from the team might be imminent. The mistaken belief that important deliberations were under way about the future of the programs and their personnel had both comforting and disquieting effects on staff members, depending on the issue under discussion.

On the positive side, for example, one program staffer looked forward to the clarity he believed would soon come from a Spend-Down Team report: "I've heard variously that the final date will be 2016 or something like that. And beyond that it would just be tail [i.e., the final stream of payments on grants already committed]. Now, I'm not sure where I've heard that, and I haven't seen a document about it. But assuming it's true, that's just seven or eight years from now. There's a Spend-Down Committee that's working through all that, and when they lay it out, I think that will have a galvanizing effect on all of us. It almost sounds trite to say it, but psychologically, you never quite believe it [that the foundation is going to close]. The internalization of that is quite important. But spend-down is not something that's really discussed around here at all. The spend-down plan will change that, for sure."

A few employees, though, seemed to worry that the team might be making fateful decisions somewhere in secret, without enough participation by the broader staff. Some members of the program staff expressed discomfort with the fact that every support division was represented on the team, but only one of four program directors was a member. "Is this a case of the tail wagging the dog?" one person asked in 2009, plainly under the impression that the dog and its tail were still in motion. Another employee, a former Spend-Down Team member, reported hearing concerns from colleagues that the draft planning modules seemed to put too much emphasis on the results of outside evaluations as a prime determinant of which programs would last and which would be wound down early. (The role of evaluations in weighing end-dates was, in fact, the subject of spirited discussion on the team, but the issue was never resolved.)

Another staffer summed up the lingering anxieties by asking, "What is the Spend-Down Team up to? They meet every month" (note that this comment came more than two years after the group had stopped meeting), "but we don't ever see any reports. Some of us wonder if they're making judgments about programs and who stays and who goes, or if they're going to come out with some big announcement some day that will take us all by surprise. I hope not, but frankly I have no idea."

Most employees dismissed or suppressed such concerns for now, expressing confidence that the Board and management could be relied on to carry out an inclusive, open process. Indeed, even the employee who asked what the Spend-Down Team was up to hastened to add, "Don't get me wrong. There's a partnership here, and we feel it. We're not getting a lot of answers, but we're also not pushing for them yet." Another staff member concurred: "As far as I know, the process [of making firm decisions about spend-down] isn't happening yet, but I do hope it starts happening soon."

Among grantees, likewise, a lack of clear information on how spend-down decisions will be reached and promulgated has prompted some speculation and uncertainty. "Atlantic doesn't talk to us about the funding context," said a senior officer of one longtime grantee. He explained that an Atlantic program executive "told us that there are $13 million in grants that were being planned [in this grantee's field] and only $8 million available. But of course, in this economy, we've been hearing that from every foundation. But there's been no information on whether this docket area [i.e., the Atlantic program under which the grantee is funded] is going to continue, or at what level. Is this an

area they're going to tie off before the end? Or is this one of their top priorities? Whether this is going to expand, or contract, or end sooner than others, or change focus—I have no idea. I understand there's an internal group working on those kinds of plans, so maybe these are all things we'll be learning more about."

As this is written, that hope seems likely to be fulfilled in the next year or two. In June 2009, Marcia Smith, who had become Atlantic's senior vice president for programs just over a year earlier, offered the Board a new framework for spend-down planning, which would start later that same year. The structure and process for the resumed planning effort is still under discussion as this is written. But the foundation has resolved, as one manager put it, "to have, in the next year or so, a plan for how the [program] work will proceed, how it will narrow toward the later years, and how the work, the goals of our work, will drive all the other organizational functions toward that end. That's a little different from the way it was done in the earlier round, where the focus was more on the organizational functions. But from here on, the focus is going to be on the work, how we want it to end, what we want it to accomplish, and then plan around how we get there with all the resources and activities of the foundation pulling together."

"It's not overdue," this manager concluded. "But it's time now for this. We all realize that we need to have a framework that's a little more articulate than we have had. And if we don't make progress on that in the next year or so, I think it'll be costly to us in terms of our ability to get the best out of the next five, six, seven years."

6.

CONCLUSION

BEGINNING TO TELL "A STORY TO THE WORLD"

In 2005, in her year-end presentation to the Atlantic Board on spend-down planning, Deb Phillips included a slide that broadened her message beyond the routine matters of budgets, timelines, and management integration. "One way or another," the slide began, "we will be telling a story to the world."

Dr. Phillips reminded the Trustees of a point that several of them had made in the past: Atlantic's experience in spending out its huge portfolio would inevitably be a test case for other philanthropists and foundation boards. Setting an encouraging example—demonstrating, in effect, the advantages of Giving While Living—was part of the rationale for spending down. Conducting the process thoughtfully was therefore not only a management responsibility; it was a philanthropic goal, integral to the foundation's mission.

This report, together with its successor documents in future years, is aimed at helping to tell the story and to distill lessons from it that may be useful to others. From the experience thus far, the following five principles emerge, at least in tentative form. For now, they should be taken as working hypotheses, although all of them are well supported by the evidence of the first eight years.

1. **The decision about whether to spend down is neither scientific nor readily resolved with evidence and metrics alone. It is primarily a matter of principle and conviction.**

Some rationales for spend-down are, it's true, based on mostly logical, strategic calculations—for example, if the foundation is working on a problem that can or must be solved in the near term, and for which an all-out, present-tense assault offers the best hope of success. But Atlantic did not take this approach. Instead, it tended to

pursue philanthropic interests in which it had already made grants and had accumulated some field experience, even though the issues were not of the now-or-never variety. In some cases, Atlantic affirmatively chose *not* to pursue issues, such as global warming, that might arguably have called for seizing the moment now rather than later. (To be sure, the foundation has occasionally made big, concentrated, short-term investments in immediate challenges, such as peace in Northern Ireland and health-care reform in the United States. But these have mostly stood out as exceptions to a rule in which the foundation's largest, most sustained interests have focused on long-term problems like health, aging, and child poverty.)

For the most part, Atlantic's reasons for spending down could apply just as well to many other philanthropists and foundations, whatever their particular charitable interests. These are, first, a desire to see the effects of its investments in real time; second, a belief that the foundation would realize more social benefit with a large present-day investment than with smaller payments made in perpetuity; third, a suspicion that perpetual foundations tend to founder or stray from their missions; and last, a confidence that other philanthropists will come along in the future to replace Atlantic's contributions—and might even be more encouraged to do so by Atlantic's having set an example of the joy of "Giving While Living." The fact that these ideas are not specific to Atlantic's charitable interests or endowment size is part of what makes them important. Serving as a model for other similar-minded institutions—no matter their scale or mission—is an express part of Atlantic's vision for spending down.

Admittedly, none of these tenets is provable. Some of them are vigorously debated, both inside and outside of philanthropy. But all of them represent beliefs deeply held by Mr. Feeney and, to a considerable extent, by the other Atlantic Trustees. Because philanthropy is first of all an expression of the heart and the conscience, such unprovable but compelling beliefs are critically important in motivating people to give. And the fact that Atlantic's tenets are both defensible and widely shared makes them likely to motivate other wealthy people to plunge more enthusiastically into philanthropy. That is, in itself, a strategic goal dear to Mr. Feeney and the Board, and thus a convincing rationale for spending down.

2. **A spend-down investment portfolio is fundamentally different from a perpetual portfolio and poses a distinct set of questions and challenges.**

Above all, the need to preserve enough capital to last reliably for the full planned life of the institution has to be balanced against the need to have sufficient liquidity, year by year, to meet grant obligations and to allow for a smooth flow of new grant commitments. This is true regardless of whether the foundation chooses to make grants, as Atlantic has, in a "steady state" of roughly equal commitments year after year, or whether it plans for a burst of big grants early or late in its life. Either way, the portfolio needs to limit volatility and provide predictable liquidity in whatever pattern the foundation chooses for its lifespan. This means, of course, that the foundation must decide, relatively early, what its grantmaking pattern is going to be, based on its philanthropic goals and assessment of needs. That pattern then must inform the portfolio planning and management. And both must be revisited regularly—at least annually, and more often when markets or philanthropic plans are in flux.

3. **For a time, maybe even a long time, spend-down grantmaking can be indistinguishable from perpetual grantmaking, except for the size of the grant awards. But eventually the two models will have to diverge.**

In two successive rounds of strategic planning, Atlantic's program staff produced detailed papers on their programs that scarcely mentioned the foundation's planned conclusion. Three of the strategy documents were widely praised by Trustees and staff alike (the fourth, on Disadvantaged Children and Youth, was still being completed as this was written). Yet these documents could have been written in almost identical terms if Atlantic were planning to operate in perpetuity, a fact that most program staff and managers freely acknowledged. The overriding concern in all of the strategy documents was not the challenge of arriving at a proximate end date with a predetermined result, but the challenge of focusing activity, defining specific goals, matching broad philanthropic visions to the particular needs of individual countries and populations, and most of all the achievement of "impact"—generally defined as significant, measurable results commensurate with the size of the foundation's investment. But challenges of those kinds run through the work of nearly all the most strategic foundations, including the majority that intend to stay in business indefinitely.

Still, many observers believe strongly that in the background, and in their underlying logic, these papers are direct expressions of Atlantic's spend-down mentality, even if they don't express it in so many words. The comparatively small number of initiatives, the

emphasis on visible near-term results, and the increasing focus on systemic and public-policy change all express an escalating urgency, a sense of needing, as one manager put it, "to change the game fundamentally before we're done." There is, in other words, a tendency toward boldness and a suggestion of legacy that characterizes each of the plans, even in the absence of any discussion about how these efforts will end. "In most of the areas where we work," one program staffer said, "you would see a more deliberate, experimental approach to these issues if we were going to be around for another 20 years. We'd probably be trying more things; we might be doing more direct service, learning at the front lines to try and gather new ideas—a lot of things aimed at learning and advancing the needle little by little. Those are all things that time can buy you. With spend-down, you get the kinds of strategies that concentrate on making big impact in a few areas with really high-yield approaches."

That point of view is widely held at Atlantic, though observers at some other foundations would probably dispute it. It's rare for programs at any foundation to last any longer than Atlantic's programs will last. Most foundations try (albeit with uneven success) to be bold, to change the game, to make a big impact. Some initiatives, of course, are intentionally modest and aimed more at learning than immediate results. Others end up appearing modest when viewed in hindsight, whatever their original ambition may have been. But it's a rare foundation that intentionally designs programs without aiming boldly at a high and measurable yield in public benefit.

For now, the most visible difference between Atlantic's grantmaking and that of the best perpetual foundations is the increasingly tight boundaries Atlantic has placed around its fields of activity, with uncommonly large percentages of its resources concentrated on just a few lines of work. The Trustees and management have resisted pressures to expand the menu of program activities and geographic locales, and the latest round of strategic review has drawn an even tighter rein on the scope of work. As a result, more money is dedicated to fewer things, while a strategic "Venture Fund" preserves the flexibility to seize significant opportunities that might emerge outside these few regular fields of interest.

Focus and scale of grantmaking are therefore the two features that most set Atlantic's work apart from perpetual foundations—for now. But with roughly eight years left of active grantmaking (not counting the lingering tail of grant payments that will follow the final year), the difference between Atlantic and its perpetual brethren is likely to become much more pronounced. Grantees in some fields and countries

are already beginning to plan a profoundly altered future without Atlantic. Program staff are increasingly engaged in wooing other sources of funding for their programs. More and more grants aim at helping recipient organizations redouble their fundraising efforts. Planning exercises like the one with South Africa's gay and lesbian organizations—in which grantees collectively map out the future of their fields and the pursuit of their long-term goals after Atlantic's departure—seem likely to become more common. Atlantic staff increasingly talk about sifting the sustainable goals from those that must be achieved now or else be abandoned. As each year goes by, the nature of Atlantic's program activities are sure to become more distinguishable, both in form and intent, from those of perpetual foundations.

At this point, however, the most interesting observation is how long the foundation has been able to operate high-quality programs *without* dwelling much—at least on the surface—on the nuts and bolts of spending down. "It may very well be," a senior Atlantic staff member said, "that most of the time, the day-to-day life and thinking and grantmaking of large institutions that are trying to effect social change is not materially different between a foundation that's going to go on forever and one that isn't. No matter how hard you try to keep that frame in view, it doesn't really change your existence that much. I'm not sure that's true, but it may be. Obviously, toward the end, it has to change. The day will come when it really has to change."

4. **Although a spend-down foundation can't offer the prospect of long-term employment as a way of recruiting, retaining, and motivating staff, this has not posed much of a problem at Atlantic so far. It is too soon to tell, though, whether defections and declining morale may become more serious problems as the end date draws nearer.**

With rare exceptions, current employees at Atlantic think about the eventual disappearance of their jobs with little more than a shrug. Some middle-aged staffers acknowledge nagging concerns about the timing of their departure—particularly about the prospect of looking for a new job in seven or eight years' time, with just a few years to go before retirement. But these fears seem to lurk in the background for the time being, overshadowed by the satisfactions of their current work and the material and professional advantages of being associated with Atlantic. Both younger employees and those reasonably close to retirement tend to cite the prospect of a spend-down as a plus: It offers a chance for invigorating, high-stakes work on which to build or conclude a philanthropic career. The experience of the Beldon

Foundation and others suggests that these same feelings might help in attracting first-rate new staff when some current employees inevitably leave.

Still, Atlantic has taken pains to encourage many key employees to stay motivated, if not all the way to the end, at least until activity begins to diminish. Some staff and managers are concerned that unplanned vacancies could be especially disruptive in the later years, when important work arrives at a sensitive, succeed-or-fail stage and there is no time for a learning curve. At the same time, Human Resources staff have also begun encouraging employees to think about their post-Atlantic careers well in advance of the end, and to pursue education or training opportunities that will make the transition easier when their time at the foundation is done.

At this point, however, these issues are largely simmering on a back burner. With no visible signs of mass departure or sagging morale any time soon, most people tend to regard spend-down as, at most, a possible source of future personnel concerns. But they are not immediate ones—and may not be very grave ones even in the longer run.

5. **Spending down wisely entails a careful orchestration of all the talents of the foundation, working toward the same goals on the same schedule. Planning and executing that team effort—so that employees, grantees, and co-funders are prepared and understand how the process is unfolding—will be difficult and time-consuming work that needs to start soon.**

Especially as the time gets shorter, wrapping up a large and complicated philanthropic program is going to involve the deliberate interweaving of many divisions and disciplines: deft financial management and budgeting to ensure funds are available when needed; astute Human Resources management to maintain the necessary workforce and preserve morale; well-executed program strategy to produce results on an approaching deadline; thoughtful communications and knowledge management to collect and share whatever is learned; and a thicket of sensitive executive decisions about what functions to shrink or wind down, in what order, by what date. It is unlikely that all of these will interact with clockwork precision, but the challenge does have some things in common with precision engineering.

The alternative, a haphazard or uncoordinated conclusion, is not a prospect that many people on the Atlantic staff or Board consider at all likely. The organization has a long history of planning and

executing organizational changes, and managers point out that, in many ways, the spend-down is just another organizational change (though admittedly one with little room for error). The skill and organizational structure needed to plan a smooth, well-coordinated conclusion are already in place. All that's needed, most agree, is that the process begin early enough, and proceed openly enough, to inspire confidence and invite broad participation. The time for that, managers believe, is now, and they expect the process to be well under way in 2010, at least seven years before the end.

"People will need to know that the spend-down process is 'under management,'" Deb Phillips wrote in a memo to Atlantic's senior management in early 2005, when the original Spend-Down Team was about to be formed. "Otherwise, perceived uncertainty and ambiguity will distract them from doing the work required. We will need to develop and communicate a clear image of the future state at Atlantic, use internal teams to carry out specific tasks, and communicate in the right way the overall plan for spend-down."

For now, the end of the Atlantic Philanthropies is largely an abstraction to most people in and outside the organization—even, to some extent, to grantees whose most important funder will be gone before the next decade is over. As the head of one signature Atlantic grantee organization put it, "we know this is a big issue, and we've been taking a lot of steps, most of them with Atlantic support, to prepare for it. We're being responsible about it, and we're actually making more progress finding other sources of funding than we had expected at this point. But I couldn't honestly say it's something we think about all the time, or that's really impacting our day-to-day work in the here-and-now. It's something we know is out there in the future. But most nonprofits live in two- or three-year time horizons, and we're pretty much the same. A lot of things in our world will be profoundly different by the time we have to face the end of Atlantic's support, and we can't spend all our time pondering what the future of 2020 is going to look like."

Nearly all the Atlantic employees interviewed for this report voiced similar sentiments. Some were more concerned than others about how the spend-down would proceed, how decisions would be made, how those decisions would affect their work, and even (to a very limited degree) how the progress of the spend-down might affect their own careers. Several foresaw a time, not far away, when these questions would have to be answered, and when the answers would have an important effect on employees' lives. But that reality, for nearly everyone, still lay comfortably in the future—albeit a future that most hoped would be no more than a year or two away.

The resumption of a spend-down planning regimen in 2010 is now a near-certainty. When that begins in earnest, much of the abstraction will start taking on the weight and mass of tangible reality. At that point, as one Atlantic manager put it, "we'll probably sense a subtle shift toward thinking again about legacy and what we're going to leave behind, and about how all this work is going to tie up. Those things have always been in the background of every important conversation. It's not like they're new. But they're going to start coming into the foreground. And that's when it's going to get interesting."

THE ATLANTIC PHILANTHROPIES

A SPEND-DOWN CHRONOLOGY

1982

MARCH 1 — **The Atlantic Foundation formally established** in Bermuda with an initial gift of $5 million. Harvey Dale becomes the first CEO. All grants are made anonymously, a strictly enforced policy that will continue until the end of 2001.

1984

NOV. 23 — **The Atlantic Foundation acquires Mr. Feeney's complete stake in Duty Free Shoppers (DFS)**, consisting of 38.75 percent of the company, together with other assets.

1986

The Atlantic Trust formally established, also in Bermuda, to handle U.S. giving.

1996

OCT. 1 — **Atlantic shares in DFS sold** to European retail company LVMH. The sale brings Atlantic's total endowment to $3.5 billion.

1999

OCT. 13 — **For the first time, Mr. Feeney gives the Board formal notice that he would prefer to spend down.** At a meeting at the Cornell Club in New York, he presents a 200-word memo on the subject of legacy. He notes that annual giving will reach $400 million that year alone, a level that, if sustained, will eventually spend out the endowment. He proposes that grantmaking be increased to $450

million a year, well over 10 percent of assets, and asks that Trustees consider a life span of 20 to 30 years for the foundation. The Board agrees in principle.

2001

SEPT. 1

John R. Healy succeeds Harvey Dale as CEO. He finds a "common understanding," though without any formal decision, that the foundation will spend down its endowment in approximately 15 years.

The Atlantic Foundation and Atlantic Trust become The Atlantic Philanthropies; the policy of anonymous grantmaking ends; the Board signals a decision to spend down. An unpublished year-end report says that "preparatory work was done which led to the Board's signaling to the organization at large that the life of Atlantic would be limited and that its array of programs might be significantly changed."

2002

JAN. 29

Trustees hold workshop on a revised grantmaking program for the foundation's remaining life. Trustees tentatively select six program areas for further exploration, with the expectation that the list would eventually be shortened. Grant budget is set at $400 a year and the sunset is tentatively set at no earlier than 2016. Mr. Healy begins raising with the Trustees some practical consequences of the spend-down decision, particularly in relation to investment management and human resources.

JUNE

Market downturn plus large payouts reduce available funding. Chief Investment Officer David. Erskine informs the Atlantic Governance Committee that "the portfolio's negative absolute return means the value of the endowment is decreasing rapidly." He warns of the possibility that continued declines in the endowment's value, due to market conditions and large payouts, could limit Atlantic's ability to reach its targeted end date. Mr. Healy and several Trustees urge that the Board take care not to shorten the foundation's planned lifespan, because it will take close to 15 years to choose, build, implement, and exit programs in a way that is likely to make a lasting difference.

Trustees agree to lower payout temporarily. The Board instructs Mr. Healy to set a lower level of grantmaking over the next two to three years and to keep the Board informed of the consequences.

SEPT.

***The Wall Street Journal* breaks the story of Atlantic's spend-down.** "Earlier this year," the paper reports, "Mr. Feeney pushed his foundation, the Atlantic Philanthropies, to adopt a plan to exhaust its $4 billion endowment over 15 years or so. Now 70 years old, Mr. Feeney told his Board that the prospect of going out of business would focus the foundation on bold problem-solving rather than self-perpetuation. The foundation, which approved about $100 million in grants in 1995, will now give away roughly $400 million each year. . . .That puts the Atlantic Philanthropies, which until last year made nearly all of its grants anonymously, in the top ranks of private givers." . . .

Endowment spend-down tracking added to the management dashboard. An online chart begins presenting a quarterly picture of the impact of existing and assumed future commitments on the endowment.

Grant budgets projected for 2003-2005, followed by a "steady state" in 2006 and onward. Commitment levels estimated at $250 million in 2003, $200 million in 2004 and 2005 and $400 million in 2006 and onwards. Given the effect on Atlantic's endowment of the bear market of 2000-2003, combined with high levels of grant commitments, Mr. Healy recommends a slower pace of commitments over the next three years, to pave the way for "a steady slope into the 15-year spend-down."

2003

FEB.

CEO's annual report describes 2002 as "a year of momentous change," noting that the Board had taken "the fundamental decision that Atlantic would spend down its endowment over the coming twelve to fifteen years."

MARCH

Statement of 'Legacy and Purpose' formally adopted, spelling out a mission, legacy goals, and core values for the foundation. The Board adopts as Atlantic's mission the statement's call "to make lasting changes that

will improve the lives of disadvantaged and vulnerable people." The statement also enunciates a "guiding principle" to "demonstrate the value and benefits of Giving While Living."

Spending levels in 2003 cause concern. Trustees discuss the possible impacts of larger-than-forecast grant commitments being paid during the 2003 calendar year, in the midst of still-unsettled market conditions.

Trustees express concern about effect of spend-down on staffing and morale. Mr. Healy agrees and invites the Board to join in "thinking about and planning for the human dimension of the spend down."

OCT.

Endowment and payout picture improves. Improved market conditions ensure that the endowment will be able to cover current expected payouts. Trustees revise future commitment budgets downward to $200 million, $250 million, $300 million, and $350 million respectively over the next four years.

New investment strategy adopted, relying on increased certainty and return level. To achieve lower volatility with high returns, the Board approves a staff recommendation of reduced exposure to equities and adoption of "an absolute return strategy using a variety of techniques, primarily through hedge fund vehicles."

2004

FEB.

CEO's year-end report notes that 2003 saw the implementation of Atlantic's new program structure, organized around four program themes: Children and Youth, Aging, Health, and Human Rights.

2005

MARCH

Mr. Healy initiates a new effort to plan and coordinate activities for spend-down, encompassing financial management, human resources, communications, strategic learning, and program strategy. He asks Senior Vice President Deb Phillips to convene a staff-level Spend Down Team to coordinate the planning process. The team holds its first meeting in May.

JUNE

Trustees express renewed concern about the level of annual commitments relative to targets. Some Trustees foresee a need to trim budgets or the scope of program activity to keep spending in line with projections. Others warn that large early commitments drain funds from future grantmaking, which could lead to the foundation giving away significantly less, over its lifetime, than had originally been planned. Mr. Healy promises an analysis and options for the Board's consideration later in the year.

SEPT.

Mr. Healy and Chief Investment Officer Philip Coates present analysis of portfolio performance and recommendations on future spending. Recommendations include restraint on future commitments to ensure a predictable "steady-state" grant budget for ten more years and the ability to wind down the program responsibly thereafter. Some Trustees, however, express a countervailing concern that grant outlays in some years may not be large enough to meet the "steady-state" target of $350 million annually, adjusted for inflation. Falling short of the target, they warn, would prolong the foundation's life beyond the spend-down schedule. After discussion, the Board decides that the risk of overspending is greater than that of underspending, and approves the recommended restraint.

Deb Phillips reports to Trustees on the progress of the Spend-Down Team. The team's goals, she says, include ensuring transparency and broad engagement of the staff in planning the spend-down, and ensuring that staff are prepared, personally and professionally, for the consequences.

2006

MARCH

Consultants from McKinsey & Co. submit a report titled "Strategic Change at the Atlantic Philanthropies: Lessons from a Six-Year Journey, 1999-2005," describing the major changes in foundation management, program, and planning since the earliest discussions about spending down. The first lesson in the report's concluding section is that "A spend-down decision creates an institution-wide focus on legacy and outcomes that enables

the foundation to fundamentally change its strategy and operations in a relatively short period of time." The decision to spend down, the report continued, "increased the Board's engagement, sharpened the organization-wide focus on impact, and raised the energy level among staff." In oral remarks, one of the authors expresses a judgment that the decision to spend down had "galvanized the organization and generated a profound discussion about impact that other foundations do not have."

MAY

John R. Healy announces retirement as CEO.

DEC.

Gara LaMarche announced as new CEO; will take office effective April 2007.

Deb Phillips gives the Board a year-end report on the Spend-Down Team, including a timeframe showing the progress of the spend-down in four phases, through 2020, describing the issues and questions that predominate during each phase. Some Trustees caution, however, that the new CEO may wish to revise some of the underlying assumptions. They recommend a slower pace for the time being, while noting that planning is essential and should resume in earnest after the leadership transition.

2007

Gara LaMarche succeeds John R. Healy as CEO; strong market brings endowment value to $4 billion despite sharp rise in total giving.

DEC.

Investment Committee Reviews Financial Framework for Spend-Down. Philip Coates presents a memorandum, "A Framework for Spend-Down" to the Investment Committee, detailing a "philosophical approach" to the management of assets for spend-down, and a further elaboration of options for balancing the endowment plus returns against grants plus operating costs.

Mr. LaMarche submits to the Board a paper titled "Focus, Impact, and Legacy," discussing his vision of the program implications of spend-down. The paper describes the beginning of a new round of strategic review for all programs and geographies that will lead to a tighter

focus in each program area, together with greater attention to defining and achieving a legacy within the foundation's remaining lifespan.

SEPT. Trustee Harvey Dale submits a memo to the Investment Committee titled "Exogenous AP," "intended to stimulate possible rethinking of the boundary conditions for the AP portfolio," but also noting that the ideas in the memo have "potentially more significant HR and program implications." The memo recommends not thinking of Atlantic's assets as something that will be liquidated and spent "before we 'turn off the lights.' " Rather, he writes, financial assets—and also personnel and program work—could be transferred to other institutions that would continue to use them to pursue Atlantic's goals. Many financial assets, he suggests, could be better managed, for greater return, if they were not constrained by a need to liquidate them to meet a fixed end-date.

2008

JUNE **Mr. LaMarche submits a paper titled "The End of Atlantic as We Know It: Time to Start Thinking and Planning,"** giving further detail, program-by-program, on what spend-down would mean and what it might achieve. The paper seeks to "imagine the end of Atlantic"—i.e., the things the foundation might hope to achieve by the time the programs are concluded—"and work back from there." The paper posits a tentative final set of commitments at the end of 2017 and describes the grantmaking effort in each country and program that would be needed to achieve a significant legacy.

SEPT. **Mr. LaMarche circulates a statement titled "Social Justice as a Framework for Atlantic's Programmes,"** describing a unifying theme of Atlantic's grantmaking, showing how it applies in each of the four program areas, and drawing implications for Atlantic's geographic centers of activity. Although the paper does not focus on spend-down, it notes that "one of the defining characteristics of a social-justice frame is its emphasis on systemic change.. . .[I]t is often the surest route to achieving the lasting change we want to see."

NOV. **David Sternlieb and David Walsh prepare an analysis**

titled "Spend-Down: The Sustainability Challenge," which "seeks to gauge the risk to grantee survival presented by our spend-down." It argues for "extending sustainability planning beyond a piecemeal, grantee-by-grantee context and making it integral to our program and organizational strategies." Among nine recommendations, the memo advises concentrating on "objectives that do not depend on grantee sustainability" and cautions against "increasing the number and size of grantees beyond the point where they are sustainable by post-Atlantic funding sources."

2009

JUNE

Marcia Smith, senior vice-president for programs, reports to the Board the beginning of a new process and structure for spend-down planning, aimed at mapping out the later years of program activity and coordinating the various aspects of the foundation's work to ensure success.

OCT.

South Africa program convenes a group of grantees and co-funders to plan for the end of Atlantic's support. The "scenario planning" session enlists gay and lesbian human-rights groups throughout South Africa, along with other international funders and technical-assistance providers, to explore ways of working together, raising new funds, sustaining their organizations, and strengthening their movement, in light of Atlantic's intent to conclude its grantmaking in this area as early as 2011. Options include creation of a community foundation, with seed funding from Atlantic and other major donors, to support gay and lesbian rights in South Africa.