

Thoughts on Giving

A prominent foundation director speaks candidly about raising and giving away money

BY ROB TOREN

In the Beginning

In the 1920s, a poor Jewish immigrant came to the United States from Greece and amassed a great deal of wealth over the course of his ninety-plus years. A little less than ten years before he died in 1994, he established a private foundation to continue his philanthropy, providing written guidelines for his legacy and entrusting his wealth and aspirations to a group of trustees. Samis is the private foundation that Sam Israel, ז"ל, established. Sam clarified the top priority of this foundation, both in his handwritten list and in his philanthropic practices: day school education for the Jewish communities of Washington State.

Supporting Day Schools

Since 1997, Samis has provided approximately \$20 million to the five Seattle-area day schools. Approximately

Rabbi Toren graduated from Harvard University, where he majored in Bible and Near Eastern languages. He studied in various yeshivot, including Ohr Somayach in Monsey, New York. Before assuming his current position as grants director at the Samis Foundation, he was director of educational planning for the Jewish Community Federation of Cleveland.



Crew is one of the athletic activities available to Northwest Yeshiva High School students. In the springtime, boys and girls row crew (in separate shells) on Lake Union.

80 percent of the Foundation's annual dollars have been granted to these schools, ranging from less than \$1 million in 1995 to over \$3 million in 2002. Samis day school grants include:

- Tuition reduction and need-based scholarship assistance.
- Medical benefits for staff. (Samis dollars do not entirely cover this cost, and the percentage of coverage varies from school to school depending on the scope of the school's plan.)
- Matching fundraising grants.
- Seed money to establish a director of development position.

- Strategic planning and other kinds of board development.

Despite the high percentage of the schools' operational funds that Samis provides, the Foundation values the independence of the schools.

An Experiment in Funding Jewish Education

Annual tuition in Seattle ranges from \$7,500 to \$12,000. Given housing costs in the area, a couple would have to make close to \$200,000 annually to be able to comfortably afford enrolling three or four children in day schools. In



After Seattle Hebrew Academy sustained severe damage in a 2001 earthquake, the Orthodox Union challenged federal disaster relief regulations and lobbied for government funding on behalf of the school. As a result, the government awarded the school with over one million dollars in disaster assistance.

an attempt to reduce the tuition burden on families, in 1997 Samis instituted Seattle's first tuition reduction program at Northwest Yeshiva High School (NYHS), which guaranteed incoming freshmen a tuition fee of \$3,000 for the duration of their high school careers. (This figure was arrived at through a survey of Jewish families in Seattle who were asked how much they were willing

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to pay to send their children to day school.) NYHS, which was rated the top high school in the state by the University of Washington, provided the perfect testing ground for Samis's mission of "providing quality and affordability" in day school education.

While the tuition reduction program was in effect, enrollment doubled from fifty-five students to well over 110. Unfortunately, the program proved to be too expensive to maintain as originally

designed. School officials and Samis had hoped that parents would translate tuition savings into tax-deductible contributions. Though that happened to a limited extent, it did not compensate for the lost tuition revenue. The school amassed a \$400,000 deficit, a significant amount in light of its \$2.1 million annual operating budget. Samis and the school agreed to modify the tuition reduction program. Thus, since 2001, NYHS has been raising tuition each year while still trying to maintain a below-market rate. This year, the school's tuition is slightly less than \$7,000, certainly still a bargain given the

excellence of the school and the local and national market rates of Jewish high school tuition.

Samis could not afford to subsidize reduced tuition for all the local day schools. Additionally, since some experts we consulted did not approve of a tuition reduction program, Samis was interested in trying out other models as well. Samis's tuition-related funding at the other four schools grew out of discussions with them on the pros and cons of tuition reduction versus more conventional forms of financial aid. The schools opted for the latter. To ensure the integrity of the financial aid process, each school's financial aid committee is staffed by a Samis employee.

Lessons Learned

What are some of the lessons Samis has learned after over a decade of funding Jewish education?

1. Samis had thought that it could address the challenges of quality and affordability simultaneously. But it

learned that there are trade-offs. One dollar spent on teacher salaries is a dollar not spent on tuition scholarships.

Forty percent of parents at day schools supported by Samis are on reduced tuition, costing Samis and the schools close to \$2.5 million annually. It would require several million dollars to significantly reduce the tuition burden upon families, a sum clearly no one can provide at the moment. While token reductions of a few hundred dollars per family *theoretically* could be raised, there would be great pressure to use that money elsewhere: teacher salaries, special education, improved technology and important extracurricular activities such as trips to Israel.

But raising more money is not the whole answer since even Harvard University, with an endowment that surpasses the GDP of most countries, still aggressively raises funds for its programs. Educational excellence knows no limits. Thus, funding education requires balancing competing values.

2. Make sure the school you are supporting can absorb an infusion of funds. Pouring money into an organization that is not on a solid footing could be disastrous. Suppose you gave a signif-



Seattle Hebrew Academy was rebuilt into one of the most beautiful state-of-the-art schools in the area.

icant grant to a school to lower its tuition, and consequently, the enrollment increased by 20 percent. Not only does that school need to find more teachers, it will likely need additional administrative help as well as staff to

provide extra counseling and tutoring for new students with no or limited Jewish backgrounds. Schools are typically eager to obtain additional funds but not always wise enough to manage costs so that paradoxically, often increased income leads to increased deficits! Infusing ill-prepared schools with too much cash is like feeding rich food to someone recovering from a severe illness. Schools must be ready to cope with the challenges of growth and expansion.

3. It is vital for major donors to leverage other donors. In Samis's zeal to do what is right and good in originally launching the reduced tuition program at NYHS, the Foundation did not consult with the Federation. Some Federation lay leaders not firmly in the day school corner reacted strongly (since they felt that community funds should not be used to subsidize those who could afford to pay full tuition) and, according to some, recklessly, by pushing through a restructuring of its day school funding rather late in the schools' budgeting cycle. Some day

"We [grandparents] who are hopefully in a better financial position than our children should help absorb some of the costs of our grandchildren's tuitions. I also believe that those who are in *chinuch* should receive free tuitions even if their children do not attend the yeshivah or day school where they happen to work. We owe them at least that."

Chana, mother and grandmother, Teaneck, New Jersey

schools were faced with surprising and dramatic revenue shortfalls due to Federation reductions. Federation leaders justified the cuts by saying, "If Samis

is giving all this money to day schools, why should the Federation? Federation has other needs." In the past five years, Samis and Federation have worked together more.

Moreover, Samis has been quite successful with matching grants of various sorts. Challenge grants that match newly raised dollars—either increases from current donors or dollars totally new to the school (typically from new parents)—have been especially successful.

4. Funders need to help schools attain financial stability. Day schools in Seattle and elsewhere, as far as can be determined, are not financially stable. Cash reserves, endowments, capital reserves, contingency funds—all norms of good non-profit management—hardly exist. So many day schools operate on a survival basis. Even though Seattle has Samis and a federation that offers support on par with most communities of its size, key elements of institutional financial stability are lacking.

Yet changes are happening. Samis's investments in development offices seem to have helped significantly. Total day school fundraising in 1997 was \$1.1 million out of a total expense of \$5.6 million; in 2005, schools will have raised \$3 million out of a total expense of \$11 million. In other words, during this period, expense budgets will have nearly doubled but fundraising income will have tripled. In addition, Samis requires that each school have monthly finance committee meetings, submit quarterly financial reports and conduct financial reviews by an outside firm. All of these practices are helping to move the Seattle schools towards financial stability.

The Art of Fundraising

Fundraising is essential for a school to attain financial stability. Below are a few fundraising ideas that every school can—and should—implement.

1. Bequests and planned giving. As stated earlier, planned giving, common to larger non-profits, hardly exists in day schools. George Hanus, a Chicago businessman, has been some-

what successful in his community in enticing donors to bequeath a portion of their estates to a day school trust fund. Implementing such programs, however, requires dynamic lay leadership.

2. Endowments. Financial stability is difficult if not impossible to achieve without endowments.¹ Institutions typically find that starting endowments is the most difficult step; once started, they grow, sometimes surprisingly quickly. It takes time to begin to translate an endowment into a significant operational benefit since typically only 5 percent of the endowment can be used to ensure long-term growth. Safeguards have to be clearly delineated so that schools are not tempted to tap into endowments when confronting the typical, if not annual, operating budget shortfalls.

3. Lay-professional partnership. Both heads of school and fundraising professionals need lay leadership to help raise funds. A cabinet-like structure for endowments and bequests would seem to hold the greatest potential, similar to what schools typically create when undertaking major capital campaigns.

Many would claim that giving away money is simple. Samis has learned that it is not.

This lay cabinet has to involve people with "clout," individuals who are themselves wealthy, and more importantly, have influence over other wealthy people. But lay leadership is not enough. Heads of school successful in fundraising typically devote 40 percent or more of their time to board, donor and external community relations. Development professionals are also needed for setting up and maintaining mechanisms for planned giving and arranging meetings and programs for key donors. Both professional and lay leaders cannot lose sight of their mission; the future of the Jewish community is at stake. A lot of

this financial and organizational talk can begin to sound dry, formulaic and uninspiring. Those who are successful walk and talk the mission of the schools they represent.

Learning from Others

There is a wealth of resources available to those interested in funding day school education. Samis has learned much from the many Jewish and general educational resources out there and has likewise contributed to their knowledge and experience. These include:

1. The Jewish Education Service of North America. In addition to its many projects, JESNA created a day school task force which, among other important day school data gathering, surveyed various tuition reduction initiatives.

2. The Partnership in Excellence in Jewish Education is playing an increasingly important and valuable role in advancing day school education in North America. PEJE's role includes providing guidance in marketing, recruitment, admissions, fundraising, institutional development and many other aspects of successful day school education. PEJE's publications are first-rate, and its annual conferences attract day school leaders from across the spectrum of the Jewish community.

3. An organization of Jewish philanthropists that has intensified the Jewish element of its mission of late, the Jewish Funders Network provides important guidance and support, especially for donors new to the world of organized philanthropy.

Many would claim that giving away money is simple. Samis has learned that it is not. In fact, after years in the business of funding Jewish education, we continue to improve through learning from our and others' experiences. And the rewards far outweigh the challenges. Samis proudly points to a few of its many accomplishments, including helping NYHS double its enrollment within four years; assisting in creating a



Students at Northwest Yeshiva High School, which was rated the top high school in the state by the University of Washington.

K-5 day school eight years ago, which now has waiting lists in its lower grades; providing medical benefits for staff; assisting Seattle Hebrew Academy, which had lost the use of its building in 2001 due to earthquake damage, rebuild into one of the most beautiful state-of-the-art schools in the area and ensuring that a professionalized, fair and confidential scholarship process takes place at all the local day schools.

There is much to learn as a funder; there are numerous challenges. Samis would advise funders to be smart but humble and unafraid of making mistakes. If one is not making mistakes, then one is not taking risks. By all means, learn from mistakes as well.

We hope this article will inspire those with means to consider supporting this important cause. What a wonderful and rewarding opportunity to be able to support children learning Torah. **JA**

Note

1. The Rose Community Foundation, created from the proceeds of selling a Jewish hospital in Denver provided matching incentive grants for Jewish institutions of all sorts to create endowments. Additionally, Rose offered technical support, workshops and consultants to help institutions succeed.