How Spending Down Deepened a Pacific Northwest Funder’s Relationships with Grantees

Michael Kavate

The most famous spend-down philanthropy of the current era, Atlantic Philanthropies, closed its doors in 2020. But the $8 billion philanthropic project of Duty Free co-founder Chuck Feeney is just one of many.

Small Pacific Northwest funder the Brainerd Foundation, for example, also shuttered last year. With more than $65 million in giving over its 25-year lifetime, it offers perhaps a more relatable set of lessons for a sector in which 98% of foundations have less than $50 million in assets.

Brainerd made the decision to wind down its operations more than a decade ago, yet its final year proved to be one in which longstanding critiques about foundation practices—including the question of perpetuity—flared anew.

A global pandemic, a national movement to address systemic racism, an accelerating climate crisis and other forces prompted new calls to push beyond business-as-usual philanthropy—including campaigns to raise payout rates and ease grant requirements—and to some extent, foundations responded.

With these debates fresh in the air, I spoke with Brainerd’s leaders to hear firsthand how spending down impacted their grantmaking and their relationships with their grantees—and what lessons it
might offer for other funders, regardless of their approach to payout and perpetuity.

**How Brainerd came about—and decided to spend down**

Paul Brainerd, a former journalist, made his fortune by starting a tech-oriented publishing company, Aldus, best known for its PageMaker software. Its sale netted Brainerd roughly $120 million. He took a third of the proceeds to establish the Brainerd Foundation’s endowment.

A native of Oregon, Brainerd focused his philanthropy on the Pacific Northwest, with grants spread across five states and British Columbia. He and his sister, Sherry, served as the institution’s trustees. While the foundation often spent more than the minimum in its first decade-plus, in 2008, he formally announced his philanthropy would sunset by 2020.

He cited two reasons common among founders who have made the same choice: the urgency of the needs and the desire to see the endowment spent in his lifetime.

Brainerd set out some ambitious goals, but he knew his small foundation was addressing massive challenges. “If these problems were easy, they would have been solved long ago—and they’re not easy,” he said in a video reflecting on the foundation’s lifespan. (Due to health reasons, he was unavailable for an interview.)

Another motivation he cited in the letter announcing the foundation’s sunset was the desire to “pass the baton” to a new generation of philanthropists—a
purpose that guided not only the decision, but shaped the foundation’s final funding.

“A shift in mindset”

From its first days, the Brainerd Foundation strived to be partners with its grantees, not micromanagers or power brokers.

Paul Brainerd had launched his philanthropic journey with a road trip. Upon starting the foundation, he drove through five states and a Canadian province meeting nonprofit leaders. He wanted to see the on-the-ground reality of potential grantees and get to know them personally. Similarly, the two women Brainerd chose as the foundation’s co-directors, Ann Krumboltz and Keiki Kehoe, had both spent more than a decade as grantseekers at environmental nonprofits before coming to philanthropy.

The aspiration was also integrated into the foundation’s practices. Krumboltz recalled staff presenting an initiative they wanted to fund to Brainerd’s trustees. Paul and Sherry asked if they had run it by the foundation’s grantees—a common practice at Brainerd. “Embarrassingly, we hadn’t done as good a job as we should have,” Krumboltz said.

Despite that ethos, shifting to spend-down mode transformed how they related to the organizations they funded. “When we decided we would sunset, it really changed our relationship with our grantees. We felt there was more candor between us,” Krumboltz said.

“There is something different if you can look someone in the eye and say, ‘We’re with you ’til the end,” Kehoe
said. It gives them permission to be honest, even vulnerable. “You’ve shifted that judging role and gone to the partnership role.”

Krumboltz remembers a conversation with an organization in Southern Oregon focused on land protection. It had been a grantee for 10 years. Following a check-in, the staffer made a fairly standard request for support.

“Are you sure?” she recalls asking. “Because we’re not going to be around, and all I want is for you to thrive.”

“You know, when you put it that way...” the staffer replied.

They proceeded to tell her that the organization’s board was bickering and their executive director was planning to leave. What the organization really needed was support for the transition and board development. “I don’t think we would have had that conversation” before the sunset announcement, Krumboltz said.

“It’s hard for grantees to talk about dysfunction in their organizations or boards. It’s such a vulnerability. And yet, it’s what can cripple them,” Kehoe said.

Ryan Houston, executive director of the Oregon Natural Desert Association, a grantee of Brainerd’s for roughly two decades, believes there are—generally speaking—two types of funders. One type are transactional, arms-length types. The other are partners for whom funding is a collaboration. He puts Brainerd—which he’s known through positions at two different organizations—in the latter category.
“They’ve been a unique funder with this unique personal touch,” he said. “Their approach to truly partnering with grantees is really special in the funding world.”

“A passing of the baton”

In sunsetting, the foundation’s leaders also saw themselves as making way for a new generation of philanthropists. “There’s a huge evolution,” Kehoe said. “Let’s let today’s philanthropists solve today’s problems.”

The issues that motivated Brainerd when the foundation opened its doors in 1995 are no longer at the front of the agenda—and the concerns of today were only just making their way into the public consciousness back then. “When the foundation started, climate was important, but it wasn’t front and center, as it is now,” Kehoe said.

Similarly, environmental justice has become part of the mainstream conversation. President-elect Joe Biden’s winning presidential campaign put emphasis on it—and some of his cabinet picks suggest those issues will have a voice in his administration.

Meanwhile, the newest and largest climate funder in the country has put major funding behind intermediary groups that support environmental justice.

“[Environmental justice] was not a part of the conversation in the environmental world 25 years ago” in the way it is today, Kehoe said. “That requires a completely different set of analyses and ways to do the work.”
To facilitate this transition, and to build a new base of support for its grantees, the foundation funded efforts to recruit new Northwest philanthropists, such as a conservation philanthropy fellowship in partnership with Social Venture Partners.

“The people who are coming out of the program are investing the money in the things they are most passionate about—and they’re not the same things we were most passionate about,” Kehoe said.

In a similar vein, the foundation invested in bringing together nonprofits to collaborate and better understand each other’s work. Now, the foundation’s grantees are “not just family with Brainerd, but family with each other,” said Houston. That type of connection “pays dividends long after they’re gone.”

The foundation’s attitude about the next generation partly reflects that of many of the foundation’s five-person and mostly part-time staff, Brainerd was their last stop. “A lot of us are retiring,” Krumboltz said in December. “It’s sort of been perfect timing.”

**Will more philanthropists choose to “empty the safe?”**

The first and perhaps best-known proponent for giving while living was Andrew Carnegie. His widely read tract, *The Gospel of Wealth,* famously reads: “The man who dies rich thus dies disgraced.” Yet despite starting at 35, he did not manage to follow his own advice—and a foundation in his name survives, in perpetuity, as a result.
Nor did Carnegie’s mixed example appear to inspire many to time-limit their philanthropy. Perpetuity remained the default for decades to come, and still is for large foundations, in particular. The *Stanford Social Innovation Review* recently ran a series of opinion pieces on the payout debate, in which Hewlett Foundation President Larry Kramer defended operating in perpetuity as one of multiple legitimate approaches a foundation might choose, depending on what it’s trying to achieve.

“[M]any social problems—and especially the big ones—are intractable in ways that call for foundations to employ long-term strategies and sustained efforts.... Progress is slow not because foundations are unwilling to take chances or invest enough money, but because the problems are hard—more, they are mutable and continuously changing,” Kramer wrote.

In recent years, the balance does appear to be shifting. About half of newly established foundations are time-limited, versus just 20% a decade earlier, according to a study of 150 foundations from last year.

There are several high-profile contemporary examples. Bill and Melinda Gates have specified that their foundation—the largest in the United States—is to spend all its assets within 20 years of their deaths. Mark Zuckerberg and Priscilla Chan say they will give away 99% of their shares in Facebook during their lifetimes. Time will tell whether either fulfills that goal.

In coverage of the Atlantic Philanthropies, much attention has been given to the pace and volume of
grantmaking required to give out $8 billion over nearly four decades.

Yet MacKenzie Scott gave out nearly three-quarters of that amount last year alone. And she says she wants to “empty the safe” while she’s still alive—and she may not even establish a foundation to do so. Again, whether Scott is an outlier or a philanthropic leader in this new Gilded Age remains to be seen.

At Brainerd, which focused for 25 years on protecting the air, land and water of its region, the urgency of the present could not be clearer.

“We all know that the world is on fire. And we’re in a crisis,” Kehoe said. “If you’re an environmental funder, and you’re holding back 95% of your assets, you’re doing a disservice to the cause. And that’s not to say everyone should spend everything tomorrow. But we all have to do everything we can.”
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