

Anglo File

Madoff scandal sews fundraiser fears, but others see opportunity for change

By Raphael Ahren

Professionals in the Jewish philanthropy world are divided over the fallout from the brewing Madoff scandal. While some fear Israel will bear the brunt of the dwindling pie of donations, others see an opportunity to revamp an inefficient fundraising system.

About two weeks ago, the New Yorker businessman Bernard Madoff was arrested after having admitted that his investment firm was based on a so-called Ponzi scheme, losing about \$50 billion. A number of charitable institutions supporting Jewish and Israeli causes were victims, not just investment firms.

"The newspapers focus only on the names and numbers of those who lost money, but they are all miss one of the most important element of this crisis," said an Anglo fundraiser who works for some of Israel's leading not-for-profit organizations but asked not to be identified. "The American Jews are going to suck the money out of the pipeline because they need it in order to keep the American system from collapsing. In other words," he says unequivocally, "the Israeli organizations will have to suffer."

Harold Basch, vice president for research at Bar-Ilan University, concurs, though not to the same degree. "There are American donors who think the poor in America come first," he told Haaretz Wednesday. "Yet there are some donors who are particularly oriented toward Israel and will continue to give whatever is within their abilities," Basch, who grew up in the Bronx and came to Israel in 1970, added.

Avraham Infeld, the president of the Chais Family Foundation – which folded because all its funds were invested with Madoff (see box) – argues the crisis impacts Israel and the Diaspora equally. "Whoever thinks that way completely misunderstands the Israel-Diaspora relationship," he asserts.

"I believe that a major amount of money – probably several billion dollars – will be removed from Jewish philanthropy in the next year or two," added the South African-born Infeld. "The real question, however, is what kind of philanthropy will be affected." A majority of the funds that are still available will now "go to feeding of the hungry and clothing the poor, while there will be far less money available for education and culture," Infeld said. "It's the natural tendency of a philanthropist to take care of the poor and the hungry and a lot of people are attracted to that area."

Sari Revkin, the founding director of the Jerusalem-based non-profit Yedid, which provides the country's poor with free legal and social assistance, also feels that in the wake of the crisis, more money will be allocated to social needs rather than to educational and cultural projects. However, she is afraid that donations from abroad will indeed stagnate.

The Colorado-based Rita and Harold Divine Foundation, which supported Yedid annually with some \$25,000, packed it in because of Madoff. But the lion's share of Yedid's \$3 million budget comes from various American federations as well as family foundations, Revkin, a native New Yorker, told Anglo File.

"The federations will feel pressure to keep local services going, and Israeli institutions will be hurting," expressed a concerned Revkin. Many wealthy Americans told her to approach Israel's business elite, as they feel there is enough money in Israel to fund local charities, she said.

"Every day we discover a new donor or supporter who has been affected," said Gary Sussman, Tel Aviv University's vice president for public affairs, on Tuesday. "At first it was the Chais Foundation and then the [Yeshaya] Horowitz Association." The folding of the Horowitz Association,

which supported universities and hospitals in Israel and reportedly invested its entire endowment – an estimated \$800 million – with Madoff, is an enormous loss to virtually all research universities in the country, several professionals agreed.

However, Sussman, who is heavily involved in fundraising, described his mood as "realistic" rather than pessimistic. "Philanthropy won't disappear. There will be less money for more causes but I think that people will generally prioritize," said Sussman, who moved to Israel from South Africa in 1992. Sussman agrees with Infeld that "it will be no less difficult for American organizations" than for Israeli ones.

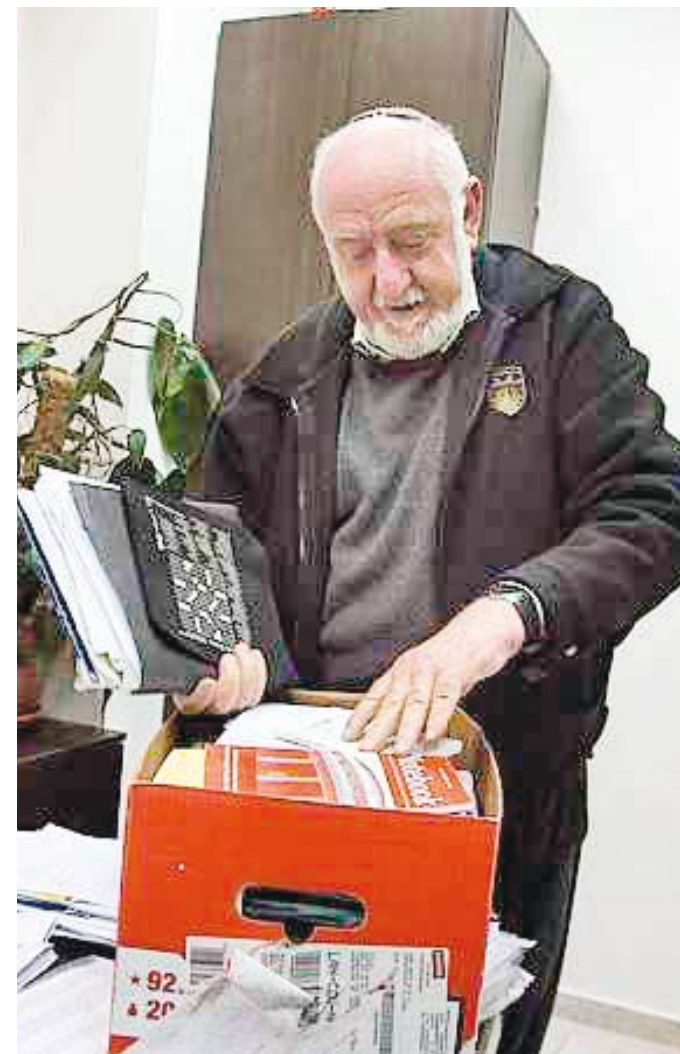
So what is to be done? Instead of merely bemoaning the shrinking pie, the Jewish philanthropy world should be reformed, said Infeld. "This is an opportunity to rebuild the whole non-profit organization system," he said. "Philanthropists are going to be much more wary of where they're giving money. In order to survive this totally new environment, all non-profits should begin to ask themselves: how do we rebuild ourselves? How do we merge? How do we create less competition? How can we cooperate?"

Eliezer D. Jaffe, co-chairman of Hebrew University's

Center for the Study of Philanthropy, also says the crisis creates new opportunities. Using as an example the Elie Wiesel Foundation for Humanity, which reportedly lost more than \$15 million, Jaffe said the current situation places the Nobel laureate in a good position to approach potential donors who never gave previously to his foundation. "In times of crisis, there are always people who step up to the plate to help out. If Wiesel has sophisticated fundraisers and uses his reputation, he'll be able to make up for the losses," Jaffe said.

Jaffe, who came to Israel from Cleveland about 50 years ago, emphasized that he doesn't make light of the Madoff scandal, which he said was the most significant fraud in the history of philanthropy. While he admitted that "philanthropists are very cautious now," with some having put a temporary moratorium on their giving, it means neither the end of Jewish philanthropy in general nor a halt to an American commitment to Israeli causes.

"Those who were hit really hard will let go staff and pull back on programs," said Jaffe, who is the author of "Giving Wisely." He adds, "When the time is right, they will come back with a roar to provide services because that is their *raison d'être*."



GONE WITH A PHONE CALL: Avraham Infeld of the Chais Foundation this week packing up the Jerusalem office. *Tess Scheftan / Jini*

The day the money died

The morning of December 11 started off well. Avraham Infeld, president of the Chais Family Foundation, which is based in California but operates out of Jerusalem, was in New York to attend the foundation's board meeting.

"At that meeting, Mr. Chais announced his intentions to increase the size of the foundation," Infeld told Haaretz. "We approved another \$5.8 million worth of expenditures in Israel. A contract was approved for the staff for an additional four years. And everything looked really wonderful."

That was before Infeld learned that at about the same time, somewhere

else in New York FBI agents had arrested Bernard Madoff on the charge of securities fraud. "At 10 o'clock that night I got a call from Mr. Chais who told me that all the funds had been sitting with Mr. Madoff and that as a result the foundation has been completely obliterated," Infeld continued.

"I was told to return home, dismiss the foundation staff and try to sublease the offices. I sat in my chair for an hour and a half, unable to move, shocked."

The Chais Foundation, founded by Stanley and Pamela Chais in 1985, gave most of its annual \$12 million in

donations to educational causes in Israel. "It is very painful to fire a good staff," Infeld said.

"It's very difficult to know that you don't have a clear picture of what you are doing tomorrow. But the most painful thing was knowing that the students who are studying on our scholarships, their teachers who are being trained based on our money, the talented youngsters in the periphery of Israel who were given a wonderful opportunity to really advance academically – that all of that is coming to an end." (Raphael Ahren)