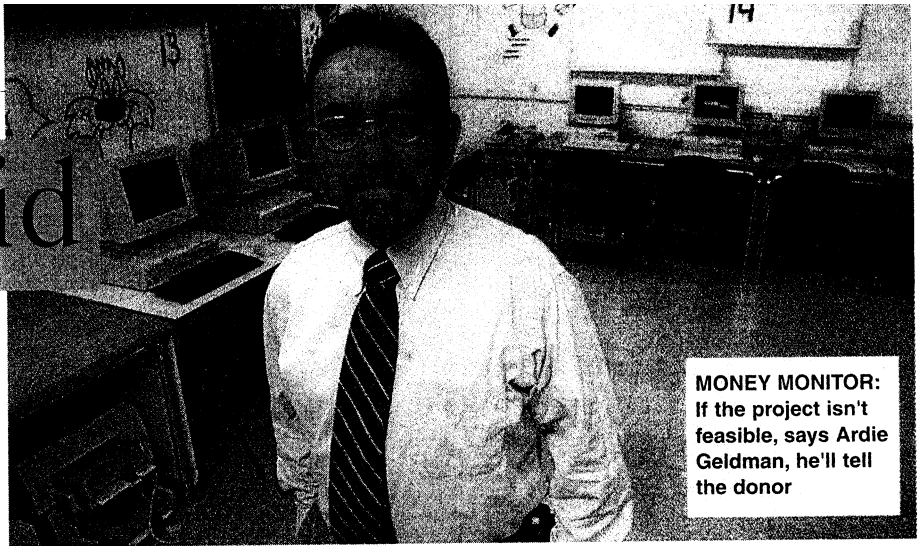


# Donor Aid

The lack of accountability and transparency in Israel's non-profit sector, which imports \$1.5 billion annually, has begun to deter foreign donors. Now there are attempts to restore the faith.

Netty C. Gross



**MONEY MONITOR:**  
If the project isn't feasible, says Ardie Goldman, he'll tell the donor

ESTEBAN ALTERMAN

**H**ORROR STORIES FROM the memory of a former executive of a non-profit organization working with foreign donors in Israel: A group of U.S. Jews, who have agreed to commit funds toward the construction of a swimming pool for disadvantaged residents in a town near Tel Aviv, decide to make an unannounced visit to the site. Instead of a construction site, the donors find a peanut field that is still being farmed; the organization that solicited the funds hadn't informed them that it hasn't even finalized purchase of the field. In a second case, a donor family is shocked to learn that a facility whose construction they financed some years back had been renamed for a new set of contributors, who had underwritten a recent renovation.

The tales are just two among many told by American immigrant Ardie Goldman, 54, who, together with David Roth, 37, another ex-American, opened Donor Associates in Israel (DAI) four months ago, a for-profit consulting firm that aims to prevent such unhappy encounters between donors and Israeli institutions, a phenomenon that experts in the field say ultimately leads to donor disenchantment with — and abandonment of — Israeli NPOs. Indeed, fear of being taken advantage of by Israeli NPOs has motivated many medium-sized private foundations investing in Israel to open their own offices here, and turned providing services for Israeli-oriented organizations, fundraisers, foundations and philanthropists into a growth industry.

Goldman, who made his career, before and after his aliya in 1982, working in Israeli and Jewish communal affairs, and most recently was executive director in Israel of Amit, a modern Orthodox network of social and educational institutions, says he was prompted to start the business

because of the “negligence, stupidity and lack of respect,” often shown the foreign donor by Israeli beneficiaries. Adds Roth, a private philanthropist and former head of his own family's Yoreinu Foundation, which supports educational and Jewish-identity programs in Israel: “You only have to get burnt once to know that donors placing charitable funds in Israel need professional guidance to make sure their investment is doing what they intended it to do.” Roth says his family foundation wasted \$100,000 in 1998 on an Orthodox learning center near Jerusalem's Western Wall that never got off the ground. The people at the non-profit organization that solicited the funds “weren't crooks, they just were incompetent,” he observes.

Goldman and Roth plan to advise donors on giving strategies, investigate the charities they are considering supporting, and, crucially, monitor the whereabouts of their donations. “We will sit with the donor,” says Goldman, “discuss the planned gift, find out from the charity if it is feasible or even needed. Sometimes it isn't and the donor needs to be told. If it is, we can manage the project — be it in a hospital or school — until its fruition and then be involved in its stewardship in the years to come.”

Providing this kind of hands-on supervision is a business born of necessity, say observers. According to a report published last March by Prof. Benjamin Gidron, founder of the Israel Center for Third Sector Research at Ben-Gurion University, “the philanthropic funds that Israel imports [some \$1.5 billion in foreign money each year] are very significant.” Gidron points out that Israeli non-profits lag behind their American counterparts in areas of accountability and transparency, which has become a factor in increasing donor disaffection and abandonment. His report points to at least

one probable cause: an Israeli law not requiring publication of tax information related to non-profit organizations. Consequently, the annual reports that Israeli NPOs are required to furnish to the Registrar of Non-Profit Organizations (*Rasham Ha'amutot*), an arm of the Justice Ministry, which are open to the public, do not contain the same kind of precise financial information included in the Internal Revenue Service Form 990 required of U.S. organizations, and often available on the website of any NPO. Nor is there yet an Israeli version of Guidestar, the U.S. non-profit that posts relevant financial information, including tax filings of recognized American charities, on the Internet. Gidron's center has been working on this.

As a consequence, accountability is not something many Israeli non-profit organizations “are accustomed to providing,” says Prof. Eliezer Jaffe, founder of the Hebrew University School of Social Work and author of “Giving Wisely,” a guide to donating in Israel. “Many NPOs don't even bother to produce an annual report for donors.”

Jaffe says the lack of accountability plainly clashes with the demands of a new generation of foreign philanthropists, who expect their non-profit ventures to be run with the same level of professionalism as their businesses, and risks charitable investments already in place. Goldman observes that the nature of American philanthropy has changed dramatically in the last 30 years, moving from a centralized campaign approach, where Jews gave unquestioningly to large organizations such as the UJA-Federation, which then dispersed the funds, to a more “personalized, participatory” model, which requires increased demands for accountability from beneficiary organizations. “Gone are the days when U.S. donors would simply write checks with no

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on, and want to get the most bang for their buck.”

According to Jaffe's count, some 20 for-profit companies now operating in Israel check up on non-profit organizations or assist NPOs in sprucing up their image. “The field is getting crowded,” he says. “It's a sign that what started out as a need has mushroomed into an industry.”

Not all these firms seek out the same client base. Goldman's DAI is intended for private donors — a category that may include private individuals or families, foundations and major Jewish federations

— whose gift is at least \$100,000. On the other hand, Yoram Ohana, of Profile Family, a division of a Jerusalem-based portfolio management company, takes on clients whose gift is as small as \$10,000. Ohana says he steered two Swiss philanthropic clients away from giving a substantial gift to a yeshiva after commissioning a financial audit that found liens and debts, and the likelihood that the gift would be consumed by litigation. “We advised them against making the donation,” he says. He also helped an American donor purchase a \$1.5-million building to serve as a permanent home for a center for the mentally handicapped as well as a shelter for teenage girls at risk, two struggling, unrelated NPOs that she'd been supporting for years. “Clients see these charitable contributions as long-term investments,” he observes.

Shai Abramson, who for four years managed the Haim Saban Foundation in Los Angeles (which has made \$125 million in annual gifts in Israel and the U.S.), nine months ago opened a consulting business in Neve Ilan, outside Jerusalem to create giving strategies for donors. Her clientele includes philanthropists who distribute

\$5 million and up a year and NPOs, which she advises on how to attract donors. A daughter of U.S. Rep. Henry Waxman, Abramson says that her years in L.A. opened her eyes to the fact that “Israeli non-profit organizations simply cannot compete for donor attention with their American counterparts,” and that, as a result, American Jewish philanthropy is slowly draining into the coffers of non-Israeli and non-Zionist causes.

Abramson says that in the eyes of the American Jewish donor, giving money to an Israeli NPO is becoming less appealing. On

one hand, they don't want to just send a check to a big established body like a federation, a hospital or even a university, preferring a more targeted gift. But that kind of beneficiary presents a problem. “The typical American donor thinks the Israeli charity is far away. He or she can't speak Hebrew, and doesn't know when to phone or whom to speak to,” Abramson says. Often Israelis soliciting for funds, she explains, “show up without even the basic financial data at hand and aren't even aware they have to provide any,” — in stark contrast to the polished executives at U.S. institutions like the American Ballet Theater or the American Red Cross,

who are happy to pick up the slack. “And that's where Jewish money will go unless Israeli NPOs become more professional,” she says.

The three firms, of course, all charge for their services, but none were willing to disclose the size of their hourly fee. Jaffe welcomes this new level of screening, but wonders whether lawyers or accountants, who are in any case retained by the donors, couldn't do the same thing without the extra cost.

Some established foundations, which have already established monitoring apparatuses of their own, are now offering their

services to outside charities. For example, the Sacta-Rashi Foundation, a major (and professional) French-Jewish foundation operating in Israel (whose funding comes from the Perrier water fortune, and dispenses some \$30 to \$40 million annually, will provide on-the-ground oversight and due diligence free of charge to major donors for projects with which Sacta-Rashi is not connected. Matan, the Israeli affiliate of the international United Way founded in 1999 by billionaire heiress Shari Arison, provides audits of other non-profits for interested foundations for a fee.

“Foreign donors are ever more exacting in their demand to make sure their money is supporting the relevant causes and not disappearing into a black hole,” observes Peter Adler, volunteer chair of the Forum of Foundations, an informal professional body that provides information and assistance to some 70 mid-sized foundations that have opened offices in Israel to monitor their own funds. Unlike large “operating” foundations like Sacta-Rashi, which develop their own projects, these “funding” foundations seek out non-profits that suit their agenda.

Adler is a case in point. Eight years ago, he was hired as executive director of the Pratt Foundation in Israel, after the Australian-based charity decided to open its own office to supervise its approximately \$4 million in annual gifts in Israel. Adler says once upon a time, the foundation's founders, Richard and Jeanne Pratt, “were happy to write the checks and not question. They were typical of Jews of that generation.” But the Pratts were urged to open the office by their daughter, Eloise Waislitz, who wanted to know more about the services provided by her family's foundation, which puts an emphasis on supporting mental health programs. “The old days of just showing a few pictures of people, standing outside a clinic or marching off a plane just don't work anymore.”

Ideally, says Jaffe, the government should have taken a larger role in making Israeli NPOs more accountable and transparent to the public, particularly since foreign donations “are so important in Israel, and are increasingly funding social services. It's in the government's interest to see the donations' flow increase, not decrease because of lack of accountability.” But in the absence of that, Jaffe generally welcomes the new initiatives. Still, he adds the caveat that donors do the minimal homework and “check the checkers” to ensure that fees or expenses don't escalate. “Give with the brain,” he says, “never the heart.”

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