



# Philanthropy as Portfolio Management

A Venture Capitalist's Approach to  
Raising and Investing Money  
for Jewish Education



# Philanthropy vs. Investing

- Who are philanthropists?
  - Largely, successful businessmen, investors
- Would any of them invest in businesses the way some invest in charities?
  - Write a check and walk away
  - Trust management to make decisions without personal oversight
  - Reinvest without objective evaluation of success and efficiency
- Philanthropists have skills to help charities succeed, but do they use them in their philanthropy?



# Kohelet Foundation

- Founded on the principal that philanthropic investments should be chosen and managed like business investments
- Mission
  - Increase participation in Jewish education by improving affordability, efficiency and quality of Jewish day schools
- Methodology
  - Align school's and foundation's financial interests to promote efficiency
  - Create a business plan for eventual self-sufficiency
  - Co-manage the school through monitoring and objective evaluation
- Funding
  - Private funding initially, for control and flexibility
  - Public funding eventually, once systems are in place



# Tuition Incentive Program for Subsidizing Yiddishkite

- Aimed at existing Philadelphia-area Jewish Day Schools, grades K-5
  - Abrams, Perelman, Politz, Torah Academy
  - Maybe Cherry Hill-area schools also
  - Each school's plan will be designed to address unique problems
- Three main goals
  - Make schools more affordable
    - Initially by subsidizing tuition, eventually by improving efficiency of schools
  - Make schools better
    - Accreditation for quality monitoring
    - Adding programs, e.g. gifted, special needs
    - Address facilities needs, e.g. buildings, technology, equipment
  - Improve management of schools
    - Force schools to create business plans and think long-term
    - Encourage new thinking, new blood on boards
    - Encourage collaboration among community day schools
- Funding: Up to \$15M for 10-year program



# Aligning Financial Interests

- ◆ Aligning financial interests of schools and Foundation is the key to success of TIPSY
- ◆ How?
  - ◆ Funding is capped on a per-student basis
    - ◆ Growing the school increases allocation
    - ◆ Money spent poorly is money lost
  - ◆ Proposals must show self-sufficiency by final year
  - ◆ Program requires board-level monitoring and auditing by Foundation



# Perelman Plan Details

- ◆ \$6,000 tuition reduction
  - ◆ Gan-5<sup>th</sup> grade guaranteed
    - ◆ 3<sup>rd</sup>-5<sup>th</sup> reduction \$3,000-\$6,000, depending on success
  - ◆ For incoming Gan students 2009-2011
- ◆ Funds secured at start of each year for each entering Gan for duration of program
- ◆ Actual subsidy = lost revenue plus increased costs
- ◆ \$100K challenge grant from school community
- ◆ Simple on the outside, complicated on the inside



# Four-Part Plan

- ♦ Donor Fund - \$4,000 for each student that completes an eligible grade
- ♦ Vouchers - \$6,000 off tuition for each student entering an eligible grade
- ♦ Subsidy - School spends down Donor Fund based on increased costs from growth
- ♦ Subsidy Fund - Supplement to Donor Fund to offset deficits and save for future
  - ♦ Raised from parents who can afford full tuition



# Seeding the Donor Fund

- ◆ Kohelet Foundation will set aside funds to support program for first cohort
  - ◆  $(\$6K \times 70 - \$100K) \times 3 = \$960K/yr$  for Gan-2
  - ◆  $(\$3K \times 70 - \$100K) \times 3 = \$480K/yr$  for 3-5
  - ◆ \$4K/student transferred to Donor Fund
- ◆ Kohelet Foundation guarantees full cost of voucher regardless of duration of program
  - ◆ \$1.44M per cohort
- ◆ Other donors can contribute to Donor Fund



# Marketing the Vouchers

- ◆ Perelman will announce reduced tuition of \$6,900 for Gan starting in 2009-2010
- ◆ Reduced tuition is guaranteed through 5<sup>th</sup> Grade
- ◆ Initial goal: fill up all sections and create waiting list



# Computing the Subsidy

- ◆ Here is where it gets complicated
  - ◆ Old Profit = Expected Tuition – Expected Costs
  - ◆ New Profit = Real Tuition – Real Costs
  - ◆ Tuition is #Students x Price
    - ◆ Does not take into account scholarship
- ◆ Subsidy = Old Profit – New Profit
- ◆ Subsidy is paid to school as tuition is paid by parents



# Example: 70 student baseline

	70 students	90 students	120 students
<b>Old Tuition</b>	70x12.9K=903K	70x12.9K=903K	70x12.9K=903K
<b>New Tuition</b>	70x6.9K=483K	90x6.9K=621K	120x6.9K=828K
<b>Cost of Growth</b>	0	78K	250K
<b>Cost/Student</b>	\$6,000 (\$420K)	\$4,000 (\$360K)	\$2,708 (\$325K)



# Raising Subsidy Fund

- If Subsidy > Donor Fund, Donor Fund must borrow from Kohelet Foundation
  - ♦ Program terminated if Donor Fund runs too large a deficit, regardless of funding sources
- Fund deficit is offset by Subsidy Fund
  - ♦ Parents who can afford full tuition encouraged to donate back for deduction
  - ♦ Scholarship fund-raising diverted to Subsidy Fund (only as a last resort)



# Example with Subsidy Fund

	70 students	90 students	120 students
<b>Old Tuition</b>	70x12.9K=903K	70x12.9K=903K	70x12.9K=903K
<b>New Tuition</b>	70x6.9K=483K	90x6.9K=621K	120x6.9K=828K
<b>Cost of Growth</b>	0	80K	350K
<b>Subsidy Fund</b>	0	100K	150K
<b>Cost/Student</b>	\$6000 (420K)	\$2900 (262K)	\$2300 (275K)

