



## More Foundations Are Examining the Ethics of Where Their Money Came From – and Changing Their Grant Making

By Alex Daniels

Margaret Waldock stopped cold when she saw the names of people enslaved by one of New Jersey's most prominent business and political dynasties.

The names — first names only, London, Susanna, Will, and 53 others — were in documents on display in Liberty Hall Museum, the ancestral home of the Kean and Livingston families. Over the years, family members have served in the U.S. House and Senate. More recently, Tom Kean served as the governor of New Jersey in the 1990s and currently serves as chairman of the Carnegie Corporation. The Keans and Livingstons have held large stakes in railroads, banks, utilities, and real estate.

Waldock leads another part of the family's legacy: She is the board president of the 1772 Foundation, created in 1984 by Stewart Barney Kean. It was during a tour of Liberty Hall in 2019 that she and the other members of the board discovered that the family had used slave labor to build its wealth. It was a secret buried for decades.

The revelation made it clear that the grant maker, which gives about \$4 million a year in historic-preservation grants, should investigate the source of its wealth and focus its grant making on efforts to make America a more just and equitable place, Waldock says.

"Seeing the names really brought it home for me," she says. "Once we saw them, we all agreed that this is just not something we can walk away from."

The 1772 Foundation is one of several grant makers that have undertaken inventories of how their wealth was created.

Along with the Kate B. Reynolds Charitable Trust and the Weingart Foundation, 1772 has taken the formal step of hiring historians to dig into their pasts.

The Reynolds Trust, which owes its existence to the success of the R.J. Reynolds cigarette company, used those findings to divest its endowment from tobacco stocks. Weingart, which got its money from Los Angeles real-estate developer Ben Weingart, is conducting research before it decides what to do next.

Laura Gerald, president of Kate Reynolds Trust, stands beside a portrait of founder Kate Reynolds. (Desilu Photography)

For Laura Gerald, who took over as president of the Kate B. Reynolds Charitable Trust in 2016, the 75th anniversary of the trust's creation by a tobacco heiress provided a good opportunity to take stock of the foundation's past.

Other grant makers, including the Doris Duke Foundation, which uses a fortune built on tobacco to award grants for causes such as medical research, the performing arts, and the environment, have started staff-led internal investigations.

Because many foundation fortunes were built in ways that hurt or excluded people, some critics think philanthropy is ill-suited to play a leading role in solving today's problems that came as a result. Some academics and philanthropy experts say foundation leaders can only take part in present-day solutions if they thoroughly investigate their own creation.

But other philanthropy experts say the historic examinations are distracting foundations from focusing on where they can do the most good today.

An advocate of the work to examine history is Earl Lewis, former president of the Mellon Foundation. If foundations fail to acknowledge their creation stories, they may not be able to serve as steady, trusted partners with their grantees in the fight for a better world, he says.

Lewis, who is founding director of the University of Michigan Center for Social Solutions, says foundations should work with nonprofits to develop new approaches to grant making that take into account philanthropy's role in creating today's problems. But there's not always a straight line between how a foundation was created and what issues are most pressing generations later.

Says Lewis: "There's not always a one-to-one causal relationship between the wealth creation and the needs of today."

### Grant-Making Changes

At 1772, trustees decided to act even as they were conducting research on the founding family's history.

Shortly after the discovery of the names of people enslaved by the Keans and Livingstons, the trustees met in Beaufort, S.C., where some of the slave plantations had been based. The board decided to hire a historian to thoroughly document the extent of the family's slave holdings. Then it crafted a statement for the foundation's website making it clear that 1772's \$83 million endowment was a product of slave labor.

Perhaps most significantly, the trustees made an immediate change in how the organization makes grants. Although it has regularly supported groups that preserve African American sites, the foundation decided it needed to spend above the \$4 million it annually makes in grants, specifically to remedy harms caused by its founding family. It dedicated \$3 million over three years to support education and hunger-relief

organizations in Georgia, New Jersey, and South Carolina, where the Kean and Livingston families built their fortune. They also made grants to land-rights organizations and groups working to build the wealth of the region's Black residents.

Organizations that have won a share of the money include the Slave Dwelling Project, a nonprofit that works to preserve places enslaved people lived and supports education about the history of slavery. It received \$50,000 to host a conference. Meanwhile, the Coastal Community Foundation of South Carolina was awarded \$1 million to support a scholarship program for Black college students and make impact investments in CommunityWorks, a statewide community-development financial institution.

## Oil and Tobacco Money

While the racial-justice protests after George Floyd's murder were a key reason some foundations started looking at their histories, others began to do so a decade ago.

Perhaps most notably, the Rockefeller Brothers Fund in 2013 and the Rockefeller Foundation in 2020 announced plans to divest their assets from fossil fuels, the commodities that John D. Rockefeller used to generate the fortune he passed to his descendants that created those two foundations bearing the family name.

For Laura Gerald, who took over in 2016 as president of the Kate B. Reynolds Charitable Trust, the 75th anniversary of the trust's creation by Reynolds, a tobacco heiress, provided a good opportunity to take stock of the foundation's past.

To mark the anniversary in 2022, the foundation held meetings across the state not only to highlight the work of its grantees but also to tell the story of how racism factored into its history.

"I didn't want it to be just a slap-happy celebration of everything we've done," Gerald says.

Founded with about \$5 million in R.J. Reynolds tobacco stock to support the state's hospitals, the foundation has become a leading health-care grant maker in North Carolina and has long supported programs designed to improve the well-being of the state's residents.

With its focus on health, Gerald says she couldn't see how the foundation could justify holding a stake in a cigarette company.

Black Americans suffer disproportionately from problems caused by tobacco use, says Gerald, a pediatrician who has spent her career trying to address the ill effects of smoking, with stints as a health-care nonprofit leader and as the state's health-care director.

The trust sold all of its tobacco holdings, though it says it can't say exactly how much those investments were worth. In addition, it moved \$100 million of its \$590 million endowment into investments in companies that are based in, or hire a lot of people in, North Carolina.

Gerald directed the foundation to undertake a historical study into the foundation's roots. The study documented the fact that the Reynolds family made its wealth not only from tobacco but also from the people they enslaved to grow the crop. Digging through documents, researchers also found that while in her lifetime Kate B. Reynolds gave to organizations that helped Black people, she also financed a park that excluded people on the basis of race.

The process isn't an attack on the foundation's benefactor herself, says Gerald, whose ancestors were Black tobacco farmers in eastern North Carolina. Instead it was designed to provide a clear-eyed view of the conditions that created the foundation and guide the grant maker as it seeks to change.

The foundation's strategy has also evolved. When Reynolds first created the trust, she stipulated that only hospitals could receive grants. Now the foundation is focused on "systems change" — addressing the root causes of social and health problems by supporting advocacy, helping multiple nonprofits and government agencies coordinate their work, and making general operating grants to support the financial health of individual nonprofits.

"Reynolds was both a woman ahead of her time in setting up the foundation but also of her time, apparently being quite comfortable with the white supremacist world that she grew up in," Gerald says.

## Taboo Conversations

Changes in grant making and investing like those made by the Kate B. Reynolds trust are a way for foundations get into a "right relationship" based on respect for the nonprofits they support, says Edgar Villanueva, author of *Decolonizing Wealth: Indigenous Wisdom to Heal Divides and Restore Balance*.

By formally acknowledging the past, foundations can begin to address inequities that allowed so much wealth to be concentrated in the hands of relatively few Americans, says Villanueva, a former senior program officer at the Reynolds trust, who has provided consulting services to several philanthropies attempting to crack the secrets foundations have buried in their past.

It's tricky for family foundations to explore the history of their founders, since descendants of the family might worry about sullyng their own reputations. That probably explains why many of the foundations that are most actively examining their past are ones that no longer have family members in board roles.

The 1772 Foundation's small board, for instance consists of professional preservation experts and a long-time friend of the grant maker's founder Stewart Barney Kean, who died in 2002. Kate B. Reynolds had no heirs; her foundation's endowment is controlled by Wells Fargo bank. And the Weingart Foundation, created in 1951 by Los Angeles real estate magnate Ben Weingart and his wife, Stella, is run by an independent board.

Villanueva hopes that more family foundations will look to the past, but he says there is a lot of resistance to the idea.

"Some families do not want to go down that road," he says. "Especially in white, wealthy families, some of these conversations are very taboo to raise."

But such "truth and reconciliation" efforts, he says, can help grant makers and grantees collaborate to solve problems without the power dynamics that bedevil much of philanthropy.

"It's hard, it's complicated, it's messy," he says. "But if you go through that, it gets you to a place of liberty, authenticity, and just really joy."

## Where to Direct Resources

Examining how philanthropies came about their wealth can be a meaningful exercise, says Joanne Florino, a fellow at the Philanthropy Roundtable, a network of conservative foundations and donors. But she worries that fixating on the past and whether money was made in a harmful way can distract from directing resources to where they are most needed.

In an ideal world, she says, foundations constantly evaluate their effectiveness either in a specific community they serve or in tackling a particular cause, she says.

"I don't think that guilt and shame have to play a role in that," she says. "Things that happened 200 years ago are being used to direct philanthropy rather than what is essential in the present."

Still, many young heirs are keen to address what their family members might have done wrong, says Katherine Lorenz, president of the Cynthia and George Mitchell Foundation. Shame and guilt are "unhelpful emotions" that can often lead philanthropists into a kind of fear-based paralysis, says Lorenz, who is a former board member of Resource Generation, a network of rich young donors committed to redistributing wealth.

Katherine Lorenz, who said she brought in outside advisers to help her family formulate the objectives of her grandparents' foundation, at her home in New York. As older generations transfer wealth to their children and grandchildren, it will transform how family foundations function from within. (Benjamin Norman, The New York Times)

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The Mitchell Foundation, which Lorenz has led since 2011, has an endowment of \$375 million thanks to the signature accomplishment of her grandfather, George Mitchell, known as the "father of fracking," the technique used to extract oil and gas from shale rock.

Fracking is an environmental nightmare. It can lay waste to wildlife and contaminate water for years.



Over the span of more than 40 years, the Mitchell Foundation has become a leading philanthropic voice for sustainable energy dedicating about \$19 million a year, mostly to clean energy and conservation efforts.

Lorenz says she's driven by a desire to make the world a better place, not by a need to correct any perceived wrongs related to the fact that her family built a fortune on fracking.

"There's nothing I can do about how they made this money," she says. "There's only something I can do about the future."

In the case of the Mitchell Foundation, the emphasis on clean energy wasn't a big U-turn from the priorities laid out by founder George Mitchell, a devotee of futurist Buckminster Fuller. Mitchell came to believe that it was absolutely essential to conserve the earth's resources.

To make sustainability a grant-making priority Lorenz had no need to review her grandfather's work. He made it clear that's what he cared about in countless board meetings, which were videotaped, and in interviews, Lorenz says. The board continually pores over Mitchell's intentions and usually begins each board meeting with a viewing of videos showing the family elder exhorting his offspring to emphasize the environment.

Sometimes it is less than clear how the creation of a philanthropist's wealth came at the expense of others or the environment. Ben Weingart, who made his fortune in real estate in Southern California in the early 1900s, certainly didn't own any slaves.

But the fortunes of Weingart, one of the investors who dreamed up Lakewood, known as the quintessential post World War II suburb, may have become wealthy in part through the practice of redlining, or denying mortgage loans to Black people and other people of color, says Miguel Santana, Weingart's president.

The foundation made a nearly \$40,000 grant to Priscilla Leiva, a Loyola Marymount professor of Latino/a and Chicano/a studies to examine the founder's history. Santana says she has been given free rein to dig through boxes containing archival documents from Weingart's companies.

The goal isn't to judge Weingart himself, Santana says. Rather, the foundation wants to gauge the extent to which racism played a part in the genesis of the foundation so it can create a road map to use Weingart's fortune for a better purpose.

"The wealth that we steward was largely enabled by racist policies that created the foundation," Santana says. "So we have an obligation, a duty, to commit ourselves and our work to deconstructing those systems and working with the community to create new systems that are much more inclusive and based on equity."

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