SUNSET
FOUNDATIONS

GUIDING LEADERS THROUGH THE CLOSURE PROCESS

University of Basel

ceps
CENTER FOR PHILANTHROPY STUDIES

The Center for Philanthropy Studies (CEPS) at the University of Basel is an interdisciplinary institute for research and continuing education specializing in the nonprofit sector. It was founded in 2008 on the initiative of SwissFoundations, the association of Swiss grant-making foundations, and is a university think tank on the multifaceted topic of philanthropy. With our activities and publications, we want to strengthen the scientific knowledge on philanthropy and, support the practical work in the field.

PUBLISHING INFORMATION

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For researchers, having a promising research case offered to you on a silver platter is rare. When the MAVA Foundation approached the Center for Philanthropy Studies (CEPS) with the idea of following their process of organizational closure — their sunset — from a researcher's perspective, we knew it was a unique opportunity for us to make an important contribution to the research on nonprofit management. Along the way, experts from the field encouraged us to also turn the knowledge we gained into a form that would provide strategic guidance for future leaders of sunset foundations, allowing them to approach the closing process with confidence. This manual is the result.

Many experts provided insights that made this manual possible. We thank Lynda Mansson and Thierry Renaud for their trust in our work and for being at the core of this project. Further, our thanks go out to Monique Bär, Chrissy Cattle, Laurie Dachs, Fabiana Scholfield, Dr. Peter Spinnler, Eoghan Stack and Dr. Pascale Vonmont, who generously shared their time and their expertise on sunset foundations.

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Introduction

Why Choose a Sunset Foundation?

Traditionally, a foundation is established to support a cause dear to its founders and to carry on their legacy long after their passing. With this idea of immortality, many foundations have been set up to exist forever. More recently, however, critics have argued that, to create timely impact, setting up foundations for a clearly defined period is more effective. Founders are therefore increasingly choosing to establish sunset foundations — foundations whose closure is predetermined. Foundation leaders who know that the foundation will close eventually and that the endowment needs to be spent down are forced to think about how to create timely impact. These organizations are typically grant-making. The closing date can be vague, with the capital gradually being spent down, or clearly predefined.

> "When the Foundation's spend-down began, we searched for a blueprint and found little in the way of examples or published practice."

The imminence of a sunset distinguishes these foundations in their organizational development from traditional grant-making foundations, whose objective is to ensure their longevity and growth. And while there is ample research and best practices on how to establish and grow a foundation, strategic guidance on how to plan and manage a deliberate closure is still lacking.

HISTORY OF TIME-LIMITED FOUNDATIONS

The idea of time-limited foundations has been around for centuries. In the Age of Enlightenment, thought leaders such as Robert Anne Turgot and John Stuart Mill criticized eternal foundations and argued for the limited existence of all foundations. In 1847, during the first law of foundations in the Canton of Geneva, foundations were limited to a lifespan of ten years.[1]

1: Purtschert, R., von Schnurbein, G., & Beccarelli, C. (2003). Visions and Roles of Foundations in Europe – Länder-studie Schweiz. Freiburg/CH: VMI.

Timely impact and greater partner support

The sunset begins when strategic considerations for the foundation's final phase are being made, and ends with the legal closure of the organization. This manual aims to support leaders of these foundations in developing their individual strategy for that phase — their sunset strategy. There is a saying that if you've met one foundation, you've met … one foundation. And as individual as each foundation is, so each closing process will be different. Accordingly, this manual does not provide leaders with a ready-made sunset strategy. Rather, it raises the relevant strategic questions that require deliberate decisions. These decisions should be made in accordance with the intended legacy, the organizational context and the available resources. We discuss ten strategic and operational aspects that encompass the guiding questions for developing a sound sunset strategy.

> "Because we believe that it's imperative to address deeply rooted problems sooner rather than later."

There are many reasons for deciding to sunset a foundation. Loss of capital, founder decisions, economic recession or limited purpose are the more coercive reasons for a sunset. But there are much more stimulating reasons, too. Often, the decision to sunset brings new energy to a foundation's activities: With the end in sight, strategic and operational questions become more pressing, and impact has to be evaluated sooner. People involved are more engaged, as they feel a need to take their actions immediately. Projects are selected with a great deal of rigor because time and resources are finite. So the foundation strives to support projects and organizations that will outlast the foundation itself.

Strategic reorientation and acceleration

Foundations can be set up as time-limited either from the outset or during the course of their existence. In either case, we find that the decision to close and thereby initiate the sunset takes many leaders by surprise. Even when they know the sunset will come one day, they only truly comprehend it once the final strategic decisions need to be made. For some, the sunset becomes real when they physically list the partners who will remain until the end and those who will fade out. Others are aware of the situation but neglect to take the necessary operational decisions.

The sunset phase is by no means a phase of consolidation; rather, it is a phase of strategic reorientation and acceleration. It raises practical questions about what legal aspects need to be considered and how finances need to be managed. It also raises more fundamental questions about the legacy the foundation wants to leave, about how to manage staff who know their jobs will soon no longer exist and about which partners to work with to create the intended legacy. Based on the knowledge of experts, this manual discusses these strategic and operational aspects to guide sunset foundation leaders through the issues.

> "Our aim is to plan our sunset so that we can exit as elegantly as possible, with partners fully prepared for our departure."

Key findings

- The sunset is a phase of reorientation that needs careful strategic and managerial consideration.
- The sunset phase takes between five and ten years.
- The foundation's desired legacy will define its sunset strategy.
- Early planning is required to remain flexible during the sunset.
- Regular and consistent communication with all stakeholders is important for disseminating the message of closure.
- Reducing financial risk and increasing liquidity will facilitate planning.
- It makes sense to work with partner organizations whose strategic focus aligns with the foundation's desired legacy.
- Staff is the most valuable resource, so employee well-being and job security need to be actively managed.

Method

This manual is the result of academic research carried out in close collaboration with practitioners. We used a multiple-case-study design to identify the aspects requiring consideration and to formulate guiding questions. We analyzed the closure process of 11 grant-making foundations from Switzerland (4 organizations), the UK (2), Ireland (1), and the US (4). In these foundations, the sunset had either already taken place or was scheduled for the coming years.

We systematically evaluated publicly available reports, content from legacy webpages and from other written documents such as blog posts and newsletters. We then conducted eight semi-structured interviews with board members and managing directors from seven of these foundations to gather complementary information on their experiences. Finally, the identified strategic aspects and guiding questions were reviewed by experienced practitioners.

The organizational life span of the analyzed foundations ranged from 10 to 63 years and their sunset phase ranged from 4 to 18 years. The organizations were engaged in the areas of education and research, environmental protection and conservation, and social services. The total grants awarded during their lifetime ranged from CHF 12 million to CHF 8 billion. The average yearly grants made ranged from CHF 2.6 million to CHF 205 million. The geographic focus of the foundations' grant-making is both national and international in scope and covers different regions of the world.

Given the diversity in the foundations we analyzed, the strategic considerations and guiding questions will support leaders of a broad range of sunset foundations.

Three Sunset Foundations

Throughout this manual, three sunset foundations will serve as illustrative examples. The foundations are fictitious and each is a blend of the experiences that were shared with us. They differ in their reasons for, the context of and the resources available for their sunset, and illustrate how individual a sunset strategy can be.

The Solis Foundation

The Solis Foundation is engaged in nature conservation and biodiversity in multiple regions of the world. The founder is part of a wealthy family in the garment industry. She is passionate about nature and wildlife. After seeing the decline in the population of some frog species in the fens of Spain, she decided to dedicate her inheritance to protecting the region and its animal inhabitants. Given the speed of the decline in the frog population, the foundation needs to make a rapid impact. Consequently, the founder specifies in the foundation deed that the endowment be spent within 50 years. During the founder's lifetime, the foundation expands its conservation activities to multiple regions of the world. In the years before its sunset, the foundation employs around 25 staff members.

Foundation K'inich

Foundation K'inich is engaged in animal welfare in its home country. The founder, a person with a very entrepreneurial mindset, decides to establish a sunset foundation without a definite closing date. He sits on the foundation's board. Due to his entrepreneurial spirit, the foundation's endowment continues to grow even during its final years. Over the years, the foundation will have accumulated an endowment of CHF 70 million. During the peak of an economic recession, public funding is cut for many of the foundation's partner organizations. The board realizes that if the partner organizations are to survive the recession, the foundation needs to increase its grant-making. In a strategic assessment, the board and executive management decide that, in order to increase their grant-making, they need to spend down in the coming years. They have six staff members.

Foundation Dusk

Foundation Dusk is a small foundation with an endowment of CHF 15 million that supports talented young ballet dancers in their career. The founder was a successful businesswoman. As she and her husband have no children, they decided to establish a foundation to share their wealth and dedicate it to something dear to their hearts: the promotion of classical dancing. The elderly founder and her secretary run the operational side of the business. She estimates that the endowment will be spent down in the next eight to ten years. She is aware that the foundation's future is uncertain if she dies before that time.

Legacy

What does the foundation want to leave behind?

The first question leaders need to ask is what legacy the foundation wants to create. Being clear about the intended legacy is the cornerstone for any strategic decision that follows. There are different approaches to creating the foundation's legacy.

The Solis Foundation's sunset date is not defined in the deed. The management has sufficient time to plan ahead and a large endowment to spend. When defining the sunset strategy, the managers want to maximize their impact during and beyond the sunset. This involves creating a "philanthropic ecosystem" in which their partners will be able to sustain the foundation's impact beyond the sunset. It will also allow future philanthropists to build on prior accomplishments and tackle the challenges of nature conservation in their time. This approach to legacy is possible due to a significant volume of financial resources and to a long planning period.

> "As we look forward, we are focused on delivering our vision, securing our partners' past achievements, and ensuring their vital work continues."

The K'inich Foundation takes a different approach to creating legacy. Its managers realize that, given the cut in public funding for their partner organizations during an economic recession, they need to increase their grant-making. When defining their legacy strategy, their goal is for their partners to have sufficient funds to survive for two years after the foundation's sunset. This gives the partners enough time to recover from the recession and find alternative funding sources. The foundation's approach to creating a legacy is tailored to the current needs of its partners and therefore has a midterm planning horizon.

The founder of the Dusk Foundation says she is not a “legacy type of person.” She wants to focus on making an impact during her life time. She values seeing how the grants from her foundation allow young dancers to develop their careers. Her aim for legacy is shortterm and she trusts future philanthropists to address the needs of future generations.

The three foundations show how a legacy can differ according to the founder’s will, the partner organizations’ needs and the time and endowment available.

GUIDING QUESTIONS

- **What legacy does your foundation want to create?**
- **Is your intended legacy in line with the founder’s will?**
- **Is it based on an assessment of your partners’ needs?**
- **Is achieving the legacy feasible given the remaining time and resources?**

Impact

Project funding, capacity building or a philanthropic ecosystem?

Taking the sunset phase seriously may lead to an increase in donations and impact instead of simply tapering the remaining funds. While impact is a buzzword that can mean different things to different people, in the case of sunset foundations it typically refers to the longevity of their efforts. A foundation's approach to impact is linked to its aim for legacy: Does the foundation aim for impact during its sunset, or for a mid- or even longterm impact after its sunset? These questions will guide the way it approaches impact. As a rule of thumb, increasing the longevity of the foundation's legacy also increases the need to focus on capacity building within and beyond the partner organizations. This is illustrated in Figure 1. Ideally, and particularly when the sunset is predefined, the foundation focuses on the independence of partner organizations from the start of the funding relationship. If it does not do so, an increased focus on strengthening partner independence is recommended as soon as the closing date is defined. Strengthening skills such as fundraising will enable partners to diversify their income sources and become more independent. Similarly, increasing capacities in the civil society around partners will further strengthen an independent ecosystem. This can take the form of policy work that leads to a more favorable environment for partner organizations, training future leaders of partner organizations through education programs and mobilizing the government to finance partner organizations that significantly contribute to the public good.

> "The philosophy allowed staff to invest deeply – both financially and otherwise – in partner organizations to maximize impact during the foundation's lifetime."

Until its decision to sunset, Foundation K'inich pursues the grantmaking strategy of project funding. With the economic recession, it realizes that if its partner organizations are to survive this crisis, it needs to invest more in their organizational capacities to help them raise other sources of income. As a result, the foundation shifts its focus from project funding to capacity building. It offers its partners workshops on diversifying their income sources and how to improve their grant-writing skills. This

allows the partners to reduce their dependency on Foundation K'inich's financial support in the longterm, and to confidently navigate the crisis.

Foundation Solis aims to create a philanthropic ecosystem in which its partners and future philanthropists can carry on the foundation's achievements. This implies expanding the strategic focus beyond capacity building within their partner organizations, in order to strengthen the capacities in the surrounding ecosystem. This takes the form of mobilizing other donors to invest in its partner organizations and establishing a fellowship program that trains future leaders to ensure qualified leadership for nonprofits in the field.

Some sunset foundations do not aim for a longterm legacy, and changes in the grant-making strategy are not required per se. The founder of Foundation Dusk wants to focus on having an impact during the foundation's lifetime. Her priority, therefore, is to continue managing the current projects well and making sure her partners are prepared for the foundation's exit. This typically entails limited funding cycles to avoid partner organizations depending on the foundation's funding.

GUIDING QUESTIONS

- **Given the foundation's intended legacy, what is your approach to creating impact?**
- **Given the foundation's legacy horizon, will you focus on project funding, capacity building, a more systemic approach to impact, or a combination of all three?**
- **Is the foundation's approach to impact feasible, given the remaining time and endowment?**

Time Frame

Plan early to remain flexible

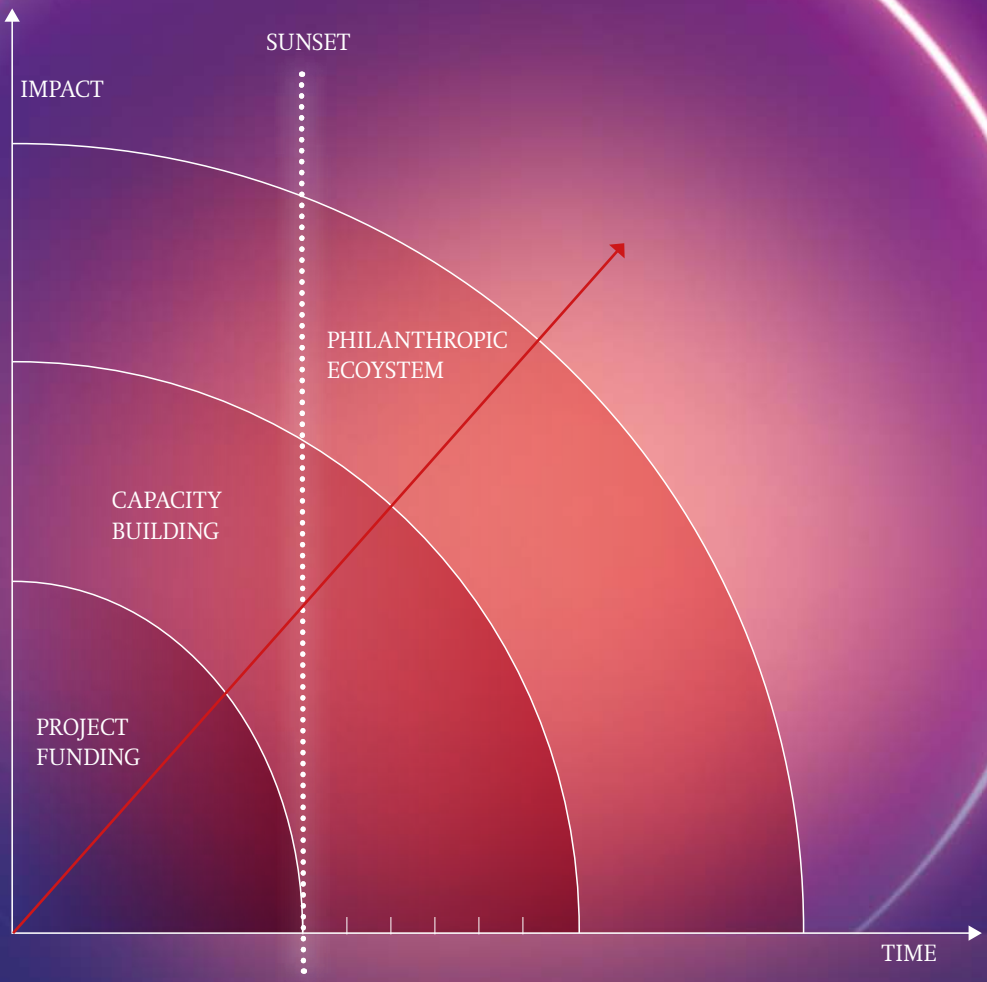
The sunset phase — which begins when strategic planning for the final phase starts, and ends with the legal closure of the organization — sets the time frame for the planning horizon. On average, the sunset phase ranges from five to ten years, as illustrated in Figure 2. It usually entails a strategic reassessment of what should be achieved in the final years and how to spend the remaining endowment. Defining an exact or at least approximate time frame for the sunset makes it possible to reevaluate which current projects can realistically be finished and which new projects are worth taking on. It allows planning for the necessary human and non-human resources that will be required to operate smoothly during the final years. And it creates time to manage the financial and legal aspects. Foundations with a sunset date predefined in the deed typically have more time for planning. Organizations that decide to sunset in response to external urgencies naturally have less time to plan.

Experts recommend that if an approximate closing date is given, the actual closing date should not deviate from this by more than two years. This allows the management and the partner organizations to plan ahead.

Experts stress the need to plan ahead. Defining the legacy and making the necessary managerial, financial and legal decisions early is key for a smooth sunset. Closing a foundation is a time of uncertainty. As a leader, having an idea of where to go and how to get there reduces anxiety and helps communicate certainty to all parties involved, especially to staff and partner organizations.

Experts also stress the need to remain flexible. Creating a strategic plan provides an initial direction, but each sunset is unique. And as there is little experience on how to close a foundation, remaining flexible and adjusting to changes is important. Such changes can include natural disasters or economic crises, which require the foundation to support its partners differently, or adjustments to the scope or aim of a program or project.

Figure 1:



SHORT-TERM
impact lasts until
the end of sunset

MID-TERM
impact lasts
1 to 5 years
after sunset

LONG-TERM
impact last more
than 5 years after
sunset

Foundation Solis has a fixed number of years to complete its work, so it wants more certainty that the final grants will pay off. This focus on getting it right before the clock runs out may have resulted in the leaders being too focused on staying the course and not adjusting strategies or changing direction in the face of new developments.

Foundation K'inich has communicated an initial closing date. As this date approaches, its leaders realize they are not ready to close. They postpone the date. While the foundation needs the additional years, staff and partners now want more certainty as to whether the foundation is actually going to close this time. The foundation needs to make an extra effort to reassure stakeholders that it is closing.

Foundation Dusk does not have a clear closing date. The founder estimates that the remaining endowment means the foundation will last another eight to ten years. The unspecified closing date gives her more flexibility in her grant-making, but it reduces planning certainty for decision-makers, staff and partners.

GUIDING QUESTIONS

- **How will you ensure the endowment is spent in the next five to ten years?**
- **Can you set a precise closing date to increase your ability to plan?**
- **How can you plan ahead to give strategic direction and increase certainty among all stakeholders?**
- **What do you need to remain flexible and adjust to unexpected changes?**

Endowment

Reduce risk and increase liquidity

There are two scenarios for planning the spend-down:

1 the number of remaining years is determined based on a set level of expenditure, or

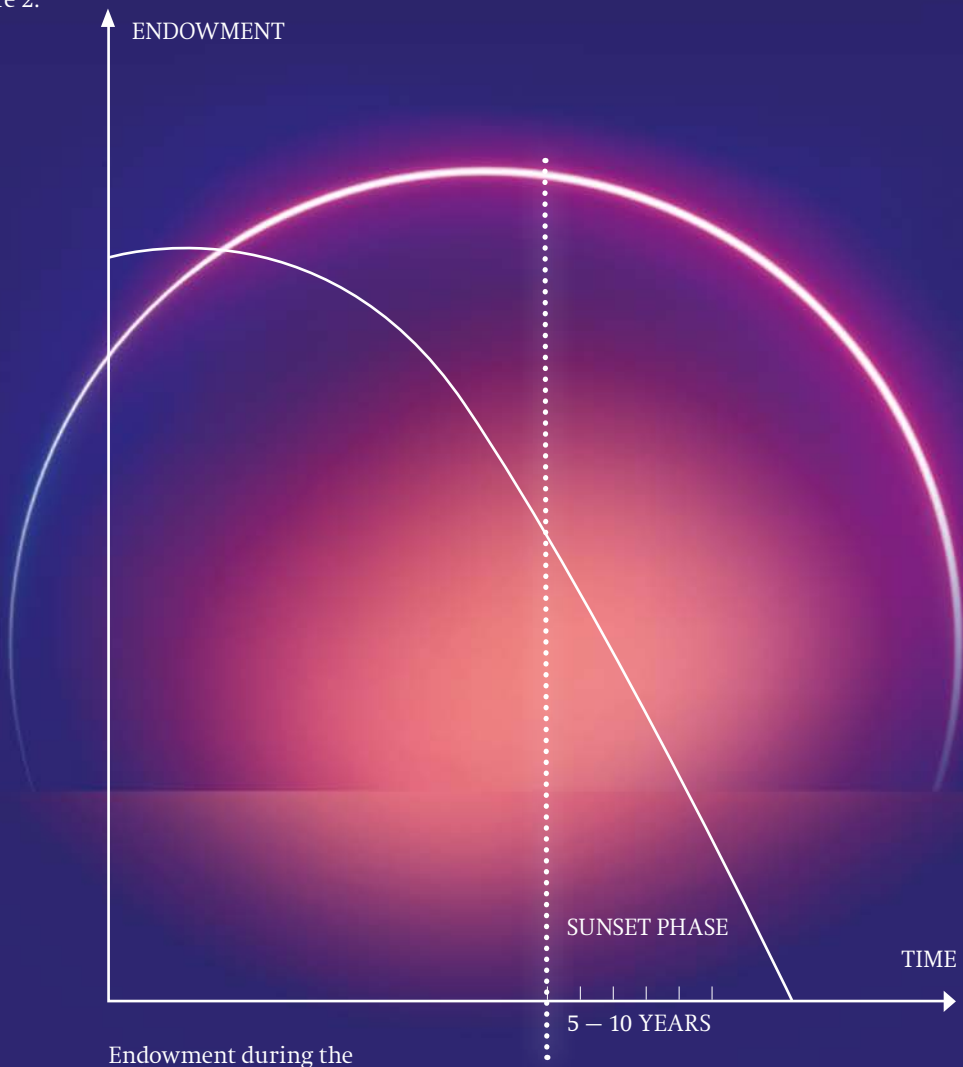
2 the amount left to spend is determined based on a set number of years until the closure. For each scenario, an example of the required calculations is included in tables 1 and 2.

In either case, experts recommend two things when it comes to managing the endowment during the sunset phase.

The first is to reduce risk in the investment portfolio. Ideally, the endowment is taken off the financial markets. This not only reduces risk but also creates clarity about the size of the endowment left to spend during the remaining time.

The second recommendation is to ensure liquidity of the assets so they can be spent in time. This means converting real estate investments or other commodities of low liquidity into liquid assets. Your planning should consider the latest point in time for liquidating your assets.

Figure 2:



Endowment during the sunset phase

In Foundation Solis, the executive managers feel a great sense of relief when they take their capital off the financial markets, as it allows them to make more concrete plans about how much they will spend. In addition, the increased liquidity allows them to react more spontaneously to unplanned changes or the needs of their partners.

In Foundation K'inich the management's focus on planning the sunset clashes at times with the entrepreneurial spirit of the founder. While the managers want to have clarity about the endowment they can spend and the operative adjustments needed, the founder continues bringing in new donations. This misalignment between management and founder leads to tensions and conflict.

GUIDING QUESTIONS

- **Given a constant level of annual spending, how many more years will the endowment last, until it reaches CHF 0?**
- **How much do you need to spend per year in order to spend-down within a given number of years?**
- **How will you reduce financial risk to increase your planning capacity?**
- **When will you increase liquidity of assets to increase your flexibility?**

Calculations For Financial Planning: Two Scenarios

SCENARIO 1

Table 1:
How many years will the foundation's endowment last until it reaches CHF 0, given a constant level of annual spending?

Year	Endowment (CHF)	Endowment incl. net annuities (CHF)	Endowment incl. net annuities and distribution (CHF)
Dec 31, 2022			(assumed) 10,000,000
Dec 31, 2023	10,000,000	10,225,000	8,725,000
Dec 31, 2024	8,725,000	8,921,312	7,421,312
Dec 31, 2025	7,421,312	7,588,292	6,088,292
Dec 31, 2026	6,088,292	6,225,278	4,725,278
Dec 31, 2027	4,725,278	4,831,597	3,331,597
Dec 31, 2028	3,331,597	3,406,558	1,906,558
Dec 31, 2029	**1,906,558**	**1,949,455**	**449,455**
Dec 31, 2030	449,455	459,568	-1,040,431
Dec 31, 2031	-1,040,431	-1,063,841	-2,563,841
Dec 31, 2032	-2,563,841	-2,621,527	-4,121,527

Assumptions

• Expected gross annuity p.a.:	3.5 %
• Fee (fund TER):	1.25 %
• Expected net annuity p.a.:	2.25 %
TOTAL expenditure p.a.:	**1,500,000**

→ After approximately eight years, the endowment would be completely used up.

SCENARIO 2

Table 2:
How much can the foundation spend per year if the endowment needs to be spent in 10 years?

Year	Endowment (CHF)	Endowment incl. net annuities (CHF)	Endowment incl. net annuities and distribution (CHF)
Dec 31, 2022			(assumed) 10,000,000
Dec 31, 2023	10,000,000	10,225,000	9,125,000
Dec 31, 2024	9,125,000	9,330,312	8,230,312
Dec 31, 2025	8,230,312	8,415,494	7,315,494
Dec 31, 2026	7,315,494	7,480,093	6,380,093
Dec 31, 2027	6,380,093	6,523,645	5,423,645
Dec 31, 2028	5,423,645	5,545,677	4,445,677
Dec 31, 2029	4,445,677	4,545,705	3,445,705
Dec 31, 2030	3,445,705	3,523,233	2,423,233
Dec 31, 2031	2,423,233	2,477,756	1,377,756
Dec 31, 2032	**1,377,756**	**1,408,755**	**308,755**
Dec 31, 2033	308,755	315,702	-784,297
Dec 31, 2034	-784,297	-801,944	-1,901,944

Assumptions

- Expected gross annuity p.a.: 3.5%
- Fee (fund TER): 1.25%
- Expected net annuity p.a.: 2.25%

TOTAL expenditure p.a.: 1,100,000

→ To spend down its endowment in approx. ten years, the foundation must spend CHF 1,100,000 annually.

Legal

This chapter discusses the closure of a foundation under Swiss law. The guiding questions highlight the legal aspects to consider and are therefore also relevant for sunset foundations in other jurisdictions.

In Switzerland, a foundation's dissolution is defined by Articles 88 and 89 of the Swiss Civil Code (CC). The CC does not contain any specific liquidation regulations for foundations. Therefore, Article 58 of the CC applies. This regulation refers to Article 913 ("cooperative") of the Code of Obligations (CO), which further refers to Article 739 et seq. CO ("public limited company").

Accordingly, the dissolution and liquidation of a foundation takes place in two steps:

1. The foundation is dissolved and the assets are transferred and/or distributed.
2. The foundation is deleted from the trade register.

The legal steps were documented by the Bernische BVG- und Stiftungsaufsicht (BBSA) in 2016. They are as follows:

Dissolving and deleting a foundation in Switzerland

1. DISSOLVING THE FOUNDATION

The foundation board decides to dissolve the foundation and chooses the liquidators. The foundation submits a request to the supervisory authority, stating reasons, specifying the chosen liquidators and providing the record of the foundation board's dissolution decision.

- DECISION
  Dissolution is approved, liquidators are confirmed, instructions are issued to the foundation and, after the 30-day appeal period expires, to the commercial register office.
- The foundation notifies known creditors of the dissolution and the call to creditors by letter, unknown creditors via the Swiss Official Gazette of Commerce (SOGC), and all creditors pursuant to the foundation deed.
- The foundation draws up the (asset) transfer agreement between 3 and 12 months after the third publication in the SOGC. The supervisory authority is notified and receives the record of the decision. Auditors are potentially confirmed.
- The supervisory authority conducts a (preliminary) audit of the (asset) transfer agreement.

- SUPERVISORY AUTHORITY REPORT
  Audit/approval of the (asset) transfer agreement, and instruction to the foundation to submit the final documents to the supervisory authority within four months.
- An asset transfer agreement under the Merger Act must also be approved by decision of the supervisory authority and notified to the commercial register office.
- Funds can be transferred and/or distributed as soon as the audited/approved (asset) transfer agreement is effective in law.

2. DELETING THE FOUNDATION

Within four months of the supervisory authority report: Confirmation of performance with submission of the final accounts and the auditors' report to the supervisory authority.

DECISION

Acknowledgment of the audited final accounts, declaration of the absence of assets and of completion of the liquidation after settling all tax liabilities that may be payable.

Notification of the decision to the foundation and communication of the decision to the cantonal tax authorities with the request to approve the deletion.

Following approval by the cantonal tax authorities and expiration of the 30-day appeal period, the instruction to delete is submitted to the commercial register office.

GUIDING QUESTIONS

- **How will you plan for the dissolution and deletion of your foundation as described above?**
- **What are the deadlines for terminating your contracts (e.g., with staff and partners, lease agreements, credit cards, telephones)?**
- **Which governmental authorities must you inform about staff layoffs?**
- **What archiving requirements apply to your public foundation documents?**

FEES

The costs for the dissolution process are governed by the fee schedule of *Bernische BVG- und Stiftungsaufsicht*. Dissolving a foundation costs between CHF 900 and CHF 5,000.

This does not include the fees for the commercial register office and for the call to creditors in the SOGC.

HUMAN RESOURCES

The announcement that the foundation no longer employs staff must be made to the employment service of the respective canton. This is formalized under Swiss federal law in Articles 29 and 53 on employers' obligation to report layoffs and closure of business.

Also, registered staff must be removed from the commercial register as soon as they leave.

ARCHIVE

Some cantons require a copy of all publications intended for the public (not the internal reports) to be placed in the cantonal library and in their university. The copies must be submitted in both paper and digital form. This serves as documentation of the foundation's economic legacy in the canton.

Capacities

Adapt capacities to increase flexibility for staff and partners

With possible changes and a likely increase in legal and administrative duties toward the end, operational capacities and processes will require adaptation. A sharp increase in activity and expenditure will occur during the spend-down. Capacities that need adaptation include: legal duties, financial controls, human resources, grant management and communications. Experts say that investing in professionals and suitable systems for time management and efficiency "is not a luxury."

Foundation Solis invests in improving its grant management and its operating systems, tools and processes to expand capacity during its final years. This provides platforms and practices that give partners and staff flexibility in the final years.

The most significant shift involves migrating to a comprehensive, cloud-hosted grant management platform. A year-long process of planning, data clean-up, data mapping, beta testing, and training is guided by a foundation-wide task force. The fruits of this labor include improved grant payment and budget tracking, scenario planning, workflow and task management, and grant monitoring. Grant data, records and forecasts can be accessed in real time and by all staff, supporting program planning and decisions on cash management.

> "The decision to continue investing in improvements as the foundation neared conclusion brought forward platforms and practices that facilitated flexibility for grantees and staff amid the upheaval."

In Foundation K'inich, the urgency for action means less thought is given to adapting capacities. Yet there is a large increase in activity. This leads to staff and administrative processes being ove stretched at times. Despite the pressure to act, the leadership will need to pay more attention to adapting operational capacities to avoid burning out.

In Foundation Dusk, the founder and her secretary will need to ensure they have enough capacity and expertise to take on the legal duties that come with closing a foundation. They could also hire experts to perform these tasks, as this would allow them to continue focusing on the core operations.

For all foundations, having lean operations will keep them focused on their core mission and prevent them from becoming scattered — which happens when operations are adapted and new positions are created. Finally, it is important to plan the logistics for both archiving and storing all documents, and for moving out and closing when the final day comes.

GUIDING QUESTIONS

- **What operational capacities and processes can you adapt to efficiently manage the changes in activities and spending?**
- **Do you need to adapt capacities for legal duties, financial controls, human resources, grant management or communications?**
- **Are your processes and structures lean enough to enable you and your staff to work efficiently and flexibly?**
- **What final logistics need to be organized before the closure?**

Communication

Communicate often and consistently

When laying out the sunset strategy, communication with internal and external stakeholders is crucial. Closing a foundation comes with a lot of uncertainty. For leadership, reducing this uncertainty is key to ensuring a sound sunset. As soon as strategic planning of the sunset starts, communicating with staff and other internal stakeholders is important to avoid speculation and anxiety about job security. Communicate clearly about the implications of the closure for their positions, tasks and, potentially, remuneration. The aim is to provide job security for the time remaining, and to give staff enough time to plan and make the best decision for their own career path and other responsibilities. This requires clarity from leaders about what they can and cannot provide. In cases of uncertainty about, for example, the exact closing date, leaders should communicate transparently as this allows staff to make informed decisions despite the uncertainty. However, if possible, the aim should always be to provide job security for the time remaining. Sunset foundations can use various communication channels to talk about their sunset, both before and during the process. These channels are listed in Table 3.

They include open letters, inperson meetings, emails, blogging, newsletters, a YouTube channel, and legacy websites and reports. Finally, experts stress the need for leaders to remain open for questions and dialogue to guide staff through the uncertainty.

External communication addresses many stakeholders Partners in particular require early communication about the closing date so they can plan and adjust. Experts stress the need to communicate often and consistently. Like the foundation itself, the partners may be surprised by the decision and the time remaining. Some partners might be shocked that the foundation is closing and that there will be no future funding. Remaining open to questions, feedback and frustrations about the implications of the closure is crucial for reducing uncertainty among partners. Therefore, communications should repeat the message of closure frequently.

Table 3: Communication

CHANNEL	STAKEHOLDER	CONTENT
Open letters	General public	Informs a wide set of stakeholders about the foundation's closure, the reason behind it, and its implications.
In-person meetings	Partner organizations, employees	Allows more detailed discussions of the sunset's implications.
Blogs	Partner organizations, general public, donors	Discusses topics that arise when closing a foundation.
Newsletters	Partner organizations, donors, general public	Informs partner organizations and the public about the sunset's progress.
YouTube channels	Partner organizations, donors, general public	Documents the final impact of the various projects and programs.
Legacy websites and reports	Future leaders of sunset foundations	Archives the achievements, challenges and best practices of closing a foundation.

Foundation Solis develops a multifaceted communication strategy. Its leaders hold meetings with staff to clarify employment status and expectations. They also conduct site visits to incubated organizations to determine sustainability, and they publish an open letter to partners explaining the decision to spend down. This step is an important milestone in providing clarity and certainty to all parties.

> "There was a palpable shift from 'what is going to happen to me' to 'what a unique opportunity to explore what comes next, with full and generous support from my employer'."

Foundation K'inich has less time for planning as it has to react quickly to external pressures. This leads to a high level of uncertainty about what the coming years will look like. As internal communication is inconsistent, employees experience confusion when they hear that their jobs — which they were told would end on a specific date — are now being

extended. When presenting staff members with their exit dates, the leaders failed to tell some of them that their employment might be extended if the foundation determines they are still needed. The leaders will therefore need to communicate more transparently.

Foundation Dusk will announce its closure on its website.

Finally, communication about legacy happens post-sunset. Many sunset foundations share their lessons and archive documents on legacy websites that remain static after the sunset. The aim is to share their knowledge with future leaders of sunset foundations.

GUIDING QUESTIONS

- **Which stakeholders do you need to inform about the closure?**
- **When will you actively communicate the closure, and what must you tell stakeholders to minimize their uncertainty and allow them to make plans?**
- **How can stakeholders reach you for questions and information about the sunset?**
- **How do you want to communicate the foundation's achievements and lessons so they can benefit future leaders of sunset foundations?**

Human Resources

Staff is your most valuable resource, so manage it well

There are two main aspects to consider when it comes to managing human resources during the sunset.

First, it is important to plan the required capacities for the final years. Plan for the positions and qualifications your foundation is going to need, and which positions might become obsolete as the sunset progresses. Many sunset foundations experience an increased need for human resources to manage the additional workload during the sunset phase. It is therefore not unusual to create new positions and hire new staff during this period. Some foundations hired new executive staff well in advance of the closure, as they considered these people to be qualified leaders for the sunset process. Others sought external expertise from consultants to help them plan their sunset strategy. Either way, be aware that the positions and qualifications the foundation needs will change during the final phase. Plan ahead so the foundation can continue to run smoothly and staff can prepare for any changes.

Second, staff is your most valuable resource. Without your employees, the foundation would run out of business before its sunset. Yet you are going to work with people who know their position will not exist in the coming years. This can create uncertainty, which can affect their work. Experts therefore stress the need to pay special attention to your staff's wellbeing.

Foundation Solis offers coaching, job training and flexible working hours to help employees prepare for their career after the sunset. It gives staff time off to apply for other jobs and offers the possibility of transitioning from one position to another over time. The executive manager has transparent conversations with all staff members about what the sunset means for their position.

For older staff members in particular, open discussions are held about when to leave. For some, it might be more beneficial to leave the foundation early rather than seek a new job at an older age. Further, an

increase in team-building activities such as weekly lunches helps create a sense of community. Many employees feel that this is a once-in-a-lifetime opportunity, and want to stay until the end.

Foundation K'inich has less time to plan ahead, so less consideration is given to the staff's wellbeing. The foundation is highly dependent on its employees, as they have close relationships with the partners. To retain as many staff members as possible, the foundation offers generous retention packages to those who decide to stay until the end.

The founder of Foundation Dusk primarily focuses on preparing her secretary to take over the leadership in case she dies before the foundation sunsets.

All sunset foundations should prioritize efforts to provide staff with job security for the remaining time and make them feel supported in their decision, whether they decide to stay or leave.

GUIDING QUESTIONS

- **Who is qualified to lead the foundation through its sunset?**
- **What human resource capacities are required to avoid over- or understaffing?**
- **Do you need external expertise to prepare the foundation for its sunset?**
- **How will you reduce uncertainty among staff and what support can you provide for their future careers?**

Partners

Prepare partner organizations for the exit, early on

A foundation is only as good as its partners — that is, individual grantees or partner organizations — who are at the core of its social mission. The sunset is a phase of strategic reorientation and requires leadership to reevaluate what the foundation wants to achieve during its final years. This means carefully assessing which partners to continue working with. It can also involve collaborating with new partners or ending grantmaking for partners who no longer fit the strategic focus or in cases where prior funded projects are unlikely to yield the intended impact. The latter is a very difficult decision, especially when there are lonstanding relationships and partners are highly dependent on the grants.

With the start of the sunset phase, leaders have to make the difficult decision about which partners to work with. They can approach this in various ways. Some foundations define their desired legacy and impact, and then evaluate which partners to work with. This can also involve working with new partners who have the potential to help realize the foundation's strategic goals. Leadership and the impetus for strategy development remain with the foundation. Other foundations focus primarily on what their established partners need and how they can address these needs. Particularly when there is a high level of urgency and little time for planning, the foundation will focus on preexisting relationships. This gives partners a high level of agency.

Foundation K'inich has little time to react to the economic pressure facing its partners. The leaders decide to give out a high level of unrestricted funding, trusting their partners to know best how to allocate these funds.

> "This entailed difficult funding decisions with some longtime partners, and in many cases we provided final, 'soft landing' support to phase out the work rather than exiting abruptly."

Foundation Solis chooses a middle way. Its leaders define a strategic direction and work with partners who have the potential to realize the final strategy. In this case, a collaborative approach to grant-making is taken — one that sees partners as stakeholders with the expertise and capacity to achieve the strategic goals. The foundation takes the role of having the financial and nonfinancial resources to achieve the shared strategic goals.

Knowing that one day the foundation will close places a high responsibility on leaders to avoid creating dependencies in its partners. Especially in sunset foundations where the closing date is defined from the outset, leaders are responsible from the beginning of the grant-making relationship for preparing partners for the foundation's exit. This includes transparent communication. It can also mean mobilizing other donors to support the partners and promoting selfsustainability among partners. This involves building skills that will allow them to find other sources of income once the foundation has ended.

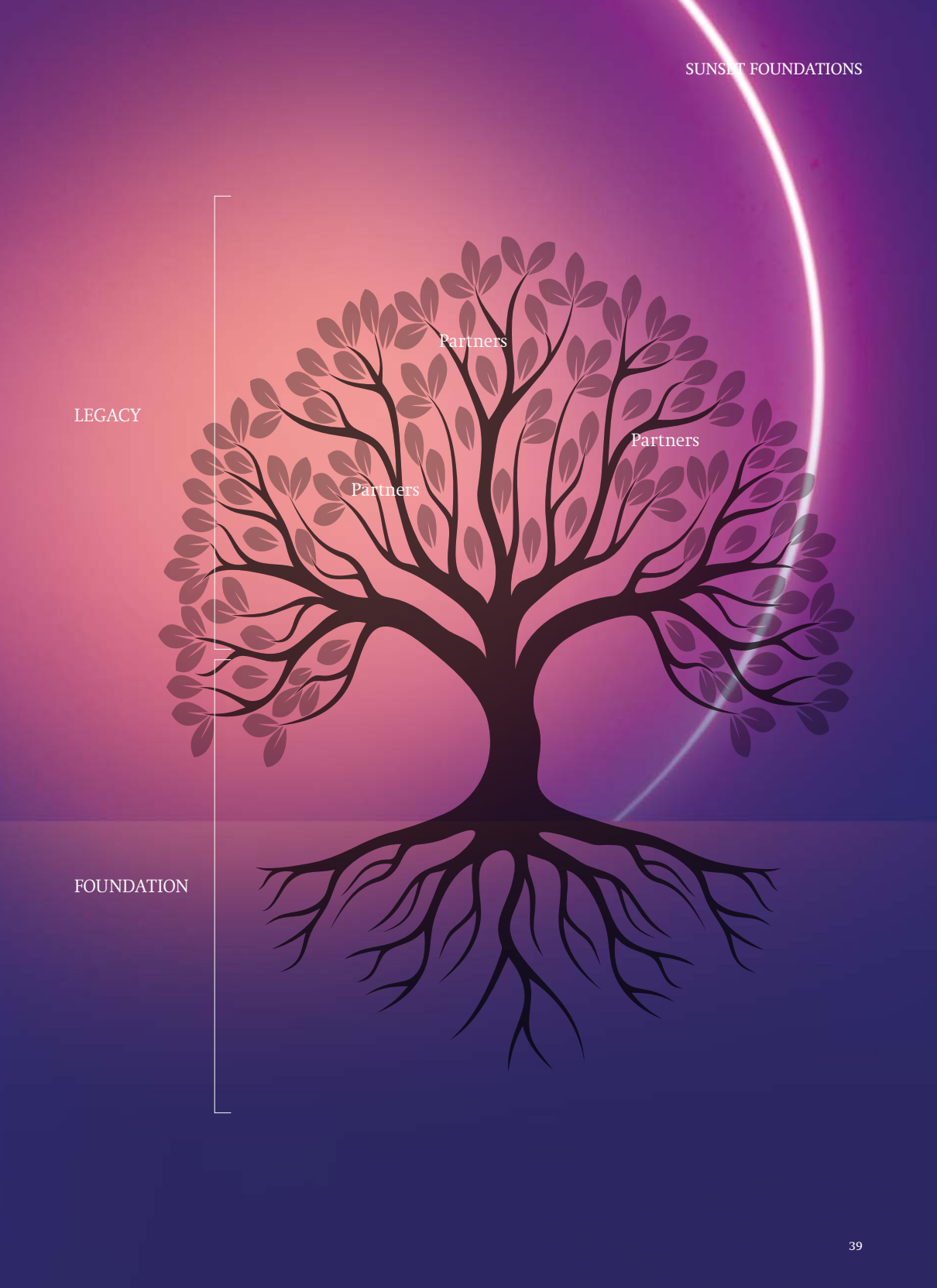
Leaders will be faced with the decision of whether to end grant-making for certain partners, even if that means the partner organization will have to close. Experts acknowledge the difficulty of this decision. Yet they all agree there is no sense in making grants to partners who cannot become self-sustaining in the longterm. The philanthropic money has a purpose to fulfill, and this can mean choosing partners that will enable the greatest impact.

Foundation Solis has to end funding relationships in cases where it is clear that the project will not be finished by the end of the foundation's lifespan. Nonetheless, its leaders ensure a soft landing. This involves informing partners well in advance so they can prepare. The foundation provides them with an endowment that they could use to take the necessary steps for their organizations. In some cases, it can mean referring partners to other funding organizations or helping them close their projects.

Finally, experts stress the need to communicate clearly on what partners can and cannot expect from the foundation. This involves being clear about what kind of financial support and other resources the foundation is capable and willing to provide, and setting healthy boundaries. The foundation should remain open to all partners for dialogue, questions, and positive and negative feedback.

GUIDING QUESTIONS

- → **Which partners will you continue working with, which are potentially new partners, and where will you need to end grant-making relationships?**
- → **Which partners will help you achieve your strategic goals and are most likely to become self-sustaining in the long run?**
- → **Are you clear on what you can and cannot offer partner organizations, and how you will manage their expectations?**
- → **What is the foundation's role and what is the partner organization's role in the funding relationship?**
- → **How can you provide a soft landing for partner organizations whose funding will end?**


Partners
LEGACY
Partners
Partners
FOUNDATION

Grants

Assess the partner organizations' capacity to absorb an increase in grant size

Grant management refers to the distribution and allocation of grants and is distinct from financial management. To increase impact, many foundations will increase grant sizes during their sunset. Many will also provide greater agency to partners during this time. These factors often lead to larger volumes of unrestricted funding. Partners have more freedom to allocate the funds according to their expertise and needs. Similarly, experts report that they discussed with partners whether final grants should come in installments or as an endowment. Especially in the case of increased grant size, the partner organization's capacity to manage and absorb this increase needs to be evaluated. Experts agree that foundations should avoid abrupt exiting and fragmented grant-making. Allowing partner organizations to plan their income is crucial for a sound sunset.

Foundation Solis decides to significantly increase its grant size during its final strategic cycle. To avoid potentially overwhelming its partner organizations with the increase in funding, it jointly decides with each organization whether the grant is made in installments or as an endowment.

Foundation K'inich has little time to plan a detailed strategy due to the external economic urgency. So to help its partner organizations survive, it provides them with larger volumes of unrestricted funding. This allows the partners to act quickly and unbureaucratically and is only possible thanks to longstanding funding relationships and high levels of trust in their expertise.

For Foundation Dusk, the sunset will come when the endowment is spent down. As the endowment gets smaller, the remaining funds need to be calculated carefully in advance. This will avoid fragmented grant-making and an abrupt end of grant-making to the partners.

GUIDING QUESTIONS

- → **Do you need to increase your grant size to achieve the foundation's strategic goals?**
- → **Would your partner organizations benefit from more unrestricted funding?**
- → **Would your partners prefer to receive the grants in installments or as an endowment?**
- → **How will you avoid an abrupt exit or fragmented grant-making?**

Conclusion

A foundation's sunset years are a phase of strategic reevaluation and reorientation. A foundation gains momentum as it defines the legacy and impact it wants to create during its final years. Each sunset is as individual as the foundation itself. This manual has provided guiding questions to hel future leaders of sunset foundations define their sunset strategy. These questions require careful decisions, which can be difficult to make. Yet having a strategy will allow leaders to navigate the sunset with confidence and provide clarity for all parties involved.

An important aspect a sunset foundation's legacy is not only the impact it had on its partners, but also that it shares the lessons learned. Much of the information in this manual would not exist here if sunset foundations had not shared their expertise, lessons and challenges using their legacy websites, blogs, YouTube channels and other useful formats. Experts therefore strongly encourage sunset foundations to share their lessons and knowledge for the benefit of future leaders.

Finally, all the foundations we interviewed celebrated their sunset. They held inperson or online celebrations and invited staff and partners to remember and celebrate the achievements they made together. To help you mark your foundation's sunset, we have included a recipe for a Sunset cocktail at the end of this manual.

Further reading

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Sunset cocktail

TYPE	Mixed drink
SERVED	Poured over ice (on the rocks)
GARNISH	Lemon slice
GLASS	Highball
COMMONLY USED INGREDIENTS	• 4.5 cl (3 parts) rum (preferably white rum) • 9 cl (6 parts) lime soda • 4 cl (2 parts) lemonade • 4 cl (2 parts) guava nectar • 2 cl (1.5 parts) grenadine syrup • Lemon slice
PREPARATION	Fill a highball glass with ice. Mix the lime soda, lemonade, guava nectar and grenadine syrup. Pour the rum into the glass, then pour the guava mixture over the rum. Mix as desired. Garnish with the lemon slice.
NOTES	You can replace the lemonade or lime soda with noncarbonated alternatives if you prefer. For the traditional Cuban version of this cocktail, replace the grenadine with the equivalent quantity (2 cl) of guava nectar. For a thinner cocktail, you can replace the guava nectar by using boiled guava juice with added sugar.

SUNSET
FOUNDATIONS

Sunset foundations — foundations whose closure is predefined — are gaining increased attention in the discussion around impactful philanthropy. The idea is that a limited organizational life span allows for greater impact. A foundation's sunset phase — the last five to ten years — is a time of strategic reflection, reorientation and acceleration. It requires careful strategic decisions by leaders.

This manual helps leaders of sunset foundations strategically navigate their sunset. It offers a set of guiding questions across ten managerial dimensions that will allow leaders to develop an individual sunset strategy. The focus is on creating a legacy, handling financial and legal issues, managing employees, and making meaningful decisions when working with grantee organizations.

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