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First Person

The Madoff Philanthropic Implosion

By Max L. Kleinman

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The Madoff Philanthropic Implosion

How a Jewish charity is responding to one of the biggest scams in history **BY MAX L. KLEINMAN**

WHEN NEWS OF THE Bernie Madoff investment scandal broke in late 2008, a wave of anti-Semitic sentiment quickly followed. “The greed and corruption of the Jews has brought the financial system and the American economy low,” wrote a reader named Jeanrenoir on Portfolio.com, according to the Anti-Defamation League. Web sites, newspapers, and magazines in both the United States and Europe likewise hosted racist vitriol and conspiracy theories.

Yet if there was any conspiracy, it was that of Madoff cannibalizing his own community—the Jewish community—of much of its net worth. His Ponzi scheme bilked hundreds of millions of dollars from a long list of Jewish charities, including Yeshiva University, Hadassah, the American Technion Society, the Elie Wiesel Foundation, and Brandeis University. Long before the Madoff scandal hit, these organizations were already struggling with the most grievous recession in decades.

As the CEO of the largest Jewish philanthropy in New Jersey, I and my staff have had to adjust our course in response to Madoff’s fraudulent dealings. After first learning of the Madoff scandal, I immediately huddled with my management team to learn whether we had invested any of our resources with Madoff or Madoff-related funds. We had not, so we sent e-mail blasts to all of our donors, donor-advised fundholders, and supporting foundation trustees to alert them to this fact. Fear is fueled by questions of trust and reliability, and we wanted to reinforce our credibility as quickly as possible.

We did not know, however, who among our donors had invested with Madoff, other than the Sen. Frank Lautenberg Charitable Foundation, whose loss of \$13.5 million was heavily publicized. I decided not to try to identify the Madoff investors in our community because I was concerned about their psychological vulnerability. Successful people pride themselves on their financial savvy and sophistication, and I imagined that many of our donors who were seduced by Madoff were deeply humiliated.

Over the next several weeks, however, news of who among our major donors were Madoff’s victims began to surface. In one instance, on the day I was to submit a \$2 million endowment request for a senior citizen transportation program, I found that the prospective donor had lost to Madoff all the assets in her charitable foundation investment. Eventually, we did receive a list of all of Madoff’s victims from *The Wall Street Journal* and

New Jersey’s *Star-Ledger*. More than a dozen were major donors to us, with annual contributions of more than \$600,000. Subsequently, I met or spoke

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with most of them, offering our moral support and assistance.

In response to our newly straitened circumstances, our agency, United Jewish Communities, has undertaken several measures to save money and cut costs. We met with peer agencies in New Jersey to consolidate operations and services. For example, we combined three community relations agencies into one regional entity for northern New Jersey, saving more than \$250,000 annually. Internally, we developed a blueprint to decrease the size of our operations by \$1.25 million through cuts to top executives’ salaries, a freeze on all other salaries, 10 furlough days for all staff, and a reduction in the number and cost of our events, among other factors. These measures did not avert the need for us to lay off more than a dozen personnel, however. To them we are providing outplacement services, severance, and other benefits. Perhaps because of this, our morale has held up well, as evidenced by feedback collected by our human relations department and the climate at staff meetings.

Jews have been trained over the generations to practice *Tzedaka*—a commandment to give back. This does not mean giving charity, but fulfilling justice, which is mandatory, not voluntary. That is why Jews have been in the forefront of bettering our society, the Madoff scandal notwithstanding. ■