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A bankruptcy shakes

The Radnor-based foundation promised big returns. Hundreds of nonprofit groups and donors could lose millions.

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INQUIRER STAFF WRITERS

The Foundation for New Era Philanthropy, one of the nation's most innovative and largest charities, went into bankruptcy yesterday, listing more than \$551 million in liabilities and \$80 million in assets.

The sudden filing in federal bankruptcy

court here stunned hundreds of charities and philanthropic donors who had counted on the foundation to enlarge, even double, their charitable money.

Among the institutions whose money may now be in jeopardy are the Pennsylvania Academy of the Fine Arts, the Academy of Natural Sciences, the University of Pennsylvania, and the Franklin Institute.

"I think it's going to be a dreadful debacle, there's no question," said Alexandra Wolf Fogel, executive director of Delaware Valley Grantmakers. "There are a lot of nonprofits out there with money invested with the foundation, and I've talked to a lot of people today who are terrified, whose boards are terrified. This is a very, very serious situation for the nonprofits and for the community as a whole."

The bankruptcy comes four days after Prudential Securities named the Radnor-based charity and its chief executive officer, John G. Bennett Jr., in a federal suit that demands

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EDITION

50 cents outside the eight-county Philadelphia metropolitan area

35 Cents

world of charities

repayment of a \$44 million loan.

The Wall Street Journal disclosed yesterday that the Securities and Exchange Commission had begun an investigation of the charity.

The Pennsylvania Attorney General's Office plans to file a motion this morning in Commonwealth Court asking that the foundation's assets be frozen, according to Janice L. Anderson, chief deputy attorney general.

Anderson said the Attorney General's Office is looking into the possibility that the foundation operated as a Ponzi scheme, which induces people to place money with an

investor in the expectation of large returns. She said no final judgment could be made until a financial examination was completed.

Neal D. Colton, the lawyer who filed the Chapter 11 bankruptcy for the foundation, said the list of creditors may exceed 300.

Colton sought court appointment of the accounting firm of Coopers & Lybrand to analyze the foundation's books and records, which he described in court papers as disorganized and possibly "incomplete and inaccurate."

He also sought to keep secret, for the mo-
See **BANKRUPTCY** on A8

Charity files for bankruptcy; area groups could lose money

BANKRUPTCY from A1
ment, the names of the foundation's creditors. "They include very wealthy individuals and high-profile organizations who, for a variety of reasons, prefer that their undertakings with the [foundation] not be disclosed," Colton said in court papers.

Many of the foundation's clients already were talking yesterday about their concerns.

Anderson said the Attorney General's Office would seek a subpoena to release the names of the foundation's participating philanthropists.

The bankruptcy papers estimated that the foundation owes at least \$300 million to large individual charities and \$165 million to major donors.

Bennett, according to sources, left the foundation this weekend after the Prudential lawsuit raised questions about the organization's solvency.

Colton, of the law firm of Dechert, Price & Rhoads, said of Bennett, 57, a former drug counselor who became a phenomenally successful fund-raiser: "Mr. Bennett is not presently coming to the foundation. We are not representing him. We are representing the foundation. We are not in a position to speak for him or about him."

Under Bennett's management, the foundation operated several charitable programs. One program merely provided a pass-through mechanism for individuals to make donations anonymously.

Another, which appears to be at the heart of the investigations, offered an attractive pitch to both donors and charities willing to place money with it: At the end of a prescribed period, the foundation would, in effect, double their money.

A charity that posted money would receive twice the sum at the end of six months. Many charities, according to the bankruptcy papers, posted more than \$10 million each. And many, until yesterday, had gotten the money back. For donors — and many of them also put up huge sums — the foundation promised to find "matching" funds to double their gifts to designated charities.

Asked if the foundation had been operated as a Ponzi scheme, as was suggested in a Wall Street Journal article yesterday, Colton replied: "That is what we need to have evaluated by the accounting firm."

Bennett did not return several calls yesterday. Bennett's wife, Joyce, who also works at the foundation, told a reporter yesterday that her husband was at home, and had no comment.

New Era Philanthropy Grants to Local Organizations

These are some of the metropolitan Philadelphia organizations that received grants from the Foundation for New Era Philanthropy during 1993, the last year the foundation filed its tax forms with the U.S. Internal Revenue Service. (The foundation received an extension on its 1994 filing, now due in September.) Some of these grants may have been made under the foundation's double-your-money program, and others were outright grants; that information is not shown on the returns.

Academy of Music	\$2,000	Historical Society of Pa.	\$165
Academy of Natural Sciences	556,250	LaSalle University	1,000
Agnes Irwin School	65,000	Library Co. of Phila.	1,000
American Music Theater Festival	500	Mann Music Center	1,000
Amer. Trauma Society, Pa. division	200,000	New Hope Counseling Center	25,500
Archbishop Prendergast H.S.	250	New Life Presbyterian Church of Fort Washington	8,500
Atwater Kent Museum	200	Paoli Memorial Hospital	1,000
Balch Institute	23,050	Pa. Academy of the Fine Arts	23,150
Beaver College	10,000	Pa. Assn. of Broadcasting	100
Blind Relief Fund of Phila.	50,000	Pa. Right to Work Defense & Education Foundation	250
Boy Scouts of America, Phila. Council	1,500	Pa. Special Olympics	30
Boy Scouts of America, Valley Forge Council	250	Pa. Horticultural Society	2,000
Brandywine River Museum	1,000	Pennsylvania Hospital	2,000
Bryn Mawr Hospital	28,500	People's Light & Theatre Co.	30,000
Bucks Co. Conservancy	20,000	Phila. Art Alliance	1,000
Cheltenham Baptist Church	2,442,354	Phila. Chamber Music Society	1,000
Chester County 4-H Center	30,000	Phila. Drama Guild	1,000
Chester County Historical Society	75,000	Phila. Firefighters	20
Chestnut Hill Academy	20,000	Phila. Foundation	500
Chestnut Hill College	10	Phila. Futures	1,500
Chestnut Hill Friends Meeting	100	Phila. Leadership Foundation	17,240
Chestnut Hill Hospital	1,000	Phila. Museum of Art	11,000
Coatesville Area School District	70,000	Phila. Orchestra	52,100
Committee of Seventy	100	Phila. Ranger Corp.	40
Concerto Soloists of Philadelphia	1,450	Phila. Schools Collaborative	1,000
Conservative Baptist Seminary of the East (Dresher)	281,533	Phila. Tennis Patrons Assn.	121,000
Curtis Institute of Music	7,500	Phila./Montgomery Christian Academy	1,000
Delaware Co. Christian School	50,000	Phila. College of Bible	10,050
Delaware Co. Pregnancy Ctr.	36,300	Phila. High School Academies	100
Del. Valley Church School	25,000	Phila. Historic Preservation Corp.	1,000
Delaware Valley Renewal Movement	15,000	Phila. Leadership Foundation	2,500
Episcopal Academy	30,000	Phila. Pride	50
Fabric Workshop	500	Phila. Quarterly Meeting	100
First Baptist Church of Glenside	77,200	Phila. Senior Center	100
		Phila. Zoo	15,000
		Police Athletic League of Phila.	100
		Preservation for the Coalition of Greater Phila.	100
		Scheie Eye Institute	1,000

Yesterday's events created panic among nonprofit organizations in Philadelphia — and elsewhere. More than a thousand organizations have received money from the foundation. Many have participated in the program that requires them to put up substantial sums of money in order to receive gifts.

The fate of that money was uncertain.

"To me, this comes as a real shock," Mayor Rendell said last night. "To lose someone who has been as significant a participant as they have been, if they are in fact gone, is a real blow."

"It surely shakes my faith in the foundation," said Charles Andes, chairman of the Pennsylvania Academy of the Fine Arts, which he said has received a total of \$2.5 million through New Era and currently has "a large sum" on deposit with the foundation.

"Clearly it's a major loss for us, and one that concerns us greatly. We'll have to take some steps to defend ourselves, we have to protect our assets. We will replace it. It won't mean a matter of life and death for the academy. We'll be able to survive."

"Holy cat," said Philadelphia Museum of Art president Robert Montgomery Scott yesterday, adding that the museum had no money tied up with the foundation. "Isn't it wonderful we were too stupid to participate? My God, it's astonishing. Originally when we looked at it, we didn't understand the economics, and therefore, when we don't understand something we tend to avoid it."

John M. Templeton Jr., a pediatric surgeon at Children's Hospital of Philadelphia and one of Bennett's longtime supporters, was stunned yesterday at news of trouble at the foundation.

"Knowing him [Bennett], it seems unthinkable," Templeton said. "Everybody who's ever known him has been impressed with his integrity."

Templeton said he made contributions three or four times to the foundation, and that they were matched by other anonymous donors, then forwarded to charities that Templeton selected.

He said he currently has money placed with the foundation; he declined to say how much.

Templeton's father, Sir John Templeton, a renowned mutual funds pioneer, said yesterday in a telephone interview that just two weeks ago he financed two training sessions that Bennett conducted for religious nonprofit organizations in London.

The elder Templeton described Bennett as an "attractive, wise, modest" man and a "splendid Christian."

"I'd be surprised if it doesn't turn out all right," he said. "All I can say is, I'm praying for him."

First Baptist Church of Newtown	159,000
First Presbyterian Church of Springfield	1,100
Fort Mifflin on the Delaware	1,050
Foundation for a Drug Free Pa.	54,000
Fox Chase Cancer Center	2150
Franklin Institute	34,000
Free Library of Phila.	7,500
Germantown Friends	500
Germantown Historical Society	280
Glenside Bible Church	20,000
Greater Phila. First Foundation	500
Habitat for Humanity	2,000
Haverford College	340,000
Haverford School	1,000

SOURCE: IRS Form 990

Schuykill Center for Environmental Education	10,000
Settlement Music School	8,500
Shipley School	1,000
University of Pa.	2,125,000
University of Pa. Museum	90
U. of Pa. School of Nursing	50,000
University of the Arts	1,000
WHYY	3,660
William Penn Charter School	2,000
Wilma Theatre	5,000
Wistar Institute	1,000
World Affairs Council of Phila.	100
WPEN/Ken Garland Fund	120
United Way of SE Pa.	37,500
University City Science Center	7,500

The Philadelphia Inquirer

Bennett, who lives with his wife in Devon in a house purchased in 1994 for \$620,000, has long been involved in substance abuse work, and in the 1980s headed a program called the Bell Institutes, which trained nonprofit organizations in management.

Charities large and small already are affected by the foundation's bankruptcy. "Wow. Oh my God. The quote is, 'Oh My God,'" said Margo Bloom, director of the National Museum of American Jewish History in Philadelphia, which has \$100,000 invested with the Foundation for New Era Philanthropy.



John G. Bennett Jr. has been named in a suit over a loan.

That money, plus another \$100,000 that New Era had said it would raise from anonymous donors, was due the museum at the end of this month.

Early last year, the museum put up \$100,000, which the charity matched after six months. Bloom said the museum's experiences with the charity had been "very positive."

An official at the Academy of Natural Sciences was quoted in the Wall Street Journal as saying that it has "a few million" on deposit with New Era. The Academy planned to use the money to expand a research laboratory in Maryland. Officials at the academy did not return calls yesterday.

The charity's filing for bankruptcy hits Esperanza Health Center, a holistic clinic in one of Philadelphia's poorest neighborhoods, as well as the University of Pennsylvania, which in 1993 alone received \$2.1 million from New Era. Over the past few years Esperanza, on North Fifth Street in North Philadelphia, has placed more than \$100,000 with New Era, which has doubled the money.

Stephen S. Weaver, board chairman of the five-year-old health organization, said yesterday, "We are waiting on some money from them." He

wouldn't say how much or what effect the bankruptcy filing would have on his center. "We've been through rocky things before," he said. "We don't expect this to sink us."

He described New Era's past performance as "outstanding."

Penn officials deposited \$600,000 in April 1993 with New Era and two months later deposited \$300,000 more, according to spokeswoman Barbara Beck. Within six months of each deposit, the charity doubled the money.

The school then made a third deposit, which has not come due. Beck described the amount as "pretty small," but said she did not know any specifics.

Beck said the university was invited to participate "by people who were close to the university and who have integrity within the university." Noting that the list of other institutions involved with New Era includes Yale Law School, Stanford Medical School and the Boy Scouts of America, Beck said, "We were in good company here."

The foundation provided a grant to the University of Pennsylvania's Center for Greater Philadelphia to help underwrite some expenses associated with the preparation of the Peirce Report: Reinventing the Region — a study of regionalism by syndicated columnist Neil R. Peirce and Curtis W. Johnson, sponsored by The Inquirer editorial board.

The Foundation for New Era Philanthropy has grown rapidly since its founding in 1989. In 1993, the foundation awarded a total of \$36 million. Last year, the amount was \$100 million. This year, the foundation had expected to hand out in excess of \$150 million — more than four times the amount the William Penn Foundation plans to award, and close to the \$184 million the Pew Charitable Trusts plan to disburse by Dec. 31.

Inquirer staff writers Bill Ordine, Daniel Rubin, Julia Martinez and Michael Sokolove contributed to this article.