

## From Tobacco to Politics

*The Z. Smith Reynolds Foundation works to turn North Carolina into a bastion of liberalism*

By Michael Volpe

**Summary:** *The Z. Smith Reynolds Foundation leads a powerful, state-wide coalition of left-wing groups that want to re-make North Carolina in their image.*

Like so many established philanthropies, the Z. Smith Reynolds Foundation of North Carolina has managed to convince itself that it is above politics. Founded in 1936 by the children of old-time tobacco tycoon R.J. Reynolds, the foundation gives money both to ideologically neutral local causes and to many activist groups in the progressive movement. Its giving makes clear the foundation would like to change North Carolina, once reliably Republican red, into a reliably Democratic blue state.

Although the foundation has turned left in recent decades, it's unclear if it is betraying the donor intent of its namesake and benefactor. Z. Smith Reynolds, an emotionally volatile playboy and adventure-seeker who died mysteriously at age 20, likely hadn't thought much of the legacy he would one day leave behind.

The foundation itself denies it has political motivations at all. "ZSR does not support 'political causes' but rather supports community building and research, education, dialogue and advocacy on issues of importance to North Carolina and its communities," Shaheen Syal, its director of communications, explained in an email.

Using the familiar politically correct boilerplate popular in the philanthropic world, Syal



The life of Z. Smith Reynolds, who died at age 20 in 1932, got the Hollywood treatment when the loosely biographical movie, *Written on the Wind*, was released in 1956. At right, portraying a character based on Reynolds, is Robert Stack. At left is Lauren Bacall.

said ZSR "invests" in "statewide, regional and community-based organizations that are dedicated to building an inclusive, sustainable and vibrant State." The foundation supports "strengthening and improving public education," "community-based economic development, particularly through asset building, small business development, sustainable agriculture and affordable housing," and "encouraging environmental sustainability and stewardship."

Another key area the foundation supports is "strengthening democracy by assuring that public institutions and processes are effective, transparent, accountable, accessible and inclusive; and promoting racial and gender

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# FoundationWatch

equity, a fair criminal justice system and the healthy integration of immigrants into our communities,” Syal said.

The Z. Smith Reynolds Foundation’s vague goals allow it to get involved in a broad swath of the Left’s favorite issues and projects, according to Susan Myrick, an analyst with the Civitas Institute, a watchdog group based in Raleigh, N.C. For example, “supporting community-based economic development” allows ZSR to underwrite left-wing pro-redistributionist charities as well inner-city education efforts and hospitals, Myrick said.

## The troubled, short life of Z. Smith Reynolds

The namesake of the foundation is Zachary Smith Reynolds. Born Nov. 5, 1911, Reynolds was the youngest child of Richard Joshua “R. J.” Reynolds (1850 - 1918), founder of the R.J. Reynolds Tobacco Co., and his wife, Mary Smith Reynolds.

Heir to the Camel cigarette fortune, Z. Smith Reynolds led a short, tempestuous life that formed the basis for no fewer than three movies: *Sing, Sinner, Sing* (1933); *Reckless* (1935), starring Jean Harlow; and *Written*

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*on the Wind* (1956), starring Rock Hudson, Lauren Bacall, and Robert Stack. The latter earned an Academy Award for Dorothy Malone for best supporting actress and an Academy Award nomination for Robert Stack as best supporting actor.

Tom Lambeth, a senior fellow with the Z. Smith Reynolds Foundation and its executive director from 1978 to 2001, said the movies were “highly fictionalized.” (“Death was a tale fit for film,” *Winston-Salem Journal*, Feb. 26, 2012) Journalist Frank V. Tursi described Reynolds as “an indifferent student” who “quit school as a teenager to take up flying,” something he excelled at.

“During the last year of his life, [Reynolds] flew solo from London to Hong Kong, and the flight log reveals that he could be disciplined, cool-headed, and capable of making decisions expected of more experienced pilots. Had he displayed the same qualities on the ground, Smith could have accomplished great things.”

At 18 he married Anne Cannon, who was the daughter of a textile baron. They were divorced within a year. “She liked big parties and I like little parties,” he explained. Less than a week later (Nov. 29, 1931) Reynolds was married to a successful 25-year-old Broadway torch singer and actress Libby Holman. He had begged her to marry him while he was still married to Cannon and then reportedly threatened to kill himself if she refused. Holman gave up her career to become mistress of the family estate, “Reynolda.” In later life she was better known for her romantic attachments. She dated movie heart-throb Montgomery Clift, who was 16 years her junior (and brother-in-law of political journalist Eleanor Clift).

The couple was famous for throwing parties, and on July 5, 1932, Reynolds attended his last. There was drinking at the party, accompanied by swimming in the pool. A close friend of Reynolds, Ab Walker, said he heard a muffled shot in the house at 1:00 in the morning. Reynolds’s wife screamed that he’d killed himself, and Walker found him with a bullet wound in his right temple.

He died hours later in hospital. Authorities initially determined that the death was a suicide but later ruled that Reynolds died “at the hands of a party or parties unknown.” A grand jury indicted Holman but the local prosecutor dropped the case before trial for lack of evidence.

Following a lawsuit over the distribution of Reynolds’s assets, his surviving siblings used their share of his estate, approximately \$7.5 million, to endow the foundation that carries his name. (*Winston-Salem: A History*, by Frank V. Tursi, p. 194)

## Origins

Four years after Reynolds’s death, his brother and two sisters—R.J. Reynolds Jr., Mary Reynolds Babcock, and Nancy Susan Reynolds Bagley—founded the Z. Smith Reynolds Foundation as a memorial to their late brother. Using his estate, the siblings established a trust for “charitable works in the State of North Carolina.” Z. Smith Reynolds’s uncle, William Neal Reynolds, was an original member of the foundation’s board of trustees. When the uncle died in 1951, a trust was formed that provides some of the philanthropy’s annual revenues.

Grantees must have a connection to North Carolina. The foundation’s website stipulates that the foundation “is restricted to making grants supporting projects in North Carolina with the purpose of benefiting residents of North Carolina.” The foundation boasts that it has made grants to organizations in all of North Carolina’s 100 counties. In 1946 the foundation contracted with Wake Forest University to relocate the school from Wake Forest to Winston-Salem. The foundation continues to have what it terms “a special relationship” with Wake Forest University and provides the school with annual financial support.

In the 1980s trustees established focus areas for the philanthropy’s grant-making. The current ones are “Community Economic Development, Strengthening Democracy, the Environment, Public Education, and Social Justice and Equity.” Myrick noted the Z. Smith Reynolds Foundation’s focus on North

Carolina hasn't prevented the philanthropy from giving to left-wing causes that affect people both within and outside of the Tar Heel State.

There is no doubt the foundation donates millions of dollars to causes like schools, hospitals, and community development, that everyone agrees are worthwhile, Myrick said in an interview. But at the same time the Z. Smith Reynolds Foundation gives large sums of money to radical groups with left-wing agendas. Among the many recipients of its funding are NARAL, Planned Parenthood, a state group affiliated with the now-defunct ACORN, and the Tides Center of San Francisco.

The surviving members of the Reynolds family have little input into the foundation's grant-making. Starting in the 1970s, the foundation began to spend more and more money on left-wing causes, Myrick said.

## Finances and Grants

Based in Winston-Salem, the Z. Smith Reynolds Foundation reported assets of \$15.8 million at the end of 2011 and income of \$18.1 million that year. The foundation awarded \$15.6 million in grants in 2011. While the foundation gives to many North Carolina-based causes—including Wake Forest University (\$20,303,376 since 2000) and the University of North Carolina (\$3,968,736 since 2000)—much of its focus is on groups that have an impact far beyond the state's borders.

For example, the foundation gave \$570,000 to the now-defunct American Institute for Social Justice, a key affiliate in the ACORN network. (ACORN filed for bankruptcy in late 2010.) ZSR has also assisted other radical, in-your-face community organizing groups, including the Industrial Areas Foundation that was created by *Rules for Radicals* author Saul Alinsky. Since 2007 the Reynolds Foundation has given \$350,000 to the Third Reconstruction Institute, specifically earmarked "to building capacity of the IAF organizing network in North Carolina."

Similarly, since 2006 ZSR has given \$130,000 to the Wellstone Action Fund, a ten-year-old community organizing group named after the late Democratic senator from Minnesota, Paul Wellstone, that describes itself as the "largest training center for progressives in the country." The group's website declares: "We ignite leadership in people and power in communities to win progressive change. Our trainings have developed a critical mass of progressive leaders with the expertise to win. And we've propelled 600 alumni into elected office and guided 3,000 winning campaigns."

The Tides Center, an affiliate of the radical Tides Foundation, has received \$50,000 in grants since 2007. The Center functions as a fiscal sponsor, offering newly created organizations the shelter of Tides's own charitable tax-exempt status, as well as the benefits of Tides's health and liability insurance coverage. The Tides Center also helps to insulate the Tides Foundation from lawsuits that might be filed by people whose livelihoods may be harmed by Tides Foundation-funded projects, for example, farmers or loggers driven out of business by Tides-backed environmentalist groups.

The ZSR Foundation has given \$345,000 to the North Carolina branch of the American Civil Liberties Union since 2003. Other grant recipients include Center for Death Penalty Litigation (\$645,000 since 2003); Common Cause Education Fund (\$1,205,000 since 2000); Conservation Trust for North Carolina (\$1,459,250 since 2001); Democracy North Carolina (\$1.4 million since 2004); Democracy South (\$1,325,000 since 2000); Nature Conservancy (\$1,550,000 since 2002); Environmental Defense Fund (\$1.4 million since 2000); NARAL-Pro Choice (\$255,000 since 2003); and Planned Parenthood (\$1,665,000 since 2001).

The Durham-based Center for Responsible Lending (CRL) was founded in 2002 and has taken in \$425,000 in grants since 2009. During the real estate boom, this left-wing housing policy clearinghouse was involved in pushing implementation of the affirmative

action scheme known as the Community Reinvestment Act, which was a critical catalyst of the national meltdown in the housing market, thanks to the way the law helped activist groups press financial institutions to give mortgages to people who couldn't afford them. More recently, the group was a major supporter of President Obama's financial reform bill passed in 2009. CRL supported the creation of the Consumer Financial Protection Bureau, which was the brainchild of now-U.S. Sen. Elizabeth Warren (D-Mass.).

## Involvement in Blueprint NC

The Z. Smith Reynolds Foundation found itself involved in a controversy recently, as Susan Myrick explained this spring in a Capital Research Center publication ("Shadow Network: A leaked strategy memo reveals a powerful, and partisan, network of left-wing nonprofits," by Susan Myrick, *Organization Trends*, April 2013).

The controversy arose when it was discovered that Blueprint North Carolina—a group that ZSR started and still funds nearly half its budget—was behind an aggressive strategy for smashing Republicans in the state. A shockingly candid memo was leaked to the press which showed how left-wing activist groups, nearly all funded by ZSR, use "highly coordinated hardball tactics to achieve their goals, hoping to undermine elected officials and apparently defying the law," Myrick wrote. "For once, we have proof of something long suspected: left-wing nonprofits wield an alarming amount of power in the media, state politics, and government."

The strategic document is important because, as Myrick wrote, "(1) It clearly indicated that the Democratic Party was no longer in charge of 'progressive' politics in North Carolina. (2) It showed coordination between left-wing advocacy groups and Democrats in the legislature. (3) It used overtly aggressive language to describe the tactics the Left would employ. (4) It took explicit aim at high-profile Republican targets."

The memo recommended:

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- “Crippling their leaders ([Governor Pat] McCrory, [House Speaker Thom] Tillis, [Senate President Pro Tem Phil] Berger etc.).”

- “Eviscerate the leadership and weaken their ability to govern.”

- “Pressure McCrory at every public event.”

- “Private investigators and investigative reporting, especially in the executive branch....”

- “Organizers focus on year round voter registration....”

Sean Kosofsky, Blueprint’s executive director, acknowledged that the memo was handed out at a two-day meeting in December 2012 attended by more than 50 leftist groups. Aware that 501(c)(3) groups like Blueprint aren’t supposed to be directly involved in partisan campaigns against individual officeholders, Kosofsky said that “only 501(c)(3)-compliant activities were discussed.” How reassuring.

The leaked memo also showed that Blueprint NC was conducting strategic meetings with other members of the state Democratic Party. Myrick said that Blueprint NC also identified important political races, ballot initiatives, and other activities that required resources, and then figured out how to help them.

Tax-exempt organizations are not allowed to engage in partisan activity, and working with Blueprint NC arguably constitutes partisan activism. Myrick notes that the Z. Smith Reynolds Foundation didn’t merely underwrite Blueprint NC: the philanthropy created it in 2006 to help left-wing organizations coordinate their messaging and activities. In other words, Blueprint is a center of partisan political activism in North Carolina. It decides how to allocate resources for maximum effect.

The ZSR Foundation has given \$1.7 million to Blueprint NC since 2009, according to publicly available tax filings. Contributions

went directly to Blueprint and indirectly to it by way of NC Justice Center. According to philanthropy databases, the ZSR Foundation has given NC Justice Center \$3,570,000 since 2009, with \$850,000 of that total specifically earmarked for Blueprint NC.

The television station WRAL has reported skeptically on this scandal. In a February 21 story, WRAL said, “Raleigh’s version of the Cold War heated up this year when a controversial political memo authored by a liberal group surfaced and raised hackles among Republican policy makers.

“The stir caused by the America Votes memo, originally attributed to Blueprint NC, and counter punches from groups like Americans for Prosperity brought to the surface a spy-versus-spy game of white papers, grass roots organizing, research and lobbying that usually shows up in more subtle ways.”

What WRAL didn’t say is that the owner of WRAL is Capitol Broadcasting. Capitol Broadcasting in turn is owned by Jim Goodman, who also controls a philanthropy, the A.J. Fletcher Foundation, which is a critical cog in North Carolina’s left-wing network. For example, the foundation gave \$205,000 to the NC Justice Center and over \$66,000 to the NC Housing Coalition in 2007. Both are members of Blueprint NC and major political players in the field of social justice in North Carolina that have also received funding from Z. Smith Reynolds.

## Immigration

The Z. Smith Reynolds Foundation has given grants for both “community organizing” and “civic engagement” to El Centro Hispano, a left-wing group that primarily lobbies on behalf of immigrants, legal and illegal, in North Carolina. In 2011, the foundation gave El Centro Hispano a grant for \$90,000 for general operating support.

Like a mini National Council of La Raza, El Centro Hispano focuses on local issues. The group hosted one of a series of so-called “community roundtables” between community activists in North Carolina and representatives of the U.S. Immigration and

Customs Enforcement (ICE) Public Advocate in December 2012.

The ICE Public Advocate was created by the Obama administration in February 2012, largely to respond to groups just like El Centro Hispano. Such groups had complained for years that the Obama administration has engaged in heavy-handed immigration detention and deportation policies. The group offers up specific cases of illegal aliens in trouble, and these hard luck cases can be used to create sympathy for immigrants.

It is a time-honored strategy. In 2009, the Illinois Coalition for Immigrant and Refugee Rights (ICIRR) effectively used the story of Rigo Padilla to draw attention to the DREAM Act. Padilla had come to the U.S. illegally as a young child when his mother crossed the border illegally. He was facing deportation after a speeding ticket triggered a larger investigation. The media attention eventually saved Padilla.

El Centro Hispano didn’t respond to a phone call for comment; so it’s not entirely clear what cases they may have championed to the ICE Public Advocate, and most importantly if any of those individuals were part of the mass release of hundreds of illegal immigrants that began in February 15, 2013. El Pueblo, a group similar to El Centro Hispano, also received a grant from Z. Smith Reynolds Foundation in 2011 for \$75,000.

The Latin American Coalition, the Latino Advocacy Coalition of Henderson County, Latino Community Development, and Latino Outreach and Solidaridad (which received \$20,000 in 2010) are additional groups with similar political philosophies operating primarily in North Carolina that have also received ZSR money.

## Health Care

Z. Smith Reynolds Foundation partners with a number of groups on health care issues, but the most important is the North Carolina arm of Health Care for America Now. HCAN is a progressive political coalition of more than 1,000 organizations that joined together in 2008, and its primary purpose initially was

to help pass the Patient Protection and Affordable Care Act, or Obamacare.

HCAN's specialty is to organize grassroots campaigns in any given locality in support of healthcare efforts. That's a marriage made in heaven for Z. Smith Reynolds Foundation, which is attempting to spread left-wing ideology all throughout the state of North Carolina. After Obamacare's enactment in 2010, HCAN shifted its focus to defending the law and supporting its implementation. Z. Smith Reynolds underwrites these efforts in North Carolina.

Several members of the Blueprint NC network are also members of the HCAN NC network; for example, NARAL and NAACP of NC.

## Environmentalism

According to its website, Z. Smith Reynolds gave out \$2,060,000 worth of environmental grants to 38 recipients in 2011. Among the recipients, a few of the most significant are the North Carolina Environmental Justice Network (\$30,000), Appalachian Voices (\$35,000), and the NC Wildlife Fund (\$25,000). In its mission statement, the North Carolina Environmental Justice Network declares it will achieve its environmental goals through "economic equity," by which it presumably means redistributing income via governmental command and control.

## Management

Since 2008 the foundation's executive director has been attorney Leslie J. Winner, a native of Asheville. She received compensation and benefits totaling \$264,321 in 2011. Her husband is Gerald J. Postema, the Boshamer Professor of Philosophy and Professor of Law at the University of North Carolina at Chapel Hill. Winner earned a bachelor's degree from Brown University in 1972 and a juris doctor degree from Northeastern University School of Law in 1976. She received the Award for Outstanding Public Interest Advocacy from Northeastern University School of Law in 1986.

When she was selected for the ZSR post in 2007, Winner said the foundation had been

"the most consistent catalyst for positive, progressive change in the state of any institution. It motivates and facilitates and enables people all over the state to put their energy to solving these problems."

A Democrat, Winner served from 1993 to 1998 in the North Carolina state senate. Before her election, her legal practice focused on civil rights issues, including voting rights. From 2000-2007, Winner was vice president and general counsel to the University of North Carolina, advising the university's board of governors, president, and senior administrators regarding the university's 17 constituent institutions. Winner also was general counsel to the Charlotte-Mecklenburg Board of Education from 1998 to 2000.

The foundation has 11 full-time employees. Its board of trustees is a who's who of political power brokers.

Daniel Clodfelter has been a trustee since 1982. He's a partner in the North Carolina law firm Moore and Van Allen, and is a Democratic North Carolina state senator.

Stephen L. Neal has been on the Z. Smith Reynolds board since 1979. A Democrat, Neal represented North Carolina's 5<sup>th</sup> district in the U.S. House of Representatives from 1975 to 1995.

Virgil L. Smith has been on the board since 2004. He is both chairman of the *Asheville Citizen-Times* and vice president of talent management at the Gannett Company.

On the board since 2001, Nancy R. Bagley, a great niece of the late Z. Smith Reynolds, is editor in chief of *Washington Life* magazine, a glossy "lifestyle" magazine that chronicles balls and galas attended by D.C. socialites. She is also president of the Arca Foundation, a far-left grant-maker headquartered in the nation's capital. Bagley worked on the Clinton-Gore presidential campaign and then on HillaryCare when she took a position in the Clinton White House.

W. Noah Reynolds, a great nephew of Z. Smith Reynolds, is a Certified Public Ac-

countant and has been on the board since 2011.

## Conclusion

There is an irony in the work of the Z. Smith Reynolds Foundation. On the one hand, the foundation works hard to make left-wing ideology a reality, which means centralizing power in Washington, D.C., at the expense of the Founders' plan for a nation where federalism would leave states and localities with considerable liberty to order their affairs. On the other hand, the foundation concentrates its giving in its home state, making North Carolina a laboratory for all sorts of public policy. Above all, Z. Smith Reynolds is making North Carolina a test case that will determine whether a rich and powerful organization can use its size and strength to turn a state from Republican red to Democrat blue.

*Chicago-based Michael Volpe spent more than a decade in finance before becoming a freelance journalist. His work has appeared in such national publications as the Daily Caller, FrontPage Magazine, CounterPunch, and the Southern Christian Leadership Conference Newsletter. His second book, The Definitive Dossier of PTSD in Whistleblowers, was published in February.*

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Your contribution to advance our watchdog work is deeply appreciated.

Many thanks.

Terrence Scanlon  
President

# PhilanthropyNotes

Health and Human Services Secretary **Kathleen Sebelius**, who oversees the implementation of Obamacare, is shaking down businesses and charitable groups for large donations. HHS, which initially denied what Sebelius was doing, says it needs the money because Congress appropriated less than the administration requested for enrolling people in Obamacare. HHS plans to pay potentially billions of dollars to members of radical Saul Alinsky-inspired groups to educate the public about the wonders of Obamacare and get them to sign up.

The **Robert Wood Johnson Foundation** and **H&R Block** are expected to contribute \$10 million and \$500,000, respectively, to Sebelius's campaign. H&R Block's connection involves Obamacare's interaction with citizens' tax returns. The **House Energy and Commerce Committee** has launched an investigation into Sebelius's fundraising and demanded that HHS and the solicited companies provide documents related to the scheme, which will channel funds to nonprofits closely tied to Obama.

When she was U.S. Secretary of State, **Hillary Clinton** created a special arrangement for her closest aide, **Huma Abedin**, wife of disgraced Rep. Anthony Weiner (D-N.Y.), to allow Abedin to do consulting work for private clients while she was still employed by the Department of State, the *New York Times* reports. Abedin, whose family has close ties to Islamist groups, may have broken the law by failing to disclose the arrangement or how much money she earned from the consulting work she performed. Some of Abedin's outside work was for the **William Jefferson Clinton Foundation**.

To celebrate its own centennial, the **Rockefeller Foundation** is publishing a massive six-volume book series titled *Beyond Charity: A Century of Philanthropic Innovation*. **Jeff Cain** quips at *PhilanthropyDaily.com* that the first volume weighs in at a hefty 324 pages. The more modest **Carnegie Corporation of New York**, celebrating its centennial, made do with a "measly three-part series" in its official newsletter and a nine-minute video.

The median salary for fundraisers climbed by 8 percent in 2012 to \$71,100, according to a 1,750-member survey conducted by the **Association of Fundraising Professionals**. That's a big jump from the tiny 1.5 percent increase the year before and the largest percentage increase since 2007, the *Chronicle of Philanthropy* reports.

**Joseph H. Grant**, acting commissioner of the tax exempt and government entities division of the IRS, is leaving his position this month. Grant, an IRS employee since 2005, currently heads the office that has been in the news lately for allegedly applying improper scrutiny to conservative organizations seeking nonprofit status under the tax code.

## Goldman Sachs WATCH

Goldman Sachs Group has become a bit too involved in the political process in Malaysia, complain critics in that sprawling Polynesian country, the *Wall Street Journal* reports. The investment bank made \$200 million in profit from government-related bond transactions in the past two years while raising \$6.5 billion in principal. Two of the transactions were carried out on behalf of a sovereign wealth fund controlled by Prime Minister Najib Razak. Critics accuse Goldman of overcharging Malaysian taxpayers and of poorly managing the fund.