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Forever Means Little on College Campuses
By Frederic J. Fransen

A billion-dollar controversy involving Princeton University has brought into sharp focus one of the most important issues facing the nonprofit community today: whether the terms of restricted gifts have an expiration date.

In 1961, donors Charles and Marie Robertson – he a loyal Princeton grad, she an heiress to the A&P supermarket fortune – endowed a foundation intended to finance the preparation of Princeton graduate students for federal government careers in international relations and foreign affairs.

Princeton officials told Fred Hechinger, the New York Times' legendary education writer, that the gift would enable the school to "do what it and other universities have long wished to do: establish professional education for public service at a level of excellence comparable to the country's best schools of medicine and law."

As then Princeton President Robert Goheen made clear: "The donors wish to provide gifted students and Government officials with the finest possible preparation for careers in the public service, with particular emphasis in foreign affairs."

Today, Princeton officials hold their noses at the very idea of a 'professional school' at PU dedicated to government service, and bristle at the suggestion that preparing students for careers in government was anything more than an "aspirational" goal.

The Robertson family is suing, charging that Princeton not only has violated the terms of the gift, but has misspent some $200 million or more on activities and programs that have nothing to do with the donors' intent.

The Princeton dispute is not an isolated case. In New Orleans, Tulane University dumped the women's liberal arts college long affiliated with the university and grabbed its endowment. The money for Newcomb College had been donated by Josephine Louise Newcomb more than 100 years ago for the sole purpose of establishing and supporting –

in perpetuity – a women's college memorializing her late daughter. Mrs. Newcomb's descendants are suing.

In Virginia, Randolph-Macon Woman's College (R-MWC) completed a $100 million capital campaign in 2005, exceeding the original $75 million goal, and soon thereafter announced the college would become coed. The $100 million had been solicited and donated explicitly to guarantee R-MWC's long-term financial stability, not to finance a coed institution. Donors are suing.

While there may be times when it's legitimate for nonprofit institutions to "repurpose" designated gifts, problems arise when institutions decide on their own to renege on their promises without following appropriate legal procedures.

This generally doesn't happen right away. In a remarkably candid conversation with Washington Post reporter Matthew Quirk, a retired New York University "naming" negotiator – a fundraiser who solicits donations from people who want to have a room, building, or school named after them – said NYU is careful to use metal letters or plaques to recognize such donations, because, unlike carvings in stone, plaques and lettering can easily be removed from a building. She also said donors who endow chairs or buildings at universities shouldn't expect their gifts to be honored forever. "How long is perpetuity?" she asked: "About 75 years," was her answer.

Donor intent doesn't just abruptly end. More often, it fades away. A key faculty member retires; there is turnover in the president's office; a budget crisis arises; or the donor dies, and people just plain forget. One major university inserts a clause into its standard donor agreement stating that the university can reallocate restricted funds after 25 years. Other universities don't even audit restricted gifts.

The half-life of donor intent may be no more than about 10 years. For the first few years, the institution probably will adhere to the terms of the gift. By the tenth year, the program will still exist, but with a different shape. By year 20, the program might exist in name only. By the thirtieth year it will be merged into something else. And by the fortieth year the program will disappear.

The money, however, won't disappear. Under normal circumstances, the value of an endowment remains constant, and may even grow over time.

Donors must understand this. On U.S. college campuses, forever doesn't mean forever. Money donors give today could be financing things they wouldn't imagine 10 or 20 years from now. That's why it's important to get gifts right. And that's why it's important to hold colleges and universities accountable.

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