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Use of Charitable Funds is at Heart of Princeton Case
By Frederic J. Fransen

A New Jersey judge has just set an October 1 trial date in a billion-dollar lawsuit alleging that Princeton University misused tens of millions of dollars donated to a charitable fund. Fallout from the case is expected to reach far beyond the Ivy campus, dramatically reshaping nonprofit fundraising and administrative practices.

U.S. colleges and universities received some \$29.75 billion in contributions last year, the Council for Aid to Education reports. The broader nonprofit community raked in some \$395 billion. Many of the gifts and bequests were designated for specific programs or projects, some 80 percent or more in the case of higher education, according to CAE.

And that's what lies at the heart of the Princeton dispute: a large sum of money was donated by a philanthropic family for a specific purpose, but used for other purposes, the plaintiffs claim.

Princeton already has taken a drubbing in the court of public opinion and would appear to be in a no-win conundrum. With its reputation on the line and control of the \$900 million Robertson Foundation – and possible reimbursement of hundreds of millions more – hanging in the balance, the school would be hard pressed to back down and admit guilt at this late stage, after more than six years in court.

If it doesn't find a way out, however, the consequences could be worse. According to the family, mountains of damaging evidence, much of it classified as "confidential" by the university during pre-trial maneuvering, will be introduced at trial. The final verdict may not matter at that point: The university's reputation will be damaged irrevocably. Higher education philanthropy likely will suffer as well.

The story begins in 1961, when donors Charles (Princeton '26) and Marie Robertson – an heiress to the A&P supermarket fortune – donated \$35 million to a charitable foundation to finance a program at Princeton. The purpose of the program was simple: to prepare graduate students at Princeton's Woodrow Wilson School for federal government careers in international relations and foreign affairs.

Princeton officials told Fred Hechinger, the New York Times' education writer at the time, 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." Then Princeton President Robert Goheen elaborated: "The donors," he told Hechinger, "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 scoff at the idea of a ‘professional school’ dedicated to government service, and bristle at the suggestion that preparing students for government careers was anything more than an “aspirational” goal. After going through more than \$350 million of the Robertson Foundation’s money, their disinterest in the program speaks volumes.

The Robertson family has sued. The lawsuit charges Princeton not only with paying little more than lip service to the program’s mission, but with misspending some \$200 million or more on activities, programs, personnel and real estate that have little or nothing to do with the donors’ intent.

If the Princeton controversy were an isolated case it would be much easier to ignore. But it’s not. Several other schools also are embroiled in donor-intent disputes: Fisk University, Randolph-Macon Woman’s College (now Randolph College), Tulane, the University of South Dakota, and the University of Notre Dame. And these are only the ones that have reached the public spotlight.

If a donor offers money to a college for a purpose that is incompatible with the institution’s mission or priorities, the college can decline. The minute it accepts the money – or even the use of the money, in cases where the funds are held by another institution – it has an obligation to make good on its promises.

A new survey by Harris Interactive and Contribute Magazine found that Americans already are disillusioned with the nonprofit sector: Some 56 percent say they are more concerned today than a decade ago about the misuse of funds by charitable organizations.

Such findings are alarming. To turn things around, donor intent needs to be taken much more seriously. Unfortunately, it may take the Princeton embarrassment to drive this point home.

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