

Another Public University Foundation Under Fire

10.19.16 | Linda J. Rosenthal, JD



Sometimes called “[slush funds](#)” and “[shadow corporations](#),” the foundations that support the nation’s public universities have been grabbing headlines recently: ones they would rather avoid. We highlighted some developments in “[Foundations of Public Universities: Too Secretive?](#)”

“Public officials [are raising questions](#) about the spending practice of the nonprofit fundraising arms of public universities,” because “they control huge amounts of money with little accountability.”

In our [earlier post](#), we discussed two cases that already received attention earlier this year.

The first example is the University of North Carolina System – and the [17 foundations connected with 11 campuses](#) around the Tar Heel State. With assets recently estimated at [almost \\$1.66 billion](#), they are [fundraising](#) powerhouses. Not for the first time, there have been concerns about the “[investment practices](#) of these foundations and [how they interact](#) with university finance and property transactions.” Complicating any inquiry is that the UNC System doesn’t even have a complete and readily accessible list of all campus foundations, much less information about how the money is raised and spent. There are suspicions that the foundations are used to circumvent the bureaucracy and oversight of the normal university finance channels. “There are ‘[a lot of different colors of money](#) in university operations’ and foundations intermingle that money.” The money flowing out “[can be used for anything](#).”

The [second example](#) is the The UConn Foundation, the “private, nonprofit fundraising arm” for the University of Connecticut. While the foundation raised some \$80 million last year, “about half of the foundation’s annual operating budget comes from UConn, and it receives ‘some \$8 million a year [of taxpayer funds](#).’” As state budget cuts increase, the University relies more and more on UConn Foundation and donations to pay for programs. But there is little transparency, in part because The UConn Foundation “is the only type of university organization in New England that is [not subject to freedom of information laws](#)” under state “sunshine” statutes.

These secretive university foundations are not isolated situation; experts believe this is a problem nationwide.

City University of New York

Another example making headlines currently is the City College 21st Century Foundation, the principal fundraising arm of CUNY.

Earlier this year, “[t]he finances of that foundation, as well as those of City College’s president and her family” had already become the subject of an investigation by federal prosecutors in Brooklyn. The current story, though, focuses on a specific account within the Foundation: the Martin and Toni Sosnoff Fund for the Arts. In June 2016, a \$500,000 donation to the Sosnoff Fund was made; the purpose was “to bolster the humanities and arts” at CUNY’s “flagship school.” Earlier donations to the same fund had been earmarked and “used to support more than 100 adjunct professors and lecturers in the Division of Humanities and Arts to ensure that students have access to courses they need to successfully pursue their programs of study.”

Faculty members discovered that, by July, just \$76 remained in this account. “That prompted widespread concerns, because ‘diverse programmatic initiatives, student projects and salaries for some faculty and staff depend upon the Sosnoff Fund’” and outstanding invoices were piling up. There was worry that the money had been diverted to help CUNY “close a budget deficit at the end of its fiscal year on June 30.”

The professors who had asked questions were “met with ‘stonewalling.” prompting a broad-based faculty delegation to contact the University chancellor directly. “We are deeply concerned about the practical, ethical and legal implications of the situation,” they wrote. This is a restricted gift that appears to have been diverted from the stated purpose and intent of the donors.

The chancellor, along with CUNY’s general counsel, has launched a new internal investigation specifically relating to this issue – in addition to the move made earlier to hire an outside counsel in response to the broader law enforcement investigation already underway.

Conclusion

In addition to following-up on these investigations, in later posts, we’ll take a look at the important topic of donor-restricted gifts.