

The Case of the Orphaned Endowment (Part One)

04.12.26 | Linda J. Rosenthal, JD



It was two years ago that Philadelphia’s arts and higher-education communities were stunned at news of the abrupt closure of the University of the Arts (UArts). *The University of the Arts is closing June 7, its president says* (May 31, 2024, updated June 1, 2024) Susan Snyder et al, *The Philadelphia Inquirer*.

With “roots stretching back more than 150 years,” the beloved school was one of the metropolitan area’s “most prominent arts institutions.”

“The institution’s financial woes were widely known, but the announcement surprised students and faculty members.” *Philadelphia’s University of the Arts Announces Sudden Closing* (June 2, 2024) Brian Boucher, *The New York Times*. Many “got the news from an article in the Philadelphia Inquirer on [... the day of the closure announcement..] or on social media, only later getting official word from the school.”

“The situation came to light very suddenly,” wrote Mr. Boucher, referencing an announcement on UArts’s website. But that same message, he noted, also conveyed that “UArts has been in a fragile financial state, with many years of declining enrollments, declining revenues and increasing expenses.”

See also: *The University of the Arts in Philadelphia announces sudden closure* (May 31, 2024) 6abc Digital Staff via *why.org*. It includes the full text of a brief but confusing letter by the University’s President Kerry Walk – who resigned just days later. The troubles had been growing, Ms. Walk explained, but there was a sudden trigger of the shutdown. She also blamed the lack of prior notice



on the precipitous withdrawal that same day of the school's accreditation.

UArts said it was closing. Here's a day-by-day look at what's happened since. (June 6, 2024) Nick Vadala, *The Philadelphia Inquirer*. The May 31st shutdown decision, compounded by the suddenness of the move, has been roundly criticized by faculty, staff, students, and supporters." It has "prompted protests, a possible rescue effort, and lawsuits."

See a subsequent article confirming ongoing troubles: Three months after shutting down, Philadelphia's University of the Arts files for bankruptcy (September 19, 2024) Anni Irish, theartnewspaper.com There were lawsuits and government investigations, according to a faculty-union representative. Ms. Irish, based on that information, wrote: "The board of trustees at UArts, led by board chair Jud Aaron, has chosen at every turn to obfuscate the truth and forestall all consequences of their disastrous mismanagement of the university."]

In any nonprofit-institution dissolution, there is an enormous amount of complex and lengthy wind-up work, including the disposition or distribution of assets, as the law permits. Those activities have been ongoing for almost two years to the present time.

From the day UArts closed – June 7, 2024 – there's been a key question in the air: Who should get the \$63M endowment money of UArts?" See Reporter Kristen Mosbrucker-Garza's article for WHYY, September 26, 2024. The subtitle adds: "Depends on who you ask." This reporter had already written an earlier piece for WHYY titled Here's what could happen to UArts' \$61 million endowment and its historic campus. (June 13, 2024).

There is a lawsuit – of course.

An "Orphaned Endowment" Heads to Court

It has been pending for some time, but *not* – as you may surmise – in federal bankruptcy court (although there are simultaneous proceedings there related to UArts's shutdown.)

This particular piece of the financial puzzle arising from the closure of UArts is in the Court of Common Pleas of the Philadelphia County Orphans' Court Division, "a somewhat obscure court that handles such cases dealing with trusts."

This case is not languishing in some dark corner of the courthouse.

About a month ago, Bloomberg municipal finance and higher education reporter Elizabeth Rembert wrote an article titled Campbell's Soup heirs, colleges fight over \$65 million endowment (March 9, 2026) msn.com.

A bit of background color: Over the years, the key benefactress of the University of the Arts was the late Dorrance "Dodo" Hill Hamilton, the heiress of the Campbell's Soup fortune. She was a generous philanthropist in the Philadelphia area, but UArts was a favorite of hers. She contributed a hefty piece of the UArts endowment pie.

However, thereafter, the largesse of Mrs. Hamilton and others was under the control of UArts, the "parent" institution to which the Endowment Fund was attached. Endowments are not a single pot of gold but instead comprise multiple accounts attributable to separate and distinct donations. Many of



these accounts are subject to restrictions.

So – upon *this parent's* sad demise on June 7, 2024 – [and absent any successful merger with another institution; for example, a proposal involving Temple University quickly fell apart] – the UArts Endowment Fund became an “orphan.”

In her recent article, Elizabeth Rembert provided a simple explanation of the “orphaned endowment” concept: “Let’s say you donate to your alma mater to start an English scholarship fund. Did you know that if your school (god forbid!) goes bust, that pot of money would outlive the college and likely continue funding English scholarships elsewhere?”

See also, for example: *Orphan Endowments of Dead Schools Bedevil U.S. States* (March 9, 2017, Kate Smith, *Financial Advisor*; and *What Happens to Endowment Funds If School Closes?* (December 15, 2017) Nina Whitehurst, Esq., *Cumberland Legacy Law Blog*.

So, you may wonder, is that why UArts didn’t use the endowment money to get itself out of financial hot water? “Even broke colleges can leave behind sizeable endowments because they typically can’t be tapped for day-to-day expenses like payrolls. Usually, the money comes with strings attached to guarantee that it’s used only as the donor intended. Those intentions must be honored after a college shuts down.”

Does this Story Have Legs?

\$63-million – give or take a few million either way, the numbers are inconsistent – is a lot of money. It’s understandable that there would be a long line of claimants hoping to snag a big piece of it.

“The scramble for that cash has set off an unusual court fight that’s been playing out in Pennsylvania for over a year and pitted more than a dozen schools against the family of Dorrance “Dodo” Hamilton... Her heirs are now seeking to claw it back.”

On her [LinkedIn page](#) a month ago, Elizabeth Rembert introduced her March 9th article, adding more detail to her example of why your donation to one college for English scholarships might wind up supporting students at a different institution: “...[O]rphaned endowments must be re-routed to organizations that can keep honoring donor wishes. But deciding the best place for those riches gets complicated — like in the case of the University of the Arts, a Philly-based arts school that closed in 2024 and kicked off a fight involving the Campbell’s Soup heirs and more than a dozen colleges vying for its \$65 million endowment...”

Also, for her March 9th article, Ms. Rembert asked Clay Grayson, a South Carolina attorney “who frequently works with university endowments” for comment: “This case is somewhat the canary in the coal mine,” he explained. “More and more of these fights are happening all the time. But a lot of these issues have been untested around the country.”

On LinkedIn, Mr. Grayson added: “Institutional collapse often exposes the hardest governance question in nonprofit law: who ultimately controls restricted charitable endowment funds?”

Conclusion



Two years ago, Torey Akers, of The Art Newspaper, observed: “While the still-unfolding UArts saga appears uniquely dramatic, according to a recent [investigation](#) by the Hechinger Report, a non-profit newsroom covering education policy, on average one university or college closes every week in the United States, and one in ten higher education institutions are in ‘financial peril.’” [Philadelphia’s University of the Arts suddenly closes, prompting president’s resignation, student protests and a class action lawsuit](#) (June 6, 2024).

Sadly, the national headlines in just the last few days confirm the acceleration of this real threat of collapse for many private institutions of higher learning around the United States. See for example:

- [The Looming College-Enrollment Death Spiral](#) (April 12, 2026, 7 AM ET) Professor Jeffrey Selingo, *The Atlantic* [“The demographic cliff is upon us.”]
- [The Small Private Colleges Dying in a Winner-Take-All University Marketplace](#) (April 8, 2026, 9 pm ET) Douglas Belkin, *The Wall Street Journal*

We’ll pick up this important discussion in the next post.

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