

What Happens When a Charitable Gift Begins to Smell?

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The money doesn't actually acquire a bad odor.

But a charitable gift that starts out smelling like a rose may sometime later wilt from a whiff of scandal – or from a gale-force storm of controversy.

This is the curse of “donor taint.” It happens to small charities as well as to the greatest philanthropic organizations.

If a gift has not yet been completed, then the organization must make a tough decision: to accept it or not. But if the money was given before the donor became tainted, then the charity faces a more difficult choice. The organization can choose to keep it or to give it back – even if the funds have been spent or pledged for a specific project.

Tainted Gifts: The Unsavory Donor

There is a long list of major gifts from donors who appeared to be pillars of the community but later turned out to be scoundrels.

Many organizations – especially educational institutions – have kept these large donations. Examples include:

- Harvard University, Brown University, and the University of Michigan: Large gifts (including naming rights to buildings and schools) from Alfred Taubman, the Sotheby's chairman later convicted of price fixing
- The University of Missouri at Columbia: A \$1.2 million donation from Enron's Kenneth Lay, later convicted of financial crimes. There were objections raised, but the university retained the money

- Mississippi College: A \$36.5 million contribution from WorldCom's Bernard Ebbers, that Ebbers allegedly paid with company funds

But Queens University returned a pledge of \$1 million from David Radler, convicted of mail fraud in connection with a large financial scandal, and removed his name from a wing of its business school.

Unsavory donors also include people who are not clean at the outset: for instance, Mafia and drug lords. Many, but not all, organizations refuse to take such money. Mother Teresa, however, willingly accepted donations from any source, including despots and unsavory political leaders, on the grounds that these ill-gotten gains were used for the noble purpose of aiding the destitute in Calcutta.

Sometimes, donors are themselves free of taint, but their fortunes had been acquired in a despicable manner. For instance, in 1996, the grandson of a wealthy WWII-era German industrialist offered a donation to Oxford's Balliol College to fund a professorship in European thought. When Balliol officials later learned that the grandfather had been convicted at the Nuremberg Trials for using slave labor, controversy erupted. The grandson withdrew the pledge.

Tainted Gifts: The Politically Incorrect Donor

In 2004, the president of the United Arab Emirates made a \$2.5 million donation to Harvard University's Divinity School. There was a student uproar over the UAE's human rights abuses and its anti-Semitic and anti-democratic affiliations. Harvard returned the money. But Columbia University accepted millions in donations from the UAE, as did Georgetown University. However, Georgetown made a different choice about a contribution from Libya.

Other major educational institutions have faced similar dilemmas. Dartmouth University, for instance, was offered but turned down money from Playboy magazine. And Yale University refused a \$20 million contribution from a donor whose goal was to reinforce the primacy of Western civilization in the university's curriculum.

"Changing culture can also taint a once-acceptable gift." For example, Tennessee's Vanderbilt University had earlier accepted a gift from the United Daughters of the Confederacy and named one of its buildings "Confederate Memorial Hall." Changing the name to "Memorial Hall" embroiled the University in litigation with the donor, but a 2003 court permitted the name change. It ruled that "...Vanderbilt could promote racial tolerance by removing a racially charged word from one of its buildings" while otherwise meeting its contractual obligations to the donor.

Conclusion

Gifts from tainted donors occur frequently, and the responses by the donee-institutions vary widely. Sometimes, a compromise solution is found. For example, the basketball pavilion of Villanova University had been named in honor of a major donor who was heir to the du Pont family fortune. Years afterward, when this wealthy man was convicted of murder, Villanova removed his name from the building, but kept the money.

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