CRC CAPITAL RESEARCH CENTER

Foundation Watch

The Donor Has the Final Say

Martin Morse Wooster on Donors, Foundations and Philanthropy

***Summary**: Friends and supporters of the Capital Research Center turned out to honor CRC senior fellow Martin Morse Wooster upon the publication of a new edition of his exemplary book, The Great Philanthropists and the Problem of 'Donor Intent.' CRC president Terry Scanlon hosted a cocktail reception and book-signing for Wooster on June 20 at the Center's headquarters building in Washington, D.C.*

Capital Research Center held a summertime reception to launch the latest edition of Martin Morse Wooster's *The Great Philanthropists*. From left to right: William Schambra, director of the Hudson Institute's Bradley Center for Philanthropy and Civic Renewal; Wooster; Whitney Ball, executive director of DonorsTrust; CRC President Terrence Scanlon; Adam Meyerson, president of Philanthropy Roundtable. (Photo by Doug DeMark)

Martin Wooster has been writing about donors, foundations, and philanthropy for more than a decade. The first edition of Wooster's book *The Great Philanthropists and the Problem of 'Donor Intent,'* published by Capital Research Center, appeared in 1994. In the years since, Wooster has revised and extended this cautionary study of how some of America's largest foundations have ignored or repudiated the ideals of their founders and what donors can do to ensure that the foundations they endowed carry out their intentions. The current third edition contains a wealth of new material and was made possible through the generosity of Mr. Christopher Haig of Honolulu, Hawaii, a benefactor who cares deeply about the responsibilities of donors and the philanthropic institutions they create.

Readers familiar with Martin Wooster's work know that it is grounded in history but leavened by his sharp eye for the entertaining and the absurd. And the man is prolific. In addition to *The Great Philanthropists*, Wooster has written at least 30 newsletter articles and reviews for Capital Research Center as well as two monographs: *Return to Charity: Philanthropy and the Welfare State* (2000) and *Should Foundations Live Forever? The Question of Perpetuity* (1998). He is the author of at least 50 articles and reviews appearing in Philanthropy magazine, a publication of our friends at the Philanthropy Roundtable. And he is the author of four other books published by conservative think tanks: *Great Philanthropic Mistakes*, published in 2006 by the Bradley Center for Philanthropy and Civic Renewal at the Hudson Institute; *By Their Bootstraps: The Lives of Twelve Gilded Age Social Entrepreneurs*, published in 2002 by the Manhattan Institute; *The Foundation Builders* published in 2000 by the Philanthropy Roundtable and *Angry Classrooms, Vacant Minds: What's Happened to Our High Schools?*, published in 1994 by the Pacific Research Institute.

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The following selections illustrate Martin Wooster's keen interest in the lives of donors and his concern that the philanthropies they support remain faithful to their intentions. The first is Wooster's summary overview of *The Great Philanthropists*. It was prepared at the request of Christopher Haig as a guide to the book's content.

The second selection, "Giving to College Endowments," taken from the November 2002 issue of *Foundation Watch*, describes some of the promises, made and broken, that colleges have made in their pursuit of donors.

The Great Philanthropists and the Problem of 'Donor Intent'
A Summary Overview

By Martin Morse Wooster

Study the lives of great philanthropists and you'll find a curious paradox. Most of the important philanthropists—Henry Ford, Andrew Carnegie, John D. MacArthur—were heroic entrepreneurs who strongly believed in free enterprise and traditional virtues. But liberals or leftists control the foundations that serve to perpetuate their names—the Ford Foundation, the Carnegie Corporation of New York, the MacArthur Foundation.

It's usually the case that the longer a foundation lasts, the longer it drifts away from the ideals of the donor. This drift—technically known as "the problem of donor intent"—is a problem every donor must face. But it's a particularly acute problem for conservative and libertarian donors, given that the sorts of people who want to be program officers or presidents of foundations are usually liberals or leftists.

This book includes seven case studies where donors created foundations that strayed from their principles. It then includes four case studies of foundations that have stayed relatively true to their donors' intentions.

The seven case studies showing bad examples of donor intent:

· Henry Ford and Edsel Ford created the Ford Foundation largely to avoid punitive estate taxes on the wealth they created. They left no instructions as to how the Ford Foundation should be run or what it should do. In addition, Henry Ford's grandson and heir, Henry Ford II, signed a document in 1948 that largely renounced family control over the Ford Foundation. The result was that liberals quickly seized control of the foundation, and Henry Ford II resigned as a trustee of the Ford Foundation in a protest over the foundation's leftward drift.

· Andrew Carnegie spent most of his life creating nonprofits with specific, limited goals. These nonprofits, such as the Carnegie Institution of Washington, the Carnegie Hero Fund, and the Carnegie Endowment for International Peace, still largely reflect Carnegie's wishes. Carnegie, however, ran out of ideas while he still had half his fortune to spend. He therefore created the Carnegie Corporation with no instructions or restrictions on what the organization was to do. Freed from any restrictions, the Carnegie Corporation became a pillar of liberalism.

· John D. MacArthur did not want would-be grantees haranguing him for money. He therefore vowed to use his wealth to create a large foundation that would not come into existence until after his death. He trusted his lawyer to carry out his wishes. While the MacArthur Foundation board was originally made up of conservatives, a power struggle led by MacArthur's son, J. Roderick MacArthur, forced nearly all the conservatives out of the MacArthur Foundation within three years after the donor's death. As a result, the MacArthur Foundation is today one of the most left-wing foundations in America.

· The members of the Pew family were stalwart conservatives. J. Howard Pew, an articulate and forceful defender of freedom, created the J. Howard Pew Freedom Trust to fight "Socialism, Welfare stateism [and] Fascism." But after the Pews died, the foundations they created were taken over by people who did not share their values and beliefs and had no ties to them. The Pew Charitable Trusts have drifted far to the left.

· Albert C. Barnes was an art collector who created a gallery, the Barnes Foundation, to house his collection. He could not foresee who would run the gallery after his friends and associates on the board passed away. He made the mistake of authorizing Lincoln University, a historically black college, to pick the foundation's trustees after his friends and associates died. These Lincoln University-appointed trustees spent years trying to break Barnes's will, which had extremely explicit instructions on what the Barnes Foundation was supposed to do. After a series of court battles that lasted fifteen years, the Barnes Foundation was taken over by the art establishment that Barnes despised.

· Beryl Buck wanted to leave her wealth to help the people of Marin County, California. Her mistake was in allowing the San Francisco Foundation to administer the Buck Trust. The San Francisco Foundation wanted to use the Buck wealth to aid people in the San Francisco Bay area. After a protracted legal battle known as "the Super Bowl of Probate," the Buck Trust was severed from the San Francisco Foundation. A new community foundation, the Marin Community Foundation, was created with Buck Trust money. However, as part of the settlement, the court ordered the creation of three new national nonprofits devoted to gerontology, combating drug abuse, and education—even though there is no evidence that Beryl Buck had any interest in these issues.

· Charles and Marie Robertson wanted to help Princeton University, Charles Robertson's alma mater, train students for careers in government work in international affairs. They trusted Princeton so much that they created the Robertson Foundation, and allowed Princeton to fill four of the seven seats on the foundation's board. Afterwards, the Robertson family found that Princeton was using the Robertson Foundation's wealth (which amounts to six percent of the entire Princeton endowment) for purposes other than that which the donor intended. The Robertson family is now suing Princeton to sever the relationship between the foundation and the university so that the foundation can remain true to the donor's intentions.

By contrast, there are four positive case studies in *The Great Philanthropists and the Problem of 'Donor Intent.'* They show how donor intent can be preserved.

· The JM Foundation is a small family foundation controlled by the grandchildren of its founder, Jeremiah Milbank. It still focuses largely on what its founder wanted the foundation to do—aid the disabled and support free-market nonprofits.

· The Lynde and Harry Bradley Foundation commissioned a biography of its founders to understand their intentions. It tries to remain true to what the founders wanted the foundation to do—help civic and education groups in Milwaukee, Wisconsin, and provide support for organizations that are devoted to limited government and free enterprise.

· The Duke Endowment is the best example of how to preserve donor intent. James B. Duke made his instructions extremely explicit. He identified the causes to which the endowment should make grants. He even specified the exact percentage of grants that would go to particular organizations—32 percent to Duke University, 32 percent for nonprofit hospitals in North and South Carolina, 10 percent for orphanages, and the rest to other strictly defined causes. To make sure the trustees understood his instructions, Duke required that the indenture be read aloud at the first trustees' meeting of any given year. As a result, the Duke Endowment still remains relatively faithful to its founder's intentions—81 years after James B. Duke's death.

· The Conrad N. Hilton Foundation also received explicit instructions on what it was supposed to do: it was meant to help Catholic Sisters and organizations that improve the lives of children. The foundation remains in the control of the Hilton family, whose members are the majority of its trustees.

What can donors do to enforce their intentions? Unfortunately, there is no "magic bullet." All the evidence suggests that within 30 years after a donor's death—that is, after people who knew the donor personally have passed away—a foundation will drift away from the donor's intentions.

Therefore, I recommend that all donors voluntarily place a time limit on the foundations they create so that these organizations spend themselves out of existence within 30 years of their founders' deaths. In addition, donors should make their intentions known in documents and they should be as explicit as possible. The more detailed the description of what a donor wants to do, the more likely it is that a foundation will honor the donor's wishes. But donors should act on the premise that their wills will be challenged, either by heirs who want the foundation's money or by foundation professionals who want to use a donor's wealth for their own pet causes.

Finally, donors should be very skeptical of professional advisors who assume that a donor's wishes are unimportant. People who make money are smart enough to know how they want their wealth to be used.

Still, the best way to preserve donor intent is for the donor to spend his fortune while he is alive and can see his wealth put to good use. Living donors are better able than dead ones to ensure that their fortunes are appropriately spent.

Giving to College Endowments

It happens every spring. If you're prosperous or well-known, chances are that you'll get a call from your college's fund raising office, asking why you haven't contributed to your alma mater—or if you have contributed, why your contribution isn't larger. Donating to education is, of course, a worthy endeavor. But there's a great deal of evidence that shows the most inefficient way to contribute to scholarships is to give unrestricted gifts to a university. Even restricted gifts frequently are misused when universities choose to violate the donor's intent.

Despite some setbacks in recent years, university fund raising offices remain large, sophisticated enterprises. This June, the *Columbus Dispatch* profiled the Ohio State University development office. Ohio State didn't even begin major fund raising drives until 1985; today, the school has a $1.1 billion endowment, and it collected $210 million from alumni in 2001. The Ohio State development office has a $14.5 million budget and a staff of 158, including four branch offices in the U.S. and a fifth to be set up in Asia.

Ohio State's most lavish fund raising event is its annual Winter College, held for two days in Naples, Florida. Alumni, most of them retirees, pay $175 to hear lectures from faculty, mostly on topics of interest to seniors, such as health issues and estate planning. The alumni then respond generously: Ohio State president William Kirwan returned from the 2002 Winter College with four $100,000 checks and one for $250,000.

As fund raising enterprises go, Ohio State is a medium-sized endeavor. Large private schools raised more cash, particularly during the boom years of the 1990s. Between 1994-2001, 11 schools (including Ohio State) successfully completed billion-dollar capital campaigns. The University of Virginia, for example, finished its billion-dollar drive in February 2000, and then announced that the drive would be called "Beyond a Billion," with premium seats to football games reserved for big donors.

Harvard ended a five-year drive in 2000 with $2.6 billion, raising its endowment to an all-time high of $19.6 billion—a sum so large that a *Harvard Crimson* writer boasted that his school was "one of the richest non-profit institutions on the planet" with an endowment "second only to the Vatican."

In an October 2000 interview, Harvard development officer Andrew K. Tiedemann told the *Harvard Crimson* that university development officers were dissatisfied with the 34 percent rise in alumni donations between 1999 and 2000. Harvard had to be the number one university in America, and thus had to have more money than anyone else.

"We don't persuade alumni and friends that we need money," Tiedemann said. "If we stood still we could get along, which is not true of many other institutions, but the opportunity costs for Harvard and society would be great and we would quickly not remain on the forefront. Harvard would not be Harvard in a very short period of time."

Harvard wasn't even the most successful fundraiser in the Ivy League. Columbia raised $2.74 billion between 1990-2000, thanks to 300,000 donors, including 29 gifts of between $10-25 million, six gifts of between $25-49 million, $50 million from the Bill and Melinda Gates Foundation, and $85 million from telecommunications magnate John R. Kluge.

It should be noted that among the more generous donors to colleges and universities in the 1990s were CEOs of now-disgraced corporations. Among them:

· Tyco International CEO L. Dennis Kozlowski, who contributed so much to Seton Hall University that the institution's business school is housed in Kozlowski Hall.

· Global Crossing CEO Gary Winnick donated $11 million to C.W. Post University, which named its administration building Winnick House.

· There are at least 40 Arthur Andersen professors of accounting at various colleges.

· Enron cancelled plans to endow two chairs at the Rice University management school. But there's still an Enron Professor of Economics at the University of Nebraska (Omaha). And former Enron CEO Kenneth Lay, through his Lay Family Foundation, has endowed chairs at the University of Houston (where Lay obtained his doctorate in economics), Rice University, and the University of Missouri (Columbia). The *Los Angeles Times* reported in February that the University of Houston is still counting on the Lay Foundation to endow a second professorship at that school, along with a proposed Ken Lay Center for the Study of Markets in Transition…

Asking for Money

Why do donors contribute to colleges? If fundraisers were certain they knew the answer to this question, their jobs no doubt would be much easier. But whatever the donors' motives for giving, universities are not shy about asking them for money. Sometimes college presidents offer peculiar enticements.

Several schools have entered the burial business. Mount St. Mary's College in Emmitsburg, Maryland expanded its cemetery in the early 1990s; alumni have bought 325 of the 450 new plots available, at fees ranging from $500 on up. The University of Virginia has sold 130 of the 180 slots available in its new burial ground, at a cost to donors of $3,000 per plot. The University of Richmond has gone farthest. It spent $1 million to build a columbarium designed to hold ashes from cremations. The school offers 2,970 niches to hold burial urns, at a cost to donors of $3,000 each.

Other schools offer donors the pleasure of personal attention. The *Harvard Crimson* in 1999 observed that wealthy potential donors would receive an invitation to have lunch with capital campaign co-chair Robert Stone at the New York Yacht Club. "Bob takes you to lunch at the Yacht Club and orders a plate of oysters," said capital campaign co-chair Rita Hauser. The waiters "all call him 'commodore' and at the end of the lunch he says, 'Wouldn't it be nice if you gave a few million?"

If lunch with Stone didn't work, the Harvard prospect received two follow-up visits—one from then-president Neil Rudenstine and a second from provost Harvey V. Fineberg. "You get a call from Neil and you chit-chat about the world and about the weather and then he says, 'This school needs money,'" Hauser said. "And if that doesn't work, you get a visit from Harvey. He doesn't waste any time and asks you immediately. I have never known this trio to fail."

But some university presidents get directly to the point. University of Southern California president Steven Sample told the *Los Angeles Times* how he attracted a nine-figure gift from biomedical entrepreneur Alfred E. Mann. Mann graduated from the University of California (Los Angeles), but negotiations between Mann and UCLA had broken down. In May 1997, Sample heard about this and cold-called Mann. "Mr. Mann, you don't know me from Adam," Sample said. He then took Mann to lunch at the Pasadena Ritz-Carlton and explained that, as a private school, USC was better able to respect Mann's wishes than the state-run UCLA. Eight months later, Mann donated $112.5 million to USC to establish the Mann Institute for Biomedical Research…

The Great Philanthropists Book Launch at Capital Research Center, June 20, 2007 (photography by Doug DeMark)

Krista Shaffer of the Hudson Institute's Bradley Center for Philanthropy and Civic Renewal (left), with Phil Brand, CRC EducationWatch director

left to right: Terrence Scanlon, Dawne Winter, Abby Winter, and Tom Winter, Editor-In-Chief of Human Events

Delores Parker (left), Jay Parker, president of the Lincoln Institute (center), with Luke Lee, CRC's office manager (right)

left to right: Whitney Ball of DonorsTrust, Sara Salupo, director of development for the National Taxpayers Union, NTU President John Berthoud

Martin Morse Wooster autographs his new book

CRC intern Stephen Albert (left) meets William Schambra (right)

Competitive Enterprise Institute's Ivan Osorio, a former *Labor Watch* editor (left) with CRC fellow Bonner Cohen (right)

CRC Executive Vice President Robert Huberty (left) with Jill Lacey, editor of Compassion and Culture (right)

Terrence Scanlon (left) and CRC supporter William Lauttamus (right)

What's In It for the Donor?

After the deal is struck, what do donors get in return? Often the deal schools offer donors is this: Give us enough money for an endowed chair, a scholarship, or a building, and we'll name something after you that will ensure that you will be remembered forever.

Colleges offer an amazingly diverse portfolio of "naming opportunities." Visit the University of Arizona alumni association building, and you'll find the Dick McDonald restrooms, named because McDonald, a plumber, donated $30,000. "It was serious from the donor's point of view," alumni association president Kent D. Rollins told the *Chronicle of Higher Education.* "It has certainly alerted us as to what donors might be interested in."

The *Minneapolis Star-Tribune* reports that college athletic departments are increasingly entrepreneurial in offering naming opportunities. At the University of Iowa, 35 of the 50 students on the football team hold endowed positions. ($250,000 creates an endowed chair for the quarterback). Penn State offers alumni who played football the chance to put their names on a locker for $25,000. Clemson, for a $75,000 donation, offers football season-ticket holders the opportunity to will their 50-yard-line seats—and a good parking space—to their heirs.

However, a donor can't always assume that a school will fulfill its agreement. A "head of advancement for an established college on the East Coast who prefers to remain anonymous" wrote an article for *Philanthropy* exposing the tricks of the trade. Some schools sell the naming rights to a building to several donors, placing one donor's name on one door and another donor's name on another. Other schools hyphenate names, changing the "Jones Building" to the "Jones-Smith Building" or placing the "Smith Center" inside the "Jones Building."

Take the case of California State University (San Marcos). In 1995, entrepreneur Donald Owen Van Ness donated $1 million to the school with the understanding that its business school would be named after him. But in 1998, shortly before Van Ness's death, he agreed to a codicil to his will stating that, instead of the entire school, Van Ness's name would only be posted on one room of the business school's library.

Van Ness's friends sued, saying the donor was coerced, and citing as evidence an email where Van Ness asked for his money back. But in September 2001, a mediator ruled in favor of the university, stating that the school did nothing illegal in reducing the reward for Van Ness's donation.

The Endowed Chair

There are particular perils in giving to the "endowed chair." In Britain, the Margaret Thatcher Foundation raised two million pounds to endow a Margaret Thatcher chair of enterprise studies at Cambridge. But according to *Spectator* writer Justin Marozzi, the first holder of the chair, Alan Hughes, was a Labour Party supporter who contributed a paper to *Rebuilding Socialist Economies: A New Strategy for Britain.* In an interview, Hughes refused to say whether he was a free-market economist, supported the ideals of Lady Thatcher, or if he believed in capitalism.

Institute of Economic Affairs president John Blundell observes that securing the agreement of Lady Thatcher to raise money to endow the Thatcher chair was a "very bad, deeply flawed strategy from the start." He notes that the donor "might secure the first appointment, but in time they lose interest or die, and the chair becomes captured by the academic establishment."

But it's not only conservatives who have reason to be suspicious of fundraising campaigns to endow chairs. There have been instances where liberals faced opposition in trying to endow controversial chairs. Supporters of Anita Hill, for instance, raised $250,000 to endow a chair in her name at the University of Oklahoma law school. In 1995, the Oklahoma state legislature matched the grant, despite grumblings by some legislators.

From the beginning, the Anita Hill Chair was fraught with controversy. The University of Oklahoma accepted donations for the chair, but refused to do any fund raising for it. Newhouse News Service reporter Elizabeth Bryant observed in 1998 that "Hill and some of her supporters believe the foot-dragging [by the university] is calculated and reflects an atmosphere in which conservatism is entrenched and controversial viewpoints—like Hill's on sexual harassment—are shunned."

"The fear of just the research (on sexual harassment,) and my name being attached to it," Hill told Bryant, was one reason why the University of Oklahoma was not in a hurry to fill the chair.

In 1998, Hill left the University of Oklahoma for Brandeis University. And in May 1999, the university dissolved the endowment for the Anita Hill Chair, claiming that $500,000 was not enough to hire a nationally-known sexual harassment scholar. The school said that it would work with Hill to either return the money to donors with interest, set up another endowment at the school, or give the funds to a foundation.

Is Fool-Proof Giving Possible?

How should donors give to colleges? My best and only advice is: Be careful. Perhaps the worst way to contribute is to give unrestricted funds to an endowment. If you do this, you sign away all control over how your money is spent. It's likely that your gift will help your alma mater in some way, but it's not inconceivable that the school will use the funds for a purpose that has nothing to do with education. In 2000, Eckerd College president Peter Armacost and vice-president for finance J. Webster Hull were forced to resign when it was found that $19 million—three-fifths of the school's endowment—was spent without the knowledge of the school's board of trustees. Most of the money went to support a home for the elderly and a housing complex, both of which went bankrupt.

Donors with definite political or philosophical commitments should avoid giving money for endowed chairs. Remember: Believers in the principles of free enterprise and limited government can't assume that endowing a chair of free enterprise or entrepreneurship will add a pro-freedom scholar to a school's roster. Universities can legitimately argue that it is a violation of academic freedom for a donor to have veto power over appointments. And even if the chair goes to someone who shares your beliefs, don't forget that money donated to colleges is fungible — the money a school saves by not having to pay the salary for an endowed chair is money that can be spent on causes a donor may oppose.

To make sure that their intentions are observed, donors to colleges and universities can take several actions.

1. *They should state their wishes as explicitly as possible.*
The case of Lee Bass is well known. He offered $20 million to Yale to create a Program on Western Civilization only to see the proposal collapse when Yale wanted to use the money to pay for professors who were hostile to the principles of Western Civilization. Donors to colleges should assume that, unless proven otherwise, the college executives they deal with are liberals hostile to conservative principles. Donors should have escape clauses in their donations to colleges that terminate the grant if a school violates donor intent. In addition, donors should also insert "add-on" clauses to their gifts stating that their money adds to, but does not replace, the college's budget. This ensures that schools use your gift to pay for causes you espouse.

2. *They should make their gifts term-limited.*
Donor intent for gifts made in perpetuity is usually ignored within one generation after a donor's death. At Princeton, for example, the heirs of donor William Robertson are suing the school because they charge that the school is taking Robertson's gift, designed to aid the Woodrow Wilson School of Public and International Affairs, and spending it on something else. Had Robertson, who died in 1981, placed a time limit on his gift, his heirs would not have to deal with Princeton's violation of Robertson's wishes.

3. *They should consult with trusted third parties, such as the American Council of Trustees and Alumni (ATLA) and Donors Trust—and Capital Research Center.*
These groups have experience in dealing with colleges, and they can identify which schools are most trustworthy in keeping faith with the intention of donors.

4. *Above all, donors considering setting up a grantmaking foundation to support higher education ought to ask themselves this question: Which is better:*

a) to make gifts while you are alive to specific programs so that you can see how your money is spent? Or

b) to establish a perpetual endowment and hope that students in future generations remember that you gave the money?

The great donor Julius Rosenwald provided the wisest answer to this perennial question in philanthropy. In his important 1929 essay "Principles of Public Giving," Rosenwald concluded that donors could not assume that a perpetual gift would ensure that they would be remembered in the future.

"If some men are remembered years and centuries after the death of the last of their contemporaries," Rosenwald wrote, "it is not because of endowments they created. The names of Harvard, Yale, Bodley, and Smithson, to be sure, are still on men's lips, but the names are not those of men but those of institutions. If any of these men strove for lasting remembrance, they must feel kinship with Nesselrode, who lived a diplomat, but is immortal as a pudding."

FW

An Important Reminder for CRC Supporters 70½ Years of Age or Older

The Pension Protection Act of 2006 permits taxpayers to directly contribute funds from their Individual Retirement Accounts (IRA) to a 501(c)(3) nonprofit organization. Specifically, this law lets you transfer funds from your IRA to a qualified charity without paying tax. Under the previous law you had to report as taxable income any amount taken from your IRA. Any tax deduction you took for charitable contributions was limited to 50% of your adjusted gross income. By contrast, the law now allows IRA gifts without these tax complications. You may take advantage of this law if:

*You have attained the age of 70½ on the date of transfer.
*You own a traditional IRA or Roth IRA.
*You transfer no more than $100,000.
*Your transfer is an outright gift.
*Your transfer is made directly from the plan administrator to the charity.

The law does not apply to gifts from 401(k), 403(b), defined benefit, profit-sharing, Keogh, and employer-sponsored SEP accounts.

This option is only available for gifts made on or before December 31, 2007. Capital Research Center does not offer legal or tax-planning advice. Contact your investment professional for additional information.

PhilanthropyNotes

The **Philanthropy Roundtable** has awarded this year's William E. Simon Prize for Philanthropic Leadership to **Frank J. Hanna III** for his national leadership in K-12 education reform. Hanna helped found three Catholic high schools in the Atlanta area and is a trustee of the **Papal Foundation**. He is also vice chairman of the **Acton Institute for the Study of Religion and Liberty**.

Wal-Mart Stores Inc. announced that **Margaret A. McKenna**, former president of **Lesley University**, will be the new president of the **Wal-Mart Foundation**, which gave $264 million in cash to charity last year, making it the largest cash contributor in the U.S. McKenna was also previously White House deputy counsel under President **Jimmy Carter**.

Celebrity philanthropy is often highly overrated, reports the New York Times. "I think there needs to be greater skepticism about celebrity involvement than I see in the media right now," says **Stacy Palmer**, editor of the Chronicle of Philanthropy. Palmer said she was surprised that among the constellation of wealthy celebrities promoting charity, just one prominent entertainment industry figure — **Oprah Winfrey** — donated enough to get on the Chronicle's list of "America's Most Generous Donors" last year. Winfrey ranked 36th for pledging and paying out $58.3 million last year, well below 1st-ranked **Warren E. Buffett**, the investor who pledged $43.5 billion.

Experts warn that continued volatility or a sharp downturn in the stock market could hurt nonprofit groups, the Chronicle of Philanthropy reports. "There could be trouble ahead for charities even without a sharp dip in stock values. The real challenge is intense market volatility, which creates a lot of uncertainty. Uncertainty makes many people hesitate to make a commitment," said **Melissa A. Berman**, president of **Rockefeller Philanthropy Advisers**.

Some U.S. charities are taking advantage of the weak American dollar by soliciting donations in Europe, the NonProfit Times reports. **Christian Relief Services** of Alexandria, Virginia, seeks donations in the United Kingdom and France, whose currencies, the pound and the euro, are worth about US$2.00 and US$1.36 respectively. Prospect mailing in Europe is cheaper and response rates are higher, said **Paul Krizek**, vice president and general counsel of CRS, which plans to move into Germany this year.

Nonprofit tax experts told the House Ways and Means Committee September 6 that many universities and large foundations are investing billions of dollars in "offshore blockers" –overseas companies— in order to avoid large tax liabilities from hedge fund income, the Chronicle of Philanthropy reports. Current law provides an incentive for foundations that invest in hedge funds to place those investments in offshore tax havens such as the Cayman Islands, **Janne G. Gallagher**, vice president and general counsel of the **Council on Foundations** said. The Council urged lawmakers to rewrite a longstanding rule that taxes income generated through debt-financed investments. A Chronicle survey of 268 nonprofits with endowments above $1 billion found that hedge funds accounted for 18% of those groups' portfolios.

President **George W. Bush** is expected to sign a bill approved by Congress that would forgive student loan debt for some charity workers, the Chronicle of Philanthropy reports. The measure would allow borrowers to erase their loan balances after 10 years of payments if they have worked during that time in a "public service" job. "Public service" includes employees of nonprofit legal-advocacy groups and tax-exempt charities, government employees, public school teachers, law enforcement officials, and public health workers.

Former Senate Majority Leader **Bill Frist** is working with **Save the Children** and the **One Campaign** to highlight pediatric health issues, the New York Times reports. A physician by training, the Tennessee Republican plans to lead a drive to highlight diseases such as diarrhea and pneumonia that kill millions of children worldwide but are not as well publicized as AIDS. Frist also plans to work with **One Vote '08**, a project of the One Campaign that is supported by the **Bill & Melinda Gates Foundation** that aims to press presidential candidates to focus on development issues, including children's health.

The U.S. Department of Justice co-sponsored a civil rights convention organized by the **Islamic Society of North America**, an unindicted co-conspirator in the federal case against the **Holy Land Foundation for Relief and Development**, the Washington Times reports. The Holy Land Foundation was accused of funneling funds to the terrorist group **Hamas**, itself designated a terrorist organization that has been shut down by the U.S. government.