CAPITAL RESEARCH CENTER

Foundation Watch

The Robertson Foundation Case

Can Princeton Ignore A Donor's Intent?

By Martin Morse Wooster

***Summary**: The battle between the children of Charles and Marie Robertson, heirs to the A&P grocery fortune, and Princeton University over control of the Robertson Foundation could be the most important donor intent case of this decade. The case has not yet come to trial, and has been repeatedly postponed over the past two years. But Princeton University has already spent more on this case than on any other in the university's history. This spending is understandable since the foundation's wealth amounts to as much as six percent of Princeton's endowment. If Princeton wins the case, it will be a severe blow to donor intent.*

Robertson Hall at Princeton University

Charles Robertson (1905-81), a Princeton alumnus (class of 1926), wanted to use his wealth to help his alma mater. In 1934, he married Marie Hartford Hoffman Reed, whose grandfather, George Huntington Hartford, founded the A&P supermarket chain. In 1961, Charles and Marie Robertson created the Robertson Foundation and endowed it with 700,000 shares of A & P stock, worth $35 million. Clause three of the foundation's certificate of incorporation says in part that the organization would have the following purposes:

> *"(a) "To establish or maintain and support, at Princeton University, and as part of the Woodrow Wilson School, a Graduate School, where men and women dedicated to public service may prepare themselves for careers in government service, with particular emphasis on the education of such persons for careers in those areas of the Federal Government that are concerned with international relations and affairs;*
>
> *(b) To establish and maintain scholarships or fellowships, which will provide full, or partial support to students to each Graduate School, whether such students are candidates for degrees, special students, or part-time students;"*

After stating that "no substantial part of the corporation's activities shall be carrying on propaganda, or otherwise attempting, to influence legislation," the certificate concludes that the Robertson Foundation could only be dissolved during the lifetime of Charles or Marie Robertson by their written permission, and then, within fourteen years after the death of either founder, by the consent of three of the Robertson children. Thereafter, the unanimous consent of the trustees was needed.

At stake are these questions. Should the Robertson Foundation be independent of Princeton, or should the foundation be absorbed into Princeton's endowment? Should the foundation's grants be used exclusively to benefit the Woodrow Wilson School to train students for careers in public service? Or can the foundation's fortune be used for anything that benefits Princeton?

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In a 1979 letter to his son William, Charles Robertson explained, "the reason for the creation of the Robertson Foundation, as a separate entity from Princeton University, was the need for family and independent guidance as to the management and expenditure of Foundation income and assets…" Princeton University president Robert F. Goheen, on accepting the gift in 1961, said the money would be used for an "objective to develop, in the Woodrow Wilson School, post-graduate programs of instruction that will augment the flow of well-prepared people into positions of public responsibility and set new patterns of excellence throughout the nation for the training of men for the public service, with particular attention to international and foreign affairs."

One of the grounds of dispute between the Robertson family and Princeton is whether or not the "public service" President Goheen referred to is the same as "government service." Princeton's position is that if Woodrow Wilson School graduates pursue careers in nonprofits, that they are pursuing careers in "public service." The Robertson family disagrees, saying that only Woodrow Wilson alumni who pursue careers in the federal government are doing what the Robertson Foundation wants.

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The Great Atlantic and Pacific Tea Company (A&P): the source of the Robertson family fortune

The $35 million gift was the largest donation Princeton had received at the time, and remained the biggest Princeton donation until 1995. But the Robertsons refused to claim any credit for the gift. In 1973, after the death of Marie Robertson, the Robertson family publicly acknowledged their generosity. One of the Robertson children told the *New York Times* that the reason for the initial anonymity was "entirely the family's idea, and the children abided by the desire for no publicity. They [Charles and Marie Robertson] are very, very quiet people, very reticent. Publicity is anathema to both of them." He added that "the pressure on the school to reveal the source of the donation income grew" and that after the death of Marie Robertson, Charles Robertson finally decided to go public. "The family wanted to emphasize the importance of the school and not the family," the son added, "But the public demanded to know who the hell's money it was, even though it was none of their damned business."

Because of the Robertson family's desire to avoid the limelight, the evidence for Charles and Marie Robertson's intentions rests on letters of Charles Robertson introduced into the trial as evidence. The earliest is a letter from Charles Robertson to his son William dated July 3, 1962.

"Possessed of a large fortune, in the making of which we had no part whatsoever, the proud and devoted parents of a wonderful young family and ever mindful of our countless blessings we for years had searched for a cause, a project, so that we might serve to strengthen the Government of the United States and, in so doing, to assist people everywhere who sought freedom with justice," Charles Robertson wrote. "In due course and after a diligent search we, solely through our own initiative, decided to finance through a foundation a school in which outstanding college graduates truly dedicated to the service of the public would be educated to assume the responsibilities of important positions in those areas of the Federal Government concerned with international affairs."

Charles and Marie Robertson expanded on this idea in a 1962 letter to the directors of the Banbury Fund, the Robertson family's personal foundation. "If substantial numbers of persons trained in the School do not go into government service, or do not remain in government service, or, if by reasons of politics, or bureaucracy, or any other reason, the recipients of the training provided by the school are unable to achieve positions of major responsibility in the government, then no matter how excellent their training may have been, the basic purpose of the School is not being achieved."

As the years went by, the unusual form of the Robertson Foundation was legally clarified. In forms submitted to the IRS in 1970,

*"If substantial numbers of persons trained in the School do not go into government service ... the basic purpose of the School is not being achieved."
-- Charles and Marie Robertson*

Charles Robertson stated that "the Foundation was organized exclusively for the benefit of, to perform the functions of, and to carry out the purposes of Princeton University…the Robertson Foundation is controlled by Princeton University. The university made it clear from the outset that it would not undertake the long-term commitment involved in the project (e.g., faculty contracts, student fellowships) unless it had effective control of the foundation." The vehicle by which the university would control the foundation, Robertson continued, would be by having four of the seven seats on the foundation's board, with the Robertson family having the remaining three.

One of the questions the Mercer County (New Jersey) Superior Court will determine is this: if the Robertson Foundation is legally independent of Princeton, but is "controlled" by Princeton, what actions would the Robertsons have to do to force a court to nullify Princeton's control? Can the relationship between the university and the foundation be severed without dissolving the foundation and using the money to fund Princeton's endowment?

During the 1970s, there is substantial evidence that Charles Robertson was dissatisfied with the number of Woodrow Wilson School graduates who were being hired by the federal government. A 1972 letter from Charles Robertson to Princeton University president William Bowen shows that the benefactor was dissatisfied with how Princeton was spending the Robertson money. By then the Robertson Foundation endowment had grown to $50 million, ensuring $1.5 million for support of the Woodrow Wilson School. Robertson noted that the school had graduated 47 students with masters in public affairs (MPA) degrees. Of these, the federal government hired 10, and four became Foreign Service Officers. Similar graduation rates had taken place in 1971.

"In 1971 and again in 1972 the School conferred MPA degrees on ten candidates each year who were able to secure jobs in the Federal Government—irrespective of careers concerned with international relations. Would I be very far off target remarking that the amount spent by the University to educate each MPA candidate exceeds by a very wide margin the cost of educating any M.D., L.L. B., Ph.D. in this or any other country? And would I be guilty of gross exaggeration were I to remark that the cost (total annual income divided by the number of MPA's entering the Federal Government service) is, to express it with true British understatement, truly astronomical?"

The Robertson family charges that for the next thirty years, Princeton gradually drifted away from Charles and Marie Robertson's intentions. A 1973 memo from Princeton's Provost, Sheldon Hackney, to President Bowen said that the Robertson Foundation funds violated academic freedom. "Eventually, in the very long run, it would be a good thing if the Foundation itself were to be dissolved and the funds given to the University earmarked for the same purposes for which they are currently being used….We must make it clear that the School's autonomy and its independence of judgment are not impaired by the existence of the Foundation board…I assume you share the sense of discomfort that John [Lewis] and I have about the existence of the Robertson Foundation as a separate entity with control over its own investment decisions…and with an ill-defined degree of oversight of the school's decisions."

The dispute between the Robertson family and Princeton continued quietly behind the scenes for the next thirty years. On the surface, all was serene. A profile of the Woodrow Wilson School published in the *New York Times* late in 2001 found that in 2001-02 the school had 65 students in its

MPA program, 30 in a Ph.D. program, and 20 mid-career students studying for one year. The school had 2,463 alumni in the labor force; of whom 19 percent worked for non-governmental organizations, 18 percent worked for the federal government, and eight percent worked for foreign governments. The school's most famous federal government alumnus was Anthony Lake, who served as one of President Clinton's national security advisers.

Robertson Family Takes Action

As of 2001, the Robertson Foundation endowment was $550 million. The foundation's funds paid for scholarships that provided up to half the cost of Princeton's annual tuition of $26,000. And many Woodrow Wilson School classes met in Robertson Hall.

"My parents wanted to make a significant gesture of philanthropy," William Robertson told the *Times*, "and I think they wanted to address the current state of world affairs, which included the Cold War and the threat from the Soviet Union."

Seven months later, in July 2002, four of William Robertson's children and a cousin launched their lawsuit against Princeton. The initial charge in the complaint was that the university was illicitly commingling Robertson Foundation money with the university's endowment and using foundation funds for activities that had nothing to do with training students for careers in civil service. For instance, in 1991 the school had taken $13 million from the foundation's endowment and used the funds for various construction projects, including Wallace Hall, used in part by the sociology department.

The Robertson family particularly objected to a university plan to have PRINCO, which managed Princeton investments, also manage the Robertson Foundation endowment. They noted that Charles Robertson, in a 1979 letter, stated that he was opposed to "either commingling or University control over the portfolio" of the Robertson Foundation. They charged that Princeton had shifted $54 million of the endowment away from the foundation's endowment manager, Essex Street Investments, and placed it in the control of a PRINCO subsidiary—even though Essex Street had achieved greater returns on its investments than PRINCO had.

Princeton wanted the lawsuit dismissed. It said that only Robertson Foundation trustees had standing to sue. Thus, of the five Robertson family plaintiffs, only William Robertson and his cousin, Robert Halligan, had standing to sue. But, said Princeton, both these trustees had been on the Robertson Foundation board for over 20 years, "they actively participated in and either approved or acquiesced in many of the actions challenged by the lawsuit and on repeated occasions expressed their support and admiration for the Woodrow Wilson School and its leadership."

In February 2003, the Robertsons responded by adding new charges. They said that Princeton University internal memos obtained during discovery showed that the foundation board was not given current financial information, and they had evidence that Woodrow Wilson School officials complained that the foundation was charged excessive overhead by Princeton. Moreover, they produced internal memos to claim that Princeton officials were "quietly contemptuous" of Robertson family complaints about the foundation's funds being used to build Wallace Hall.

Princeton rejected all the allegations. But Judge Neil Shuster dismissed Princeton's filing and set a tentative trial date of October 2005.

By this time, the Robertson Foundation case had become national news. John Miller, writing in *National Review*, reported that the Robertson family now claimed that thanks to Essex Street management, the Robertson Foundation's endowment was $150 million larger than it would have been if PRINCO had administered the funds. Miller also described a 1997 email from Michael Rothschild, dean of the Woodrow Wilson School, to Princeton president Harold Shapiro about the Wallace Hall construction project. Princeton had asked the Robertson Foundation to cover any gaps in the construction cost if the university failed to raise $25 million. William Robertson, said the email, "is unhappy and if we use large amounts of Robertson money to pay for the building he will be more so."

The stakes were being upped. At a Robertson Foundation board of trustees meeting, the four university-appointed trustees outvoted the three Robertson family members and said that PRINCO would now manage the Robertson Foundation endowment. The Robertson family issued a statement saying that "the University's intentions are perfectly clear: grab the money."

In a *Christian Science Monitor* op-ed William Robertson argued that the family's lawsuit was not unusual. Other donors had sued for the return of misused gifts. He noted that the New York Attorney General had ordered New York City's St. Luke's-Roosevelt Hospital to return $5 million of a $10 million bequest after finding that the hospital had not used the money for alcoholism-treatment programs. "Nonprofit organizations need to be governed by the highest ethical standards," Robertson wrote. "When they accept donations for a specific purpose, that's how the money should be used."

In July 2004 the Robertsons amended their suit to request punitive damages on the grounds that the university had defrauded not only the Robertson Foundation, but also other donors. "Princeton has a pattern and practice of violating donors' intentions and improperly spending restricted gifts in ways that benefit the university's own general fund," the Robertson family lawyers wrote in a brief that charged that the university had misspent at least $100 million of Robertson Foundation money. They said the university should alter the charter of the Robertson Foundation so that the Robertson family would appoint all trustees and restore with interest any misused money.

As additional evidence of the university's misuse of funds, the brief cited an audit by Jessie Washington, a former development official of Princeton's School of Religious Life, which concluded that "funding allocations are not in alignment with their intended purpose; i.e., the donors' wishes have been ignored; money for religious life has been knowingly withheld."

Robertson family lawyers also charged that the foundation's money paid for graduate school fellowships in sociology, political science, and economics, and that the foundation was billed for faculty salaries in Princeton's Office of Population Research and the Center for International Studies.

"We feel the money should be used to pay teachers to teach and encourage students to go into government service," Robertson family lawyer Seth Lapidow told the *Daily Princetonian*. "Princeton has lost sight of that vision."

Princeton lawyer Douglas Eakeley admitted that foundation money was used for departments outside the Wilson School, but said this was necessary to strengthen interdisciplinary studies between these departments and the Wilson School.

was all right to have PRINCO manage the Princeton endowment, and that the university could spend capital gains from the Robertson Foundation endowment as well as interest. It also declared that the Robertson family trustees were "attempting to hold the foundation and the Woodrow Wilson School hostage" and that the Robertson family was engaging in a "gratuitous, baseless public relations campaign" which would harm both "the potential pool of student applicants [and] the receptiveness of funding agencies to Woodrow Wilson School grant applications."

In June, the Robertson family again sought to amend their complaint, stating that they had obtained evidence during discovery that the university had diverted $100 million from the Robertson Foundation endowment to programs that shouldn't have been funded with foundation money. The amendment charged that "the pattern and practice of diverting donations from their intended purpose" was 'systemic" at the university.

"My parents wanted to make a significant gesture of philanthropy and I think they wanted to address the current state of world affairs, which included the Cold War and the threat from the Soviet Union." -- William Robertson

New Battlefronts in a Very Expensive Case

By November 2004, the Robertson suit had become a most expensive legal case. Princeton said it had spent $2 million defending itself, while the Banbury Fund had committed $5 million. The Robertson family had four lawyers on the case; Princeton had two partners and two senior associates. Over 40 depositions were recorded, with 25 left to go. Three former Princeton presidents were deposed; President Goheen's deposition had taken six days due to his age.

The Robertson Foundation board still regularly met while the lawsuit was taking place. "The closed-door meetings" of the trustees, reported the *Newark Star-Ledger's* Kelly Heyboer, "according to both sides, are tense and swarming with lawyers."

Princeton filed the next salvo in February 2005. It asked Judge Shuster to declare that the Robertson Foundation funds could not be transferred to another university, that it was all right to have PRINCO manage the Princeton endowment, ...

The issue now moved into the realm of public opinion. In December 2005, the Robertson family released the results of a Zogby poll it commissioned about donor intent. The poll reported:

- Fifty-three percent of Americans surveyed said they would "definitely stop giving" if a charity "used your donation for a specific purpose and you know they ignored your request." An additional 36 percent said that they would "probably stop giving" if a charity misused their donations.

- When asked, "how important do you think showing respect for a donor's wishes is to the ethical governance of nonprofit charitable organizations," 83 percent of those surveyed said it was very important and 15 percent said it was somewhat important.

Enter the *Wall Street Journal*

In January 2006, Princeton resubmitted its request to Judge Shuster that he rule that Princeton "is and will continue to be the sole beneficiary of the Robertson Foundation," that the university can continue to choose four of the foundation's seven trustees, that the foundation can spend capital gains from its endowment, and that the foundation's decision to retain PRINCO as investment advisers "represented a good faith exercise of its independent business judgment." "It seems clear that these three issues can and should be resolved as a matter of law on the basis of the undisputed facts," Douglas Eakeley said.

However, a front-page investigative piece in the *Wall Street Journal* in February 2006 substantially enhanced the Robertson family cause. "Robertson v. Princeton," noted reporters John Hechinger and Daniel Golden, "may be the most important case higher education has faced over the question of honoring the wishes of a donor."

According to Hechinger and Golden, the Robertson family has spent $10 million on the suit, resulting in over 170,000 pages of depositions, including from four former Princeton presidents. Princeton, they estimated, had spent $12 million defending itself.

The *Journal* reporters charged that Jessie Washington's audit had unearthed one major and one minor violation of donor intent. A 1988 donation of $5,000 from alumna Lois Thompson stated that the funds should be used to "maintain and preserve" the organ in the university chapel. But, reported Washington, there was writing on the sheet used to record the donation which stated that the money should be used "to relieve general funds" and "Dept. is not to know." Washington said that when she told Steven Gill, now Princeton budget director, about Thompson's misused donation, Gill said, "don't tell the New York Times."

More importantly, Washington contended that Princeton misused a $1 million donation made by the Danforth Foundation in 1959 to strengthen "religious work" on campus. Over the years, the donation had grown to $18.5 million. She reported that in fiscal year 2003, only $6,000 of the Danforth grant was used to support religion and $650,000 that was supposed to be used to support scholarships for students studying religion was used instead for general funds.

The *Journal* also made public a damaging 1993 investigation of the Woodrow Wilson School by a team led by former Federal Reserve chairman Paul Volcker, who at the time was teaching at Princeton. The Volcker report found that the faculty was engaged "more and more in theoretical abstractions further and further removed from public policy" and that Robertson Foundation funds were being used in ways "hard to relate to the mission" of the Woodrow Wilson School.

Hechinger and Golden also reported that during the early stages of the Robertson dispute in 2002, Princeton university secretary Thomas M. Wright sent an email to President Shirley Tilghman stating that the foundation was spending $750,000 for student tuition in courses that weren't part of the Wilson School curriculum. The spending would "greatly upset" the Robertson family, he wrote, and the university should act "fast" to disclose it. Princeton failed to disclose the diversion and admitted to the *Journal* that its action was "inappropriate."

Finally, the *Journal* reported an analysis of the Robertson Foundation's books by Michael McGuire, a PricewaterhouseCoopers accountant who formerly was the Harvard Medical School's finance director. McGuire was hired by the Robertson family. His report declared that $207 million of the $330 million that the Robertson Foundation spent between 1996 and 2003 was "diverted" improperly, and that only $26 million of the $330 million was used for classroom instruction. He found that Princeton double-billed the foundation for building and equipment expenses by first charging the foundation for construction of a building, then charging the foundation a second time when the building or the equipment depreciated. "In effect," said Hechinger and Golden, "the foundation was like a consumer who pays for a car once with cash upfront and then again on the installment plan."

Princeton responded by calling the *Journal's* reporting "selective"on the hundreds of thousands of pages of documents obtained during discovery. It denied the allegations about misusing the Danforth Foundation gift and the assertions about misusing the $750,000.

It's usually the case that donors who give unrestricted aid to colleges will see their money misused.

Will The Tiger Change Its Stripes?

And yet Princeton did not fall back solely on denials. In February, the university announced that it would create a new six-year Woodrow Wilson School fellowship called "Charles and Marie Robertson Scholars in the Nation's Service," to be funded with $10 million of Robertson Foundation money. The fellowship included a two-year placement of five students in $50,000-a-year jobs in the federal government, to be followed by a return to Princeton for a masters' degree program. A nonprofit group, Partnership for Public Service, would be hired to help place the Robertson scholars in federal agencies, and if no openings were available, Princeton would pay their salaries.

At a press conference flanked by famous Woodrow Wilson School alumni, including New York Attorney General Eliot Spitzer and Mike McCurry, President Clinton's press secretary, Woodrow Wilson School dean Anne-Marie Slaughter said the Robertson Scholarship program "is a direct response to the critical need in this country to attract students to careers in the federal government." Princeton, however, denied that the new developments were in any way related to the Robertson family lawsuit.

But Princeton was not about to accept the claim that it had double-billed the foundation for Woodrow Wilson School costs. This March Princeton filed a brief with the New Jersey Superior Court stating that in fact it had "undercharged" the Robertson Foundation by $235 million over the years by not charging the foundation for programs that existed at the Woodrow Wilson School before 1961. Princeton now said that it had erred for only charging the Robertson Foundation for programs created with the foundation's money.

Princeton also said William Robertson had shown himself unqualified and should be thrown off the foundation board. It said he had approved all Robertson Foundation grants prior to the beginning of the lawsuit in 2002.

Robertson responded by telling the *Daily Princetonian* that Princeton had covered-up the misallocation of foundation funds during his years as a trustee. "I had been in the dark as to what we know now. Princeton has been keeping secrets from us. A main part of our allegation is that they've been covering up information for a long time."

The Meaning of the Robertson Foundation Case

Judge Shuster has not set a trial date for *Robertson v. Princeton*. But the case already provides several valuable lessons for donors.

First, it is clear that the structure and organization of the Robertson Foundation were flawed. It's highly unlikely that any future donor will create a foundation that is controlled by a university but has some nominal independence from the university. A better way to give to universities is illustrated by Robert George, a conservative professor of government—at Princeton. He has created the nonprofit "Madison Program," which brings scholars to the university but is legally independent of Princeton. Donors can give to it without having their money absorbed by the university.

Second, it is always wise for donors who want to give money to universities to do so in ways that avoid either contributing to university endowments or that involve overhead charges. As I noted in a 2002 *Foundation Watch*, it's usually the case that donors who give unrestricted aid to colleges will see their money misused. Moreover, anyone involved in giving to colleges knows that "overhead" is a notoriously slippery term that colleges use to avoid restrictions that donors place on their gifts.

Third, I believe the Robertson Foundation is an unfortunate example of foundation overreaching. The evidence suggests that Charles Robertson thought his donation could be used to ensure that Woodrow Wilson alumni would join the civil service and pursue careers in the State Department or other federal agencies devoted to international affairs. The implicit assumption—which was not questioned by Princeton—was that the federal government would be so impressed by a Woodrow Wilson School MPA that it would hire these graduates for good jobs.

But the federal government was not a party to the arrangement between the Robertson family and Princeton. Nor can Princeton be faulted for the decision of a student who attends the Wilson School program but chooses not to work for the federal government. Grants cannot lock students into careers.

In hindsight, Charles and Marie Robertson should have used their funds to create a program similar to the Robertson Scholars program. They could have donated funds to the federal government to provide entry-level fellowships for Woodrow Wilson School alumni, who could decide whether they wanted State Department or other international agency careers. In an interview, John Edie, a former general counsel to the Council on Foundations, said that there are no legal restrictions (either now or in 1961) on having private foundations donate money to the federal government for fellowship programs.

Nonetheless, it is clear that the Robertson family has compiled abundant evidence to show that Princeton University has taken money intended for a specific purpose and diverted it to other causes it preferred. If *Robertson v. Princeton* goes to trial, the Robertson family should win. If no agreement can be reached with Princeton, the foundation should be severed from the university and its resources should be used for fellowships for graduate students interested in pursuing federal government careers in foreign relations.

It's likely that the Robertson Foundation case will be the most important donor intent case of this decade. If Princeton wins, it will be a grave blow to the cause of donor intent. ***FW***

Martin Morse Wooster is a senior fellow at the Capital Research Center. This article is adapted from the forthcoming third edition of The Great Philanthropists and the Problem of 'Donor Intent.'

PhilanthropyNotes

The **Lynde & Harry Bradley Foundation** has announced the four winners of its awards for outstanding achievement: pioneer school choice advocate **Clint Bolick**, race relations scholar **Shelby Steele** of Stanford's **Hoover Institution**, Johns Hopkins Middle East scholar **Fouad Ajami**, and Peru's **Hernando de Soto**, who has revolutionized thinking on poverty and economic development. The awards, which carry a $250,000 stipend, will be made at a ceremony on May 25 at the Kennedy Center in Washington, D.C.

Verizon Communications says it will donate $8.5 million to the favorite charities of board members when they retire or die, according to its reports filed with the SEC. Rather than distribute dividends to shareholders to make their own donations, Verizon's plan lets a board member spend shareholder money precisely at the point when the member ceases to be accountable to shareholders.

Goldman Sachs CEO (and possible Treasury secretary nominee) **Henry Paulson** is under fire for donating 680,000 acres of land owned by the company in Chile's Tierra del Fuego to the **Wildlife Conservation Society**. Paulsen has a conflict because he is chairman of the Nature Conservancy, charges Steven Milloy of the **Free Enterprise Action Fund**, a mutual fund and shareholders' advocacy group. The board did it, not me, is Paulsen's reply. A short notice in the April 4 *Wall Street Journal*, provoked lengthy letters to the editor from actor Paul Newman and Goldman Sachs board member John Bryan defending the giveaway as forward-looking, public-spirited and good corporate governance. No word on whether shareholders' opinions were asked.

Former Justice **Sandra Day O'Connor** is joining the board of the **Rockefeller Foundation**. Joining her will be former Verizon chairman and chief executive **Raymond Smith**, now of Rothschild North American and Arlington Capital Partners.

The Rockefeller Foundation has a job opening. Grants administrator Cheryl McEwan has been indicted for approving $232,500 in grants to a phony charity controlled by her husband Anthony. The mission of the charity, **An Urban Alternative**, was to pay down the McEwans' credit and mortgage debts. McEwan set up a similar scam with environmentalist pseudo-organization **Green Sphere** to bilk the foundation out of another $188,500. The Rockefeller Foundation's policy was to make three-to-one matching grants to charities supported by its employees. Green Sphere's administrator would process McEwan's checks, then kicked back the funds after receiving the foundation's matching grants, which he shared with the McEwans.

Michigan state attorney general **Mike Cox** has announced a probe of the **Ford Foundation**, which is incorporated in Michigan but headquartered in New York City. Cox raises the issue of donor intent, saying the foundation owes it to Henry Ford's home state to support local charities helping the poor. The foundation counters that Henry Ford left no instructions to the foundation's trustees regarding Michigan and that the foundation has no ties to the family or the auto company. Henry Ford II resigned from the foundation in 1976, charging that it failed to respect the free market system that made its philanthropy possible.

The Foundation Center reports that total assets across US foundations exceeded $500 billion last year. But total giving is expected to fall as foundation managers preserve capital endowments in anticipation of financial market risk. Last year a record was set at $33.6 billion in total foundation giving. Community foundations increased giving particularly rapidly, by almost 11% last year to $3.2 billion. Corporate giving also increased by 5.8%, to $3.6 billion. Hurricane Katrina relief was responsible for much of the increase.