

Donor Seeks Return of \$22.9 Million

04.24.18 | Linda J. Rosenthal, JD



The Nonprofit Quarterly's Ruth McCambridge aptly sums up the most recent, high-profile, "donor wants money back" story:

”

This is an ironic story about a \$100 million charitable donation to fund ... an institute for conflict-resolution research that is aimed at promoting peace.... Two years later, the parties themselves are in conflict.

Twin brothers Thomas L. and Timothy R. Pearson made a gift in 2015 of \$100-million to the University of Chicago to fund the Pearson Institute. It was the second-largest in the history of that august educational institution. Now they want back the \$22.9 million already paid: They claim U. of Chicago hasn't used the funds properly. They also complain they haven't been invited to 22 of the 24 events hosted by their funded institute.

Donor Approaches University

Notwithstanding the light-hearted tone of Ms. McCambridge, this is a serious case of donor intent and rights – involving a huge amount of money.

“The Pearsons believe their story is a cautionary tale that should give pause to any family, philanthropist, benefactor, or donor who is considering granting a university any amount of money—large or small,’ the foundation said in an emailed statement.”

Three years ago, the Pearson Family Foundation (Tulsa, OK) made a conditional grant of \$100 million to the University of Chicago to establish a “world renowned center to study global conflicts”: specifically, The Pearson Institute for the Study and Resolution of Global Conflicts (TPI) and The

Pearson Global Forum (TPGF) at the Harris School of Public Policy.

Neither of the twin brothers was directly connected to the University of Chicago, but they chose it, nevertheless, to “honor their ... mother and father, ‘who had spent much of their lives engaged in peace and social justice efforts....”

The Pearsons had approached the university in January 2014 to “discuss the possibility” of making a large grant to create the institute. They evaluated several leading universities and chose the University of Chicago because “of its representation that it is one of the world’s great academic institutions, and as a learning environment that valued rigorous study driven by data and evidence.”

Donor Loss of Confidence

According to the allegations in a 21-page complaint filed February 20, 2018, in U.S. District Court for the Northern District of Oklahoma, the Pearsons have now “lost all confidence” that the University of Chicago “is an appropriate or capable steward of the Pearson Family legacy.” They contend that “as soon as the grant agreement was executed in April 2015, the university ‘repeatedly and in various ways breached’ its obligations.”

For example, the University was required to appoint an “institute director” by September 2016, with a grace period of one year. The Pearsons claim that Professor James Robinson was appointed in June 2016 with the title “faculty director” but – just before the cure period was set to expire – the University – without notice to the Pearsons – altered Robinson’s title to “institute director.”

The Pearsons also point to the grant requirement that three other chaired professorships be filled in a way to “attract the caliber of distinguished scholars with the profile and reputation desired.” They allege that, instead, two “junior, non-tenured” people were hired who happened to have (undisclosed) pre-existing relationships with Robinson.

Another important breach, according to the complaint, is the failure of the University to hold the first annual Peterson Global Forum in October 2018. The University stated it would not hold the event, but instead would involve the institute in the 2018 Irish Catholic Bishops World Meeting of Families Congress. The foundation alleges that this is insufficient – and “inconsistent” compliance with the terms of the grant (with grace period until October 2020).

In addition, the Pearsons allege breaches including failure to create or develop “original academic curriculum” and “provide an acceptable plan and budget.” They also object to plans by the University to “pass along some of the donated funds” to the Harris School of Public Policy out of which the Pearson Institute is housed.

The University’s Response

The University of Chicago called the complaint “without merit” and will defend itself against what it characterizes as baseless allegations. It has “created a flourishing institute that has attracted world-renowned scholars and outstanding students to pursue research and education aimed at understanding and resolving global conflicts.” It has “hosted dozens of events, enrolled more than 200 students in courses related to the study of global conflict, and fostered an engaged community of scholars.”

Citing its “demonstrated history of responsibly stewarding and administering gifts and grants..., the University notes that “all academic and hiring decisions are the purview of the university and its

faculty, guided by the principles of academic freedom.”

Conclusion

This will be a significant lawsuit to follow.

NPQ’s editor McCambridge makes the additional observation that this case is “reminiscent of Charles and Marie Robertson’s suit against Princeton for mismanaging a \$35 million endowment intended to help prepare students for careers in government.” At that time, the donation was the “largest ever given to a university, and many of the same issues about donor intent versus university sovereignty were present.” She notes that *Abusing Donor Intent*, by Doug White, is a “great read about that dispute.”