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Case 1: Tainted Money

Should a nonprofit take a donor's money if it was made through questionable means?

Case Summary

Curtis Sorrel, the President of Kingston University, is facing pressure from the students to focus on the development of the school. Since the Board of Trustees expanded the duties of the Provost to cover these problems, Sorrel has been worried that the Provost will not be able to convince donors to offer funding for the development office. Luckily, Anthony Sims, the Director of Development, has found a willing donor. However, the donor is a former war criminal. To make matters worse, the donor wants his son, an alumnus of Kingston University, to hand the check personally to Sorrel and beloved Professor McDiord, who has recently faced allegations of harassment. Put in a difficult situation, Sorrel has to decide what to do about both dilemmas.

Characters

- Curtis Sorrel: President of the Kingston University
- Sheila Tailstock: Secretary to Sorrel
- Simon Trestle: Provost
- John Boyce: Alumni on Board of Trustees
- Kirsten Green: Alumni on Board of Trustees
- Anthony Sims: Director of Development
- Jian Kastler: Chair, Board of Trustees
- Fiona Kastler: Student and daughter of Jia
- Max McDiord: Professor of History

Breaking News

Curtis Sorrel, President of Kingston University, sits in his office, brow furrowed. He is preoccupied with impending crises: After several years of financial hardship, the university is now facing bankruptcy hearings next month due to an unpaid outstanding debt of \$15 million. Although it is a well-known fact in the community that the university has been struggling, nobody knows yet just how bad it has gotten outside of the university administration.

Suddenly, Sheila Tailstock, Sorrel's secretary, enters his office without her usual courtesy knock. Out of breath, she says, "Sir have you seen the protest commencing on the lawns outside the Rodnick building? The students are gathering out there. The news of the upcoming bankruptcy hearings must have leaked!"

Standing slowly, the President goes to his window. There below, on the green lawns outside the main Arts and Sciences building, he can see groups of students are clamoring and holding placards, their numbers seeming to increase by the minute.

"Sheila, what do those signs say? I can't read them from this distance!" he questions.

Sheila responds, "Sir, the ones I can recall are *Save the University*, *What Good is My Degree?*, *I Want My Tuition Back!*, and something about *Bloated Bureaucracy* and *Power to the Professors...*" She trails off, hesitating.

“What else? What are you not telling me?” demands President Sorrel, turning back to look at her.

Sheila avoids meeting his eyes. “They are, um...demanding your resignation,” she rushes. “Several placards say that it is your mismanagement that has led to this, and the students—”.

Before she can finish, the President cuts her off, saying, “Thank you, Sheila. That is all for now.”

Looking upset but nodding, Sheila turns and leaves his office. President Sorrel returns to his desk and sits down, deep in thought of what to do next.

In his view, the debt has been caused largely by salary increases demanded by faculty. Because these faculties are nationally known and attract many outstanding students, Kingston tries to retain them, even if that means having to meet or better offers from other universities. Additionally, many older buildings have recently been in need of massive renovations, but the development office has had difficulty in raising funds for these buildings because they have already been named in perpetuity for the initial donors to the building fund. Finally, due to the pressure by the Board of Trustees, Kingston University has not been able to increase fees to keep up with increasing costs of running the university. Accessibility to education has always been a critical part of their mission, leading the Board of Trustees to veto increases proposed by the university’s Chief Financial Officer at the annual budget meetings.

President Sorrel has let the ball drop on development. Recently, his wife has been dealing with a major health issue, and he has devoted all of his time in the evenings to her care. His grown-up children live across the country and have been of no practical help. Over the last eight months, he has been torn between meeting the needs of his wife and attending meetings with potential donors.

With so much resting on the development team’s success in bringing in sufficient money to stave off the bankruptcy hearing, President Sorrel, realizing he was no longer available for development duties, was forced to assign Dr. Simon Trestle, his Provost, to represent the university instead of him for many of these functions. He initially had serious doubts about Simon’s potential for fulfilling this role. It didn’t

help matters that Anthony Sims, the Director of Development, was forcibly against Simon's involvement in this matter from the start.

President Sorrel held a short meeting of the Board of Trustees, many of whom are alumni of Kingston University and well known in the community, to announce his predicament and personal situation and lack of time related to development. Two of the members of the board, John Boyce and Kirsten Green, were former students of Dr. Trestle. They are young, successful, and very vocal, with a deep loyalty to Dr. Trestle. At the meeting, they advocated that the Provost, as the next most senior leader, should take over the functions the President could not perform. While President Sorrel admired Dr. Trestle's leadership skills in dealing with faculty and administrative matters, he worried that his abrupt and terse manner might turn off potential donors. Despite these warnings and after a heated discussion, the board, swayed by John and Kirsten, was unanimous that development duties should be assigned to Dr. Trestle. Right there at the meeting, both John and Kirsten each pledged \$50,000 to help Dr. Trestle's development efforts get started.

Dr. Trestle, when asked by President Sorrel if he was willing to take on development in addition to his other duties, responded enthusiastically. "I am sorry about your wife, Curtis. I hope she will recover quickly. I am happy and willing to help."

Later, when the actual responsibilities involved in development were outlined by Anthony Sims and the President, Dr. Trestle's reply was surprising: "Curtis, Tony, no sweat. This is no hardship. I am fond of winning and dining. And what's not to like about Kingston University? It will be an easy sell!"

These words reverberated with Dr. Sorrel over the next six months, as he heard some very discouraging reports from the Vice President of Development regarding donors' interactions with Dr. Trestle.

However, not all was doom and gloom with development. Just four weeks ago, Anthony Sims held a brief meeting with President Sorrel and informed him that they were very close in closing a multi-million-dollar donation from an international source.

“Curtis, I am confident we can bring in a multi-million-dollar gift from an international donor in Japan,” he told him. “I am flying out there to bring in the donation”.

This was four weeks ago, and still, the President hadn’t heard anything more. In agitation, Sorrel wonders, Why had Trestle not contacted him? What was holding him up? Had the meeting not gone as planned?

Thinking about the protesting students and everything else that has been dropped on his plate, Sorrel picks up his phone. “Hi Sheila, please get Anthony Sims to come and see me as soon as possible. Cancel any other meetings I have today, if it conflicts with Sims coming to my office. Book him in for an hour!”

Sheila replies, “Yes, I will.” Lowering her voice, she adds, “Professor McDiord just walked in. He has an appointment with you. You had asked for him to come in regarding a pending harassment case. Should I ask him to wait?”

President Sorrel sighs but says, “No, no, send him in, but call me out in ten minutes. I need to keep this meeting brief!”

Max McDiord, professor of History, a white-haired, larger-than-life character, has always been a thorn in the side of the administration, with his outspokenness and willingness to break any rules. He has recently been facing charges of harassment from a young female student. While the allegations are flimsy, with no clear evidence to put it to rest, Sorrel must take the matter seriously. In an official complaint filed with the university, the student claimed that the professor, when returning an assignment to her, had made disparaging racial comments that she found hurtful and offensive. The committee set up to examine the matter reported that after investigating the facts and listening to both parties, their conclusion was that it was a sheer case of misunderstanding. They decreed that a written apology from the professor would more than suffice, contesting that the student’s allegations actually stemmed from dissatisfaction with the professor’s comments on her paper. The student, Fiona Kastler, however, stood firmly behind her original complaint that the comments were racially motivated and

biased. Dissatisfied with the committee's decision, she threatened to sue for harassment.

To top it all off, President Sorrel is faced with yet another problem: McDjord refuses to apologize. Kastler's mother Jian, chair of the Board of Trustees, has sent long e-mails demanding an apology for her daughter. Jian is a powerful voice at the board meetings.

McDjord walks in. "Hi Curtis! Seems there is a lot on your plate these days! Are we really going under? Ha ha! The students are having a field day with this one, aren't they? I saw the TV crews driving up as I walked over. Ha ha!"

Suddenly angry, Sorrel barks, "Well Max, you certainly aren't helping any! Why can't you just apologize to Ms. Kastler for your remarks? She took them personally, and even if you meant no harm, you did cause her suffering! Your conduct in this matter has been unacceptable, and I expect your apology letter signed by the end of the week."

Max raises a brow. "Really, Curtis, I'm sorry you're having a bad day, but this damned apology—well, I'm simply not going to do it! If I apologize for this, I will have to walk on eggshells around all my students and censor everything I say for the rest of my career. Forget teaching or research—I'll be spending all of my time writing apologies to these coddled students and their over-protective parents! No, I simply won't do it."

Despite Max's insolence, Sorrel steels himself to stand firm. "Well, the committee investigating both sides has concluded that you must write a letter and apologize. And if you do not, I will have no choice but to suspend you. I would hate for it to come to that, but—".

"Curtis, what's your agenda here?" Max interrupts, allowing his arrogance to drip off every word. "Since you seem to have forgotten, let me remind you that I have been voted the most popular professor at Kingston for the last five years. If I were you, I'd be a little more worried that if you suspend me, more students will take to protesting, and you seem to have enough of that going on already. Ha ha!"

Sorrel feels his composure, usually in-check, dangling by the thinnest of threads. He takes a deep breath and says, calmly but forcefully, "Max, I will give you until the end of the week to reconsider. In the meantime, we will craft a letter that will suit you and expect you to sign it. Please

see Sheila on your way out and book a short appointment to return and do so at the end of the week.”

Smug with self-importance and secure in his position as most popular professor, McDiord has to have the last word: “Sure, I’m happy to meet with you again at the end of the week—provided you’re still solvent and standing by then! Ha ha!” He lets the door slam behind him on his way out.

Sorrel is barely alone for two seconds when Sheila cautiously opens the door and peeks her head in, looking even more worried and anxious than before. “Sir,” she begins nervously, “the TV reporter from Channel 7 is demanding an interview on the upcoming bankruptcy hearings, and Sims is going to be here in two minutes.”

“Sheila, I need you to hold the TV guy for an hour,” Sorrel tells her. “If you can do that, we might have a way to avoid disaster. But show Sims in as soon as he arrives!”

Five minutes later, Anthony Sims, Director of Development, is sitting across the desk from President Sorrel, beaming and waving a piece of paper excitedly in the air. “Curtis, I have it in the bag!” He boasts. “I just got a fax confirming this donation. It is a \$10 million gift, the largest our university has ever received! It turns out that it was worth all that travel to Japan!”

President Sorrel’s sigh of relief is audible. “Well done, Tony! This is not only the best news I’ve heard all day, but also the best news I’ve heard in a year!”

Taking a more serious tone, Anthony says, “But before you celebrate the news publicly, I want you to know a few things about the donor. The donor is a 96-year-old man, frail but very much in command of his faculties. He is the founder and chairman of Danka, the Japanese chip manufacturer. His company is worth billions. In 1980, his son came here to study history. According to the old man, this was a turning point for his son. His son was somewhat of a family black sheep when they decided that it would be good for him to leave Japan for a period of time. They got him enrolled at Kingston University. After two years of studying history, his son returned and was radically changed, according to the old man. He was conscientious, hardworking, and responsible. His son had given up his drinking and carousing. For this, the old

man, well, now how did he put it? He is giving us *10 million dollars of gratitude!*"

Sorrel senses a "but" in this upbeat talk and interrupts, "What's the catch, Tony?"

Anthony replies, somberly, "The old-man, well, there is much about him to tell. But what you need to know is that he was among one of the war criminals charged with orchestrating and organizing prisoner-of-war camps in Southeast Asia. However, in 1958, he was, as were other Japanese war criminals, all released from prison, given clemency and regarded unconditionally free."

"OH NO!" interrupts President Sorrel, jumping out of his chair. Pacing around the room, he realizes that he has his "oh so easy" solution to the bankruptcy, now only to be snatched away!

Anthony holds up his hand. Looking straight at the President, he says, "Curtis, before you say anything, please consider that he has served his punishment. The money was made after this period, and legitimately. I know you may be worried that this it is still *tainted* money as it was made by a war criminal! I also raised these concerns with the donor that his donation, due to his criminal past, may be unacceptable to the university. I spoke to him of all the cases of universities across the country facing tainted donations, having to return donations, dealing with the ire of their students and faculty, etc. Clearly, I told him that taking money from a convicted war-criminal will indeed raise great difficulties, probably insurmountable one. However, he is adamant the money goes to the university. It was a debt of honor for him, and I asked whether there was a way in which his name could not be associated with the money. After much discussion, the old man agreed to remain an anonymous donor to the public."

Sorrel asks, "Has Simon been involved in this? How anonymous will the donation remain?"

"Given Simon's record with our donors, I thought I would handle it on my own. Only my immediate and trusted staff, me, and you know of this. Curtis, how would you like to play this out?" Anthony queried.

Sorrel runs a hand tiredly through his hair. "Give me a few hours to think about it. I have news reporter coming, and I have several things to

work out before I know how I want to act on this donation. I wonder how much the Board of Trustees...do they need to know...?”

While walking to the door, Anthony says, “Oh, yes, one more thing, the old man cannot travel and while he is adamant that his donation should remain anonymous, he is equally adamant that his son should personally deliver the check to you and his favorite Kingston professor, Professor McDiord.”

President Curtis Sorrel, after seeing Anthony out, returns to his desk feeling the weight of the world on his shoulders. He sits quietly at his desk, considering his next move. Many questions plague him: Should he take the donation? How of what has transpired this afternoon should he share with the Board of Trustees? What will he tell the reporter? And, how should he handle McDiord?

He is interrupted by the phone ringing. “Who is it this time, Sheila?” he demands anxiously.

Sheila replies, “It’s your wife’s doctor on the line. He says it’s urgent ...”.

Discussion Questions for Case 1

1. What are the key elements of the ethical dilemmas in this case?
2. If you were the President of Kingston University, what would you do regarding the anonymous donation?
 - (a) Does your decision vary under different ethical frameworks?
 - (b) Which ethical framework would you use to justify your decision?
3. What ethical frameworks does Anthony use in making a case for the donor?
4. What if the donation did not involve Professor McDiord? How would you decide?
5. Would your decision change if the old man’s gift were only \$1 million?
6. What if this case were not bankruptcy hearings the university was facing? Would your answer be different? Same? Why?
7. If the donor would not agree to anonymity, would you change your decision?