

# The Skorina Letter

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**Our clients:** visionary families, transformative nonprofits, Wall Street trailblazers

**Our vision:** build investment preeminence, create opportunity, enrich lives

**Our work:** provide talent, access, relationships, and insights



## Saints, Sinners, and Foundation Money

*Yes, I'm paranoid--but am I paranoid enough?* — David Foster Wallace, *Infinite Jest*

While working on the “Skorina Letter” subscriber database last weekend, I came across an email address that gave me pause. A vague recollection. Something about the Maddox Foundation and a scandal regarding contested use of foundation assets?

Sure enough, turns out the case caused quite a stir a few years back and the intrepid team at the *Magnolia Tribune* diligently [shared](#) with their fellow Mississippians the mounting allegations and disclosures,

including some rather salacious revelations thanks to the unsealed deposition of a former employee.

Nonprofit World's more restrained [report](#) on the drama, "One Foundation's Legal Battle: A Cautionary Tale for All Nonprofits," added context and a few words of wisdom for their nonprofit readers.

The combatants included Ms. Robin Costa, former secretary and treasurer of the foundation who became, upon the Maddoxes' untimely death, president and arbiter of the foundation's one-hundred-million-dollar bequest, a battalion of lawyers, judges, prosecutors, and witnesses, one state district attorney general, and a former Mississippi governor.

Litigation raged across state lines with accusations of gross mismanagement, high living, and double-dealing hurled back and forth among the adversaries.

It's probably best to let the Magnolia team take it from here. (See the above links and one more Magnolia item [here](#).) But in the end, the foundation clawed back about half the assets.

The moral of the tale? When it comes to money, there are very few saints. There are good reasons for strict board governance, robust financial controls, and established public disclosures.

Which brings us once again to the subject of professional money management. If you can afford to fund and build an internal investment team and layer on the checks and balances, that's great. We're here to help.

But once donors set up a foundation or endowment it can get complicated, as the Maddox case illustrates.

The outsourced chief investment officer industry is growing for a reason, cost-effective available professional investment management with institutional grade controls and processes, and third-party fiduciaries with watchful eyes on the money.

As we [wrote](#) last week in our OCIO summer update, most nonprofits and families (basically anyone under \$500 million in investable assets) just don't have the time or resources to build competitive and secure internal investment capabilities. The OCIO solution is an effective alternative.

-- Charles Skorina