

Nonprofit Ethics Case

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The Donald J Trump Foundation's Morally Bankrupt Leadership

Summary

Our case study will examine the unethical behavior of the Donald J Trump Foundation and the impending lawsuit against members of the Trump family. The study will address the illegal use of foundation funds and the ethical implications surrounding a lack in transparency in foundation reporting. We will discuss the ways that this case study can help enhance our understanding of several topics relevant to class including foundation transparency, self-dealing transactions, board oversight, and unethical leadership. We will also share two videos related to the case that will provide a quick snapshot of the facts. From there we will ask several crucial questions about ethical behavior, the role of foundations in the nonprofit sector, and the lack of integrity in the current administration.

Applications

This case study has several practical applications for the study of ethical leadership in nonprofit organizations.

- 1. This study helps us identify the differences between private family foundations and large public charities.** The Trump foundation is a private family foundation that receives its revenue from a small group of individuals and makes very specific contributions. This is different from a public charity like the Clinton Foundation, which receives its support from a much bigger pool of donors.
- 2. This case study can help us have a more thorough understanding of self-dealing transactions.** The Trump foundation is guilty of inappropriately using foundation funds to personally benefit Donald Trump's for-profit businesses. This type of behavior is not only illegal and unethical, it is damaging for the reputation of nonprofit organizations as a whole.
- 3. This case study can help us understand the illegality of spending foundation dollars to support political campaigns.** Foundations may not participate in political campaigns by

supporting specific candidates. However, the Donald J Trump foundation made a \$25,000 donation to a political candidate in Florida.

4. This case to understand the importance of a diverse and active board. To help keep foundations functioning the way they are meant to function, and to help ensure charities are trustworthy, board oversight is crucial. Part of the reason this sort of unethical behavior was possible in the Trump Foundation was a lack of board diversity and participation. The Board of Directors hasn't met since 1999 and has neglected its fiduciary duty. Perhaps with the oversight of a properly functioning board, some of the illegal transactions that took place could have been prevented.

5. This case study also creates a forum to discuss the need for transparency in foundations and the way they report their finances to the public. Donald Trump told the public that his foundation donated 100% of its revenue to charities, but research shows us that is certainly not the case. We also see a disturbing lack of transparency in reporting the allocation of the 6 Million dollars Trump raised for veterans in Iowa. An initial investigation after the fundraiser indicated that less than half of the money had been awarded to charities. Similarly, despite the way private foundations typically collect and spend their dollars, we see that Donald Trump has not donated to his own foundation since 2008. Since 2008, he has been soliciting donations from other foundations and donating those dollars rather than making any personal contributions. More transparency in the way the Trump Foundation collects and uses its money could help citizens have a more discerning view of the President the way that he conducts business.

6. Last but certainly not least, this case study gives us an opportunity to explore the ethical failures of our leaders. Clearly there have been huge ethical failures on the part of our President, but still he manages to garner a huge amount of support from his constituents. What does this say about the moral fiber of our citizens? How much is too much when it comes to unethical leadership?

Outcomes

After taking a look at this (un)ethical case study, we hope you have a better understanding of the different types of foundations, the need for transparency in foundation reporting, the danger of self-dealing transactions and the illegality of spending private foundation funds on political campaigns. Another key learning objective is to have a powerful and diverse board (not from the same family like in the case of the Trump foundation) to ensure compliance with the law and prevent abuse of power through the use of the organization.

Video

We found two videos that related well to the case study. The first video is a parody from the Colbert Report and the second video nicely synthesizes the facts of the case and some of the ethical issues involved.

<https://www.youtube.com/watch?v=kju-RBcUkWk>

https://www.youtube.com/watch?v=K_RZj98mFME

Description

The Trump Foundation is a controversial foundation that has participated in activities that break the law set forth for foundations and brings to light many ethical concerns. The foundation came under scrutiny during Donald Trump's presidential campaign.

In 2016, the integrity of the Trump Foundation was called into question after several articles were published reporting some serious ethical concerns with the distribution of foundation funds. We also saw articles reporting the Donald Trump hadn't made a contribution to his own foundation since 2008 and that he was not nearly as generous as his public persona indicated.

The foundation was further investigated after Donald Trump skipped a debate during the 2016 presidential campaign and held his own charity event in Iowa to fundraise for veterans. Trump publicly announced that the event had raised 6 million dollars. However, when The Washington Post investigated the allocation of funds, it found that less than half of that 6 million dollars had actually been awarded to the charities Trump had listed as recipients. Many charities confirmed that there was a huge lag in the funds that were promised and that they only received donations after Trump was questioned by the media. He used his personal foundation to hold on to those funds and to boost his political persona. After the charity event, awarding money from his personal foundation became the centerpiece of his political campaign. His campaign manager, Corey Lewandowski, was directing the foundation expenditures. Allowing the campaign to control the spending, timing, and granting of the foundation's charitable funds represented coordination between the two entities. This makes us wonder where the rest of the money raised went? Why did it take Trump so long to hand the funds over to charities? Why was his campaign manager in charge of distributing personal foundation dollars? And why was he using the activities of his personal foundation to boost his political reputation?

Shortly thereafter, the foundation was accused of engaging in several instances of inappropriate self-dealing transactions. Among them was the use of charity funds to settle personal legal issues. And later that year, the Trump Foundation was ordered to stop soliciting donations by the Attorney General of New York because it hadn't registered with the state as a charity. Because it had not registered with the state, it had been able to avoid the types of audits that would have asked whether or not the foundation had been using its money to personally benefit Mr. Trump.

Finally, the attorney general's office of New York state on June 14th 2018, filed a lawsuit against the Trump foundation accusing the foundation of violating the law through self dealings.

Examples of self dealings include

- A quarter of a million dollars of the foundation's money that was spent settling legal disputes for Trump's for profit businesses (Mar-a-Lago Club flag poll dilemma) (Greenberg golfing prize dilemma) In both of these cases Trump settled and made a donation to a charity of their choice through the Trump Foundation.
- Trump also used ten thousand dollars from the charity to purchase a large portrait of himself that he used to decorate one of his restaurants.
- Money from the Trump Foundation was also used to buy an ad for Trump Hotels in the program of a charity gala. Even though the money went towards a charity, the ad should have been purchased by the Trump Hotels, not with charitable foundation dollars.

The attorney general also made claims of the Trump Foundation participating in campaign finances which as a foundation is illegal.

- The foundation gave \$25,000 to a political group supporting Florida Attorney General Pam Bondi. That gift was made about the same time that Bondi's office was considering whether to investigate fraud allegations against Trump University. It didn't. (Trump paid a \$2,500 penalty tax and reimbursed the Trump Foundation for the \$25,000 donation)
- The foundation was also used to "curry political favor." During Trump's 2016 presidential campaign, Corey Lewandowski, Trump's campaign manager was directing foundation expenditures. It is illegal for foundations to play a role in political campaigns

Lastly the attorney general criticizes the board's inability to uphold their fiduciary duties. A lot of these self dealing transactions should have raised concerns for the board. It is their obligation as board members to ensure ethical adherence to the law.

The attorney general in filing this motion wishes to see the Trump Foundation dissolved and to bar president Trump for serving as a director, officer or trustee of any other non-profit for ten years. The attorney general's office is also attempting to bar the board from serving on any authorized non profit within New York state. Lastly the AG (Attorney General) is seeking \$2.8 million in restitution on top of possible several million dollars in penalties depending on how the court rules.

These accusations and negative press have pushed Donald Trump to say he is voluntarily dissolving the organization. Although this is something the attorney general's office will not allow since it is still under investigation.

Questions

1. Between the controversy that has arisen in both the Donald Trump and Hillary Clinton Foundations, do you think that it is problematic for politicians to also run charities? Is

there an inherent conflict of interest? Are there too many opportunities for fraudulent behavior?

2. Donald Trump is the archetypal business man. Are the values different enough between the private sector and nonprofit sector that it can become dangerous to approach the running of nonprofit organizations from a predominately business/ profit seeking mindset?
3. There is a clear lack of board oversight in this case study. How can we ensure that boards of private family foundations are diverse and active enough to provide meaningful and effective oversight?
4. Does this particular abuse of foundation funds put the reputation of foundations in general at risk?
5. Should private family foundations (or all foundations) be required to increase transparency via more regular reporting? Would that accountability help prevent unethical behavior and keep charities more accountable?
6. We often look to leaders as an example of ethical standards. What happens when the leader of the highest office of our government continues to behave unethically? How does that impact the way we view leadership, the way we trust the judgement of our government, and our faith in the democratic process?
7. Much of the investigative work surrounding the Trump Foundation came from David Fahrenthold of the Washington Post. He eventually won a Pulitzer Prize for the series of articles he published about the Trump Foundation. What role should the press take in policing nonprofit organizations? Whose duty is it to inform the public of unethical behavior?

Resources

Below are a variety of articles relating to the Trump Foundation, the investigation of the Trump family, and the ongoing lawsuit.

<https://www.nytimes.com/2018/06/14/nyregion/trump-foundation-lawsuit-attorney-general.html>

https://www.washingtonpost.com/news/fact-checker/wp/2018/06/27/foundation-face-off-the-trump-foundation-versus-the-clinton-foundation/?noredirect=on&utm_term=.4a1d1c15758b

<http://fortune.com/2018/06/14/trump-foundation-violating-charity-law/>

https://www.washingtonpost.com/news/the-fix/wp/2018/06/14/the-president-of-the-united-states-was-just-accused-of-widespread-charity-fraud/?utm_term=.0728c25d006d

<https://www.nytimes.com/2018/06/14/nyregion/attorney-general-trump-lawsuit.html>

<https://www.nbcnews.com/news/us-news/donald-trump-shutting-down-his-charitable-foundation-n822636>

<https://www.forbes.com/sites/teresaghilarducci/2018/06/15/what-you-need-to-know-about-trumps-charity/#403f7fcb70f3>

<https://www.pulitzer.org/winners/david-farenthold>