

The Donald J. Trump Foundation: Morally Bankrupt Leadership

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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



We will address the illegal use of foundation funds and the ethical implications surrounding a lack in transparency in foundation reporting



Our case study will also enhance our understanding of several topics relevant to class including foundation transparency, self-dealing transactions, board oversight, and unethical leadership

VIDEO



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



Facts

During Donald Trump's presidential campaign, his private family foundation came under severe scrutiny. David A. Fahrenthold, a reporter for the Washington Post, conducted an in-depth investigation and reported a series of harsh articles in 2016 and 2017. He painted a portrait of Trump as an ungenerous donor and an irresponsible leader of the foundation. He was eventually awarded the Pulitzer Prize for National Reporting for his work on a series of articles outlining the unethical and sometimes illegal behavior of Donald Trump



Facts: Continued

In 2016, the same year Fahrenthold started publishing these articles, the Trump Foundation was asked by the Attorney General's office to stop soliciting donations. It turns out the foundation was not registered as a charity. On top of this registration error, several concerning incidents of self-dealing transactions came to light. These include the purchase of a \$10,000 Trump self-portrait with foundation funds, using foundation funds to pay for legal settlements relating to his for-profit businesses, and the manipulation of public sentiment for political purposes using his charity. Finally, with enough evidence, the New York Attorney General launched a suit against the Trump Foundation and members of the Trump family. The suit is ongoing.

Compliance

Self Dealing Transactions

- Use of foundation money to settle legal disputes surrounding Trump's businesses
- Use of foundation money to purchase art for Trump's business
- Use of foundation money to purchase an ad for Trump Hotels

Illegal use of charitable dollars to support political campaigns

- The Trump Foundation donated \$25,000 to a political group supporting Florida Attorney General Pam Bondi. It is illegal for foundations to support political candidates.
- 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. Allowing the campaign to control the spending, timing, and granting of the foundation's charitable funds represented coordination between the two entities

Failure of the Board to fulfill Fiduciary Duties

- The Board hadn't met since 1999 and had been neglecting its duty to oversee the foundation

Individual Responsibility

The individuals at fault for this unethical behavior are Donald Trump and his children, Ivanka, Eric, and Donald Jr. (All of whom are specifically named on the Attorney General's lawsuit)

- Donald Trump used the foundation to further his political agenda
- Donald Trump spent money from the foundation to cover his for-profit business expenses

Organizational Responsibility

- **The Board of the Trump Foundation was not regularly meeting and did nothing to prevent the misuse of funds and self dealing transactions**
- **The Trump Foundation failed to register as a charity and was not transparently reporting its finances**
- **The appointment of power over a non-profit should be considerate and free from any hidden agendas (Trump appointed his campaign manager as the person in charge of handling the foundations finances. The manager then coordinated charitable donations with rallies in order to advance their platform)**

Systemic Responsibility

Trump's perception of entitlement and the way he self promotes to the public plays a huge role in this case study. Trump has yet to feel the repercussions of his actions and continues to behave unethically. Has the system allowed him to see himself as an individual above the law?

The culture of corruption is evident in this case study. Donald Trump has paid off people to stop investigating him and he has attacked news outlets reporting on his foundation's scandal all in an effort to keep the illusion of a well run charity.

Whose responsibility is it to police foundations? Is it the media? The public? The government? It's difficult to tell where accountability lands.

Stakeholders Analysis

A consequence of this case for the nonprofit community and its stakeholders is that the mismanagement of funds in the Trump Foundation could erode trust in the sector as a whole

For voters, it's dangerous when political agendas get mixed up with charity agendas. This bleeding of Trump's political agenda into his private foundation can divide constituents, inaccurately influence voters, and distract from the charitable purpose of the foundation

Since much of the Trump Foundation's money came from other donors, those donors had a stake in ensuring the funds were used for the charitable mission.

And since the President is involved, every citizen is a stakeholder when it comes to his behavior. What does this lack of ethical standards say about our current administration?

Alternative Solutions

Prevention

Having a diverse and active board could have prevented this situation. A good board will help ensure compliance with the law and intervene when there are blatant abuses of power

Transparency in reporting could have also been helpful in identifying self dealing transactions and inappropriate uses of foundation funds early on

Remedy

The lawsuit outlines a clear remedy for the situation, which states that Donald Trump cannot be a part of any non-profit executive position for 10 years and must pay \$2.8 million in restitution



Questions

1. 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. Can it become dangerous to approach the running of nonprofit organizations from a predominately business/profit seeking mindset?
3. 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. How does this situation impact the way we view leadership, the way we trust the judgement of our government, and our faith in the democratic process?
7. What role should the press take in policing nonprofit organizations? Whose duty is it to inform the public of unethical behavior?

References

The Attorney General's guide for Charities

https://oag.ca.gov/sites/all/files/agweb/pdfs/charities/publications/guide_for_charities.pdf

List of resources for nonprofit organizations

<https://neolawgroup.com/>