

Executive Director Molly Schultz Hafid participated in a panel discussion on Trust-Based Philanthropy at the semi-annual [Lehigh Valley Community Foundation](#) Board of Affiliates meeting. Below are edited excerpts of the conversation.

LCVF: Molly, where did [Trust-Based Philanthropy \(TBP\)](#) come from? What are the roots of this framework? And why did it come about?

I want to flip this question on its head a bit. I think it's helpful to ask ourselves when we stopped trusting the community and started developing the structures and systems we have to "assess/evaluate/decide" who we fund.

At my first job in philanthropy back in 1999, I worked for a foundation with a community funding board. A group of community leaders made the allocation decisions. From that early experience, I saw the rigor and creativity community leaders bring to understanding their community and allocating precious funder dollars to community-identified priorities.

My next foundation job included working with cross-class, multi-generational giving circles. They would often spend the first part of their time together, "doing the homework" and learning about the issues and organizations – before they ever reached out about giving funds. Once they had researched and narrowed their list, they would often simply contribute the funds – no application, no strings attached.

Finally, I teach a class on philanthropy at New York University's Robert F. Wagner School. We start by exploring the development of institutional philanthropy in the U.S. I think it's important to remember that the modern foundation, community foundations, donor-advised funds, and charitable deductions started in the early 20th century during another era of extreme income inequality. It was a grand bargain that encouraged giving and reduced tax obligations on America's wealthiest.

We've evolved a lot from that time, and I think that TBP as a philanthropic reform movement is rooted in longstanding giving practices (before institutional philanthropy as we know it) and part of an emerging 21st-century response to another era of extreme haves and have-nots. It's time to ask if we can rely on the benevolence of our sector to accurately identify the most pressing problems and fund the most ambitious and creative community-led solutions.

When we think about how to reshape the rules or shift towards more trust-based practices, I think it's helpful to remember that the IRS advises private foundations, donor-advised funds, and donors to:

- 1) *"Verify the nonprofit's eligibility to receive a tax-deductible charitable contribution."* For most grant circumstances, that simply means confirming the 501(c)(3) status of the organization receiving the grant.
- 2) *"Determine if the nonprofit is a supporting organization. If it is, determine what type."* A supporting organization is a charity established to provide support to another charity. This is not a significant concern for most funders because we don't routinely fund supporting organizations.
- 3) *"Confirm that the recipient does not appear on the OFAC [Office of Foreign Assets Control] list of organizations and persons linked to terrorism (p. 3)."* This rule was added

with the passage of the USA PATRIOT act and applies to a narrow category of prospective grantees. For making grants where this is a possibility, the OFAC at the U.S. Department of the Treasury maintains lists of individuals and organizations whose assets have been frozen because of suspected ties to terrorism; such persons and entities are identified as Specially Designated Nationals (SDNs).

That's it.

We're not required to:

- Collect grant applications,
- request budgets,
- do site visits, or
- ask for regular (monthly, quarterly, semi-annual or annual) reports.

In other words, we made these practices, and we can change them.

So back to your question about the origins of TBP, I would argue we've practiced it longer than we've had a name for it, and our current approaches to philanthropy are a much more modern invention. With that in mind, it's important to recognize the visionary leadership of [The Whitman Institute](#) (TWI), who, in 2014, as they were planning their spending down, set their sights on how to shift practices in the sector. The request had been made by their grantees, who asked TWI to find ways to encourage more funders to be better grantee partners. By 2018, [Robert Sterling Clark Foundation](#), [Headwaters Foundation](#), [General Service Foundation](#), [Durfee Foundation](#), and [Satterberg Foundation](#) had all come together to launch the Trust-Based Philanthropy Project.

Following the national racial justice reckoning made visible and given momentum by the murder of George Floyd, the global pandemic, and the increased frequency of major natural disasters, many foundations, high-net-wealth individuals, and companies are committing additional funds and exploring how to change their practices - this has given enormous momentum to a way of thinking and a set of practices that often fall under the umbrella of trust-based philanthropy.

LCVF: What is the antidote to lack of trust? (i.e., If all philanthropists were utilizing trust-based philanthropy, what would this look like?)

The most compelling antidote to a lack of trust is recognizing community leaders' wisdom and leadership. TBP calls on us to rebalance the inputs we apply to our grantmaking. For decades, funders have relied on all forms of expertise to inform our grantmaking - academics, legal, policy experts, and professional grantmaking staff - EXCEPT for grassroots and community leaders. We've never really tried trusting community leaders at scale. What would it look like?

If Mackenzie Scott can give away more than three billion without applications, budgets, and onerous due diligence, might we be able to be bolder and braver in how we give and who we trust?

LCVF: What are some common criticisms of trust-based philanthropy, and what are your responses?

Two common critiques I've heard are:

1) *We can't just "trust" groups unconditionally.* Back to my opening remarks, we've given freely to those in need – without condition or burdensome vetting for the bulk of our collective charitable lives. What if we started from the place of assuming that the leaders in our communities are good people, doing necessary work to the best of their abilities given limited resources and overwhelming need? We could start by simplifying and expediting our funding, so community leaders could spend more time advancing their critical missions – rather than completing our burdensome forms.

2) *What if we trust a group and they don't do what we expected, or something bad happens?*

Here's the thing, bad things happen to good groups doing great work.

It isn't our administrative processes that make or break the success of our grantees. As the pandemic taught us, many environmental, political, and economic factors impact our grantees' ability to succeed with their work. We're one small drop in an organization's funding bucket, and our grantees are one small raft on a river of raging currents.

What if, instead of trying to control all aspects of our process to hedge against the unknown, we gave our grantees more time for their work, flexibility to adapt to changing circumstances, and longer-term funding, which would allow them to invest in their resiliency?

LCVF: What are a few steps that people can take to start integrating a Trust Based approach in their philanthropy?

1) I would start by learning more about the [six grantmaking practices for Trust-Based Philanthropy](#). In my experience, some will be easier and can be accomplished by simple internal/staff decisions. Others may take more time and ongoing conversation with your family, donors, clients, or other partners in your work. This is a marathon and not a sprint. What's exciting is that, at this point, a community of folks is trying to figure out how to bring more trust into their work. The Trust-Based Philanthropy Project is a great resource. There are guides, webinars, podcasts, a listserv, and more.

2) I also think it helps to make your intentions known. Talk to the wonderful partners at LVCF and let them know you're thinking about this and want to know where to start. Connect with existing grantees who know you well and whom you've already committed to supporting – see if they have time for coffee and ask their thoughts on how you could simplify and streamline your practices.

3) Set a goal – Start by adding an optional question on our application asking groups how long it took them to complete our process and use this data as a baseline. Then revise your process the following year, and ask the same question to see if you are succeeding. Having a baseline to measure our work is a great way to focus our attention and efforts.