

The Basics
of an

Organized Corporate Giving Program



Council of Michigan Foundations

An organized corporate giving program:

- Supports marketing programs by strengthening corporate reputation, brand recognition and customer loyalty
- Improves retention and recruitment of employees
- Increases positive media attention
- Enhances public relations activities
- Provides for long-term benefits to the community and business environment

About

the

Council of Michigan Foundations

The **Council of Michigan Foundations** is a state association of more than 435 private, community and corporate foundations and corporate giving programs which make grants for charitable purposes. CMF encourages the growth and development of corporate giving programs throughout Michigan by providing direct services to companies of all sizes. While CMF's primary mission is to assist members to improve and increase philanthropy in Michigan, we also offer publications and educational programs to assist individuals and nonprofit organizations in learning more about Michigan's grantmaking community.

Company Sponsored Foundations and Corporate Giving Programs
from *The Michigan Foundation Directory, 11th edition, March 1999.*

A.M. Todd Company Foundation
Ameritech
Amway Corporation
ANR Foundation
ANR Pipeline Company
Batts Foundation, Inc.
Blue Cross Blue Shield of Michigan Foundation
Blue Cross Blue Shield of Michigan
The Borman Fund
The Budd Company
Citizens Bank
Citizens Bank-Flint
Comerica Foundation
Comerica Incorporated
Consumers Energy Company
Consumers Energy Foundation
DaimlerChrysler Corporation
DaimlerChrysler Corporation Fund
Delta Dental Fund
Detroit Edison
Detroit Edison Foundation
Detroit Lions, Inc.
Dickinson Wright PLLC
Domino's Foundation
The Dow Chemical Company Foundation
Dow Corning Corporation
Dow Corning Foundation
The DSLT Foundation
Erb Foundation
Fabri-Kal Foundation
Federal-Mogul Corporation Charitable Trust
Federal-Mogul Corporation
First Michigan Bank-Grand Rapids
Flint Ink Foundation
Ford Motor Company
Ford Motor Company Fund
Gannett Foundation/The Detroit News
General Motors Corporation
General Motors Foundation
The Gerber Foundation
Louis Glick Memorial & Charitable Trust
Great Lakes Castings Corporation Foundation
Great Lakes National Bank
GTE Telephone Operations
Hammond Foundation
Herman Miller, Inc.
Hudson's
Jacobson Stores Foundation
JSJ Corporation
JSJ Foundation
Kellogg Company
Kellogg Company 25-Year Employees' Fund, Inc.
Kellogg's Corporate Citizenship Fund
Kelly Services, Inc. Foundation
KeyBank
Kmart Family Foundation
Kowalski Sausage Co. Charitable Trust
La-Z-Boy Foundation
Lacks Enterprises, Inc.
Masco Corporation
Masco Corporation Charitable Trust
Mazda Foundation (USA), Inc.
Mervyn's
Michigan Automotive Compressor, Inc.
Michigan Consolidated Gas Company
MichCon Foundation
Michigan National Corporation
Miller, Canfield, Paddock & Stone, P.L.C.
Monroe Auto Equipment Company Foundation
Munder Capital Management
NBD Bank Charitable Trust
NBD Bank-Flint Region
National City Bank of Michigan/Illinois
Old Kent Foundation
Pharmacia & Upjohn
Pharmacia & Upjohn Foundation
Pro Therapy of America, Inc.
R & B Machine Tool Company
Edward F. Redies Foundation, Inc.
The Robideau Foundation, Inc.
Solid Waste Management Foundation
SPX Foundation
Standard Products Co. Charitable Foundation
Steelcase Foundation
The Stroh Foundation
Varnum, Riddering, Schmidt & Howlett LLP
Volkswagen of America, Inc.
Walbro Charitable Trust
Whirlpool Foundation
Wolverine World Wide Foundation
Robert and Patricia Wynalda Foundation

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Responding to community requests

A designated contact for the community



A designated office to coordinate the response to solicitations can reduce time and effort in funding, and eliminate internal and external confusion. Many departments within a corporation have the potential to be solicited for support by nonprofit organizations. Without an effective giving program to channel requests to a single site for documentation, decision-making and responses, requests could be made over the phone and through the mail to a variety of offices. These may include the offices of the chief executive officer, the financial officer, the sales and marketing departments, human resources and the communications staff.

At some corporations one individual—generally the CEO or a senior officer—assumes the job of the “giving officer” and makes all funding decisions. At others, a committee of officers meets on a regular basis to review and determine whether to approve or deny requests. Many corporations have effective programs that include a variety of corporate personnel to review giving and provide expert guidance. For instance, companies with multi-plant sites often develop subsidiary giving

committees at those locations. Such committees act with direction from headquarters and make decisions based on direct knowledge of community needs and effective local nonprofit leadership.

Surveys conducted by The Conference Board and the Council on Foundations emphasize the CEO’s impact on giving budgets and distribution. Whether or not the CEO holds the ultimate responsibility for the management of the giving program, his or her commitment is absolutely vital to its success—for it is the CEO who makes the initial decision to allocate resources and establish major policies.

If the CEO delegates the authority and responsibility of the giving program to someone else, that person must have the full support and backing of the chief executive. The delegate, in turn, must be able to establish an organizational structure for the giving program, leverage the company’s contribution for the greatest community impact, and identify and effectively work with community resources that complement the company’s program.

“Through the foundation we can complement, expand and promote the goals of the company and leverage the leadership of senior management.”

—Harriet Ivey
Fannie Mae

“Investing in human capital is a way we’re showing leadership at Chrysler.”

—W. Frank Fountain,
President, DaimlerChrysler
Corporation Fund &
Vice President-Government
Affairs, DaimlerChrysler
Corporation

Establishing a giving policy



"Our commitment to solutions-oriented innovation requires that we go beyond simple checkbook philanthropy. We are working hand in hand with public and nonprofit organizations to design technology solutions that address specific problems. This kind of partnerships requires our grantee organizations to make significant commitments to us—to go beyond business-as-usual, to set clear benchmarks and to focus on measurable results."

—Louis V. Gerstner, Jr.
Chairman and CEO, IBM

Once the corporate giving officer is identified, attention should focus on establishing a giving policy. With a clear written policy in place, personnel can assess the ability of corporate gifts to meet corporate goals and recommend decisions. A written giving policy also helps to sustain commitment to the program even in times of corporate change.

Immediate benefits of a giving policy are:

- to help organize and direct the requests a company receives.
- to determine trends and patterns of requests and to assess them using the criteria of short- and long-range corporate goals.
- to strengthen management training for those involved in the contributions program. Those individuals become more aware of the corporation's chosen and perceived role in its community.

In addition, a policy can prevent well-intentioned, but misguided, corporate funding of an inappropriate organization, effort, or gifts that may be ineligible or illegal according to IRS regulations. A giving policy should include the following elements:

- **A statement of philosophy** summarizing the corporation's mission and its intended company resources. Resources can include money, in-kind services such as products and services produced, employees' volunteer efforts, matching or challenge grants, the use of

corporate facilities, and loaned executives or employees.

- **Goals and objectives** identifying the results to be achieved with company resources. Regardless of where you focus your giving program, it should complement the corporate culture and business interests of the company. Enlightened self-interest tells the concerned corporation that for the good of its own business, it should be as helpful as possible in its own community, in keeping with its own interests.

Questions corporations may ask include:

- What causes do our customers care about?
- What causes do our staff care about?
- What are our competitors supporting?
- Can we differentiate ourselves from the competition?
- What causes are relevant to our business?
- What causes have both community and national implications?

While program goals are often tailored to a company and community, they usually fall into certain broad categories, including education, arts, health, youth, the environment, and minorities. For example, some companies need employees with specific technical skills. To insure a future supply of qualified employees, the corporation supports

training programs or higher education that will produce a consistent pool of potential workers. If a corporation relies on a specific natural resource for its operations, it may instigate or support programs protecting or increasing that resource.

•**Guidelines** setting limits on company support. These can be programmatic or geographic, and may specify fund amounts. Some corporations are very specific about organizations that are ineligible for support. Multi-year pledges, gifts to endowments, the purchase of advertising space or tickets to special events, and gifts to individuals are frequent exclusions.

A giving policy is often a general statement backed by specific guidelines. For example: “Company X is committed to maintaining and improving the quality of life in those cities where it has business operations through donations to nonprofit organizations.”

This general statement is supported by guidelines, such as:

- “We review only those requests submitted in writing and will not consider requests made by phone.”
- “We provide support only to agencies designated as 501(c)(3) by the Internal Revenue Service.”
- “We make contributions only in those states (cities) where our employees work and live.”
- “We do not make contributions to individuals.”

Although guidelines should be structured, they should also be flexible enough to meet emergencies. If a natural disaster strikes locally, help through the sharing of company resources may do more for a company’s standing in the community than a year’s worth of planned public relation activities.

Internal procedures assure that all corporate personnel know and use the giving policy and guidelines. A typical statement would be:

“The Corporate Giving Office handles all request’s for support from nonprofit organizations. All departments should immediately forward any such requests to that office.”

•The **application process** also needs to be described. Most programs require that the applicant submit a brief proposal (often in the form of a letter) accompanied by supporting documentation, i.e. the organization’s audited budget for the previous fiscal year, a list of the board of directors, and a copy of the Internal Revenue Service’s letter of nonprofit determination.

The Council of Michigan Foundations has developed a *Common Grant Application Form* that helps to facilitate the application process for grantmakers and grantseekers. To obtain the *Common Grant* form and add your company to the list of grant-makers accepting the form, contact CMF.

A well-directed giving program can help a corporation create good will and respect even among those who do not receive funds. While a company need not explain its decisions in any detail, it is common to respond in writing to any personalized letter of request. Many corporations use form letters to explain their decisions not to fund an organization or program. Pre-printed postcards or computer templates also can be helpful in efficiently communicating concerns to potential grantees.

It is common practice to send a grant award letter/agreement form prior to any grant payments. This correspondence stipulates when the grant will be paid, how the funds should be used, and outlines a reporting procedure that will inform the grantmaker about the progress made toward accomplishing the purpose of the grant.

“Demonstrating to top management that corporate support programs are strategic and build value is important whether you have a foundation, direct giving program or both.”

—Robert Wilson
Pfizer

“We believe in the idea of giving special consideration to charitable contribution requests from our employees. Not only does this encourage and recognize their volunteering, but their involvement with an organization helps assure our money is well spent.”

—Jerry Ring,
Director, Global contributions
The Dow Chemical Company

What is the ratio of giving?

The most common approach in determining how much to give is for the giving officer to develop an annual giving budget, formulated as part of the overall corporate financial plan. This process has the advantage of allowing flexibility based on annual profitability.

Some corporations, however, prefer to base their giving on a percentage of pre-tax profits. In most companies, this figure ranges from .05 percent to 3 percent. Others operate based on historical giving patterns (usually over a three-year period) with adjustments for profitability.

"Percent clubs" all over the country are encouraging corporations to raise their level of giving. With membership comprised solely of businesses, most clubs seek a 2 percent commitment of pre-tax income. Minneapolis boasts a "5 percent" club. Most popular among the smaller companies who are just beginning their contributions programs are "1 percent" clubs.

Self dealing—a special concern

The very existence of the company foundation generates a benefit to the related company; a company foundation functions in many ways as an alter ego of its parent company. The company foundation naturally has some element of corporate self-interest attached to it. The distinction between self-dealing and self-interest is subject to interpretation, but tax rules and IRS private letter rulings must be followed:

- The Tax Reform Act of 1969 precludes private foundations from engaging in various transactions with persons closely associated with the foundation, referred to as "disqualified persons."
- Company foundations are almost always private foundations and so are subject to this clause.

•The sponsoring company of the internal foundation is considered to be a disqualified person, as are the company's officers, directors, and employees, and their families.

The statutory definition of self-dealing is broad and includes the following:

- sale, exchange, or lease of property;
- lending of money or other extension of credit;
- furnishing of goods, services, or facilities;
- payment of compensation or expenses by the foundation to a disqualified person;
- transfer or use of the foundation's income or assets by, or for the benefit of, a disqualified person; and
- payments to government officials.

Funding options used by corporations

Corporations usually chose one or more of the following methods to make their contributions.

•**Corporate giving program**—An annual corporate giving budget as part of the overall corporate financial plan is the most common form. It has the advantage of allowing flexibility based on quarterly, semi-annually or annual profitability and can be adjusted according to those figures.

•Some corporations offer a **matching gift program** for employees and/or retirees with limits set by the company on the level of the match and types of

qualified organizations. A matching gift program is both an employee benefit and a stimulus to personal philanthropy and involvement.

Next Steps:

We suggest reviewing our publication, *The Corporate Matching Gift Manual*, which includes contact information and sample guidelines used by corporations. Contact CMF to order.

•A **company-sponsored foundation** is an independent nonprofit tax-exempt private foundation receiving its funding from the corporation in keeping with IRS regulations. Its board of trustees approves all grants and maintains all

public reporting and filing requirements. Officers of the company may serve as the trustees of the foundation. Among the advantages of a foundation are the stability of funds intended for charitable purposes and the ability to make multi-year pledges based on that stability. Gifts to company foundations, however, cannot revert to the company's control.

Next Steps:

Establishing a Charitable Foundation in Michigan, a loose-leaf binder that explains the laws and regulations, also contains sample forms necessary to create and maintain a charitable foundation. The handbook may be borrowed or purchased from CMF.

Options for corporate funding programs exist within **community foundations** as well. A company that uses a community foundation for its giving makes a tax-deductible gift to the foundation and either designates it for a specific purpose or recipient, or allows the foundation to make the selection. Every county in Michigan is served by a community foundation. (*Contact the Council of Michigan Foundations for a listing.*)

A variety of funds may be established at a community foundation in the name of a company, employee or valued customer, such as:

•**Unrestricted Funds**—these funds offer the most flexibility to the community foundation in supporting community needs. The corporation will receive reports, but has no direct involvement.

•**Field of Interest Funds**—a field of interest fund is targeted at an issue, such as education, economic development, the arts, the environment, and health. A company may want to consider starting or supporting this type of fund based on its

own priorities or collaborate with other businesses to create a common fund, such as an economic development fund. These funds often have an advisory committee with corporate representation that makes recommendations to the foundation board.

•**Geographic Field of Interest Funds**—companies may want to establish a fund to serve a particular community in which a business facility is located.

•**Donor Designated Funds**—a specific charity or several charities can be named as recipients of a fund, with annual support in a fixed amount or a percentage of available income. Should the designated charity cease to exist, or should its mission be changed, the foundation would locate another organization(s) that matches the original intent of the corporate donor.

•**Donor-Advised Funds**—one of the most popular funds is the advised fund that allows for participation by the donor. By law, the foundation is required to retain the ultimate authority for fund distributions. However, donors may make recommendations on the recipients of the grants.

•**Scholarships**—the Internal Revenue Service has specific rules governing the eligibility of employees and their relatives, and advance approval must be received from the IRS prior to making grants to individuals. Scholarships may be for any level of education. Schools may be specified and/or field of study may be designated. The foundation will appoint a selection committee or work with the school to determine recipients. The company and its employees can establish scholarship criteria, and the foundation assumes all of the administrative work.

"What's nice about working with the community foundation are the options and flexibility available to you. I started my fund with an amount that was within my reach. I'll add to it gradually, and someday it will be one of those bigger funds."

—Mark Ransom
Donor, Kalamazoo Tire
Brokers Fund of the
Kalamazoo Foundation

"At Hudson's communicating with the guest is an important component of our community giving process. Through publications created specifically for our loyal customer, marketing to the general public, and keeping our employees involved and informed, we seize every opportunity to share information. Why we give, what we give and the results of our giving are key messages that define our relationship with Hudson's guest."
—Susan Kelly, Manager-Community Relations
Hudson's

Next Steps:

Businesses Partnering with Community Foundations: Options for planning, written for the Council of Michigan Foundations by Vickie G. Langkam, former executive director of Pharmacia & Upjohn Foundation, looks into why more companies are recognizing the options for charitable giving offered by community foundations. Several existing partnerships are highlighted. Contact CMF for a complimentary copy.

•A **Clifford trust** enables a corporation to turn over some of its assets to a trust which distributes all earned income to charitable organizations. After the trust has been in existence for ten years and a day, the gift establishing the trust automatically returns to the corporation.

All options for your giving program should be discussed with the corporation's legal and financial counselors to determine the best approach to giving.

Communicating your giving



As soon as the giving policy is in place, communication about the newly established program should begin.

Provide all employees with any new policies or guidelines prior to, or simultaneous with, a public announcement. By letting all employees and retirees learn of the program through an internal memo or newsletter before a public announcement, the corporation creates a sense of unified purpose. When employees understand and support the giving policy, they can encourage the right kinds of applicants and discourage inappropriate submissions.

At the same time, notify significant community and industry leaders with a personal letter from the CEO. Use this opportunity to establish your leadership and progressive management policies as standards to be admired and emulated.

A separate pamphlet explaining the program and its guidelines can accompany this announcement and is useful for responses to interested nonprofit organizations throughout the fiscal year.

A press release announcing the new program or foundation also may announce

an initial leadership gift meant as an example of the types of giving the corporation expects to make. This type of corporate good news is a positive reflection of the corporation's values and beliefs in action. While it may draw a brief flurry of applications from hopeful nonprofits, those contacts are an opportunity to communicate and reinforce the new giving policy.

Nearly all publicly owned corporations produce special reports on their annual giving, demonstrating their responsible management of available contributions funds. A privately owned company is not obligated to report this information, but can gain recognition and goodwill for its efforts by announcing grants made by the corporation.

Building the company's image is a legitimate and desirable goal, but the real payoff to management is the increased leverage the corporation gains in ensuring the continued health of the community.

Next Steps:

Contact CMF to obtain a loan copy of our publication, *Media Matters: Informing the public on the impact of grantmaking in Michigan*, to use as a tool in the work that you and your grantees do with the media, policy makers and the public.