Corporate Foundations
Funding, Staffing, and Governance FAQs
Corporate foundations—funding, staffing, & governance FAQs

Corporate foundations—501(c)(3) charitable organizations created by for-profit firms for the benefit of some subsets of their stakeholders—are mechanisms used by companies to execute corporate giving strategies. Many members of the Boston College Center for Corporate Citizenship leverage corporate foundations to distribute charitable dollars to nonprofit organizations around the world. With more than 430 corporate members, the Center’s membership team fields dozens of inquiries a year about corporate foundation funding, staffing, and governance. Below are answers to commonly asked questions about corporate foundations.

To understand the differences between corporate giving functions, corporate foundations, and donor-advised funds, and determine which giving vehicle is the best fit for your firm, check out the Center’s brief: Comparing Corporate Giving Structures.

2. How does the IRS classify corporate foundations?
The IRS assigns 501(c)(3) organizations into two classes: private foundations and public charities. Private foundations typically have a single major source of funding—usually gifts from one family or corporation rather than funding from many sources—and most have as their primary activity the making of grants to other charitable organizations and to individuals, rather than the direct operation of charitable programs. In contrast, organizations that are classified as public charities are those that:

- are churches, hospitals, qualified medical research organizations affiliated with hospitals, schools, colleges, and universities,
- have an active program of fundraising and receive contributions from many sources, including the general public, governmental agencies, corporations, private foundations, or other public charities,
- receive income from the conduct of activities in furtherance of the organization’s exempt purposes, or
- actively function in a supporting relationship to one or more existing public charities.

Generally, companies are more likely to establish private foundations as opposed to public charities, as they are the sole or primary funders.

3. How common are corporate foundations?
Many companies use foundations to execute corporate giving strategy. According Center research, roughly half (49 percent) of the surveyed companies have a foundation and 2 percent were in the process of establishing a foundation when the survey was fielded.
4. How can a business benefit from a corporate foundation without self-dealing or creating conflicts of interest?

In order to maintain its nonprofit status, a corporate foundation should only engage primarily in activities that accomplish exempt purposes outlined in section 501(c)(3) of the Internal Revenue Code, which include charitable, religious, educational, scientific, literary, testing for public safety, fostering national or international amateur sports competition, and preventing cruelty to children or animals. According to the IRS, a corporate foundation must ensure that its earnings do not benefit any private shareholder or individual.

Though corporate foundations cannot operate for the benefit of private interests, they can improve a business’ operating context. For example, a corporate foundation’s funding and programming may improve personal, social, environmental, and economic health in a headquarters community. In turn, the improved conditions can positively influence the business’ workforce and talent pipeline, access to markets, and reputation. In order to avoid appearances of impropriety, many corporate foundations publish information regarding their independence.

For example, the Texas Instruments Foundation mission statement emphasizes the positive outcomes for TI’s communities as a result of the foundation’s work. “The Texas Instruments Foundation, founded in 1964, is a nonprofit organization providing philanthropic support for educational and charitable purposes primarily in the communities where TI operates. While its primary focus is one providing knowledge, skills and programs to improve science, technology, engineering, and math (STEM) education, the foundation also invests in arts and culture, and health and human services programs that meet the greatest community needs.”

Part 2: Corporate foundation funding and annual giving

1. Annually, how much do corporate foundations donate to nonprofits?

Center research finds that more than 28 percent of companies that donate through a foundation gave at least $5 million in 2014. Much like direct giving, the amount of money given through foundations varies greatly—from $5,000 up to $50 million (see Figure 1). For companies with at least $5 billion in revenue, the median amount given through the foundation is $5.7 million and the average is $11.1 million in 2014.

FIGURE 1
Breakdown of total giving through foundation by revenue

<table>
<thead>
<tr>
<th>Companies with less than $1 billion in annual revenue</th>
<th>Median</th>
<th>$800,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average</td>
<td>$1,074,260</td>
<td></td>
</tr>
<tr>
<td>Minimum</td>
<td>$25,000</td>
<td></td>
</tr>
<tr>
<td>Maximum</td>
<td>$6,000,000</td>
<td></td>
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<tr>
<td>Companies with $1 billion to less than $5 billion in annual revenue</td>
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<td>Minimum</td>
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<tr>
<td>Maximum</td>
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<tr>
<td>Companies with $5 billion or more in annual revenue</td>
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<td>Average</td>
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<tr>
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</tr>
<tr>
<td>Maximum</td>
<td>$50,000,000</td>
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</tr>
</tbody>
</table>

Source: Boston College Center for Corporate Citizenship. Community Involvement Study 2015.
2. How do companies fund corporate foundations?
Corporations are typically the sole funders of corporate foundations, though a small number of corporate foundations receive external funding, often in the form of grants. According to the Center’s 2015 Community Involvement Study, the most common type of foundation is pass-through, which means at least 75 percent of the foundation grants and gifts budget is provided by the company annually (see Figure 2).

![Figure 2: Structure of company foundation]


3. Do companies use foundations to give to nonprofits based outside their headquarters country?
Yes. According to the Center’s 2015 Community Involvement Study, of the companies that give globally and have a foundation, 86 percent have a foundation that is based in their headquarters countries only and nearly one-half give to nonprofits based outside their headquarters countries both directly and through foundations (see Figure 3).

![Figure 3: Source of companies’ giving to nonprofits based outside company headquarters countries]


Part 3: Corporate foundation governance
1. Who serves on the board of trustees/directors of corporate foundations?
According to a 2015 study, most corporate foundation boards, independent of their strategic focus, were composed of senior executives and directors. Such executives could include the Chief Financial Officer, Chief Marketing Officer, Chief Human Resources Officer, Chief Legal Officer, etc. Additionally, the study found the number of board members ranged between three and twelve. Out of the sample, only four of the corporate foundations included outsiders on their boards. In most cases, the CEO of the parent corporation served on the foundation’s board. If a board has independent directors, they may be retired employees (often former executives) or appointed based on the organization’s business model, stakeholders or federal tax status.

In this study, researchers stressed that, while all foundation boards must fulfill their fiduciary responsibilities in terms of ensuring that the foundation follows the relevant rules, regulations, and laws, compliance is the minimum required task of the board. Foundation boards must also understand the kind of role CSR plays in their firms and develop necessary strategies to promote CSR missions through the foundation’s activities.

For this reason—in addition to appointing executives to serve on foundation boards—companies often appoint corporate citizenship leaders to serve as the foundation executive director or president. Those officer-level positions do not have voting power on the board, but are tasked with executing the board’s strategy. Appointing a corporate citizenship or CSR leader as the foundation executive director or president gives the corporate citizenship team representation and a voice in the foundation’s direction and strategy.
Corporate foundation governance examples
Below are examples of corporate foundation board compositions.

• The board of the Pacific Life Foundation comprises Pacific Life employees and approves the foundation’s yearly budget and spending allocation.

• The eBay Foundation’s board of directors comprises eBay senior leaders, including:
  ○ Senior Director of Mobile Engineering
  ○ Vice President, Diversity and Inclusion
  ○ Vice President, Investor Relations
  ○ Vice President, Chief Strategy Officer
  ○ Senior Vice President, Chief Communications Officer, and Chairman of the eBay Foundation
  ○ Senior Director, Associate General Counsel

• At the Subaru of America Foundation, all five foundation board members are senior executives of the company. There are no set term limits and the board meets two to three times annually with two funding cycles per year.

• The Cisco Foundation’s board of trustees comprises senior leaders from the company, members of the board of directors, and the former chairperson of the board of directors.
  ○ Senior Director, Legal
  ○ Board Member (2)
  ○ Vice President, Service Sales
  ○ Vice President, Globalization IT
  ○ Senior Vice President, Operations
  ○ Chairman Emeritus
  ○ Vice President, Corporate Affairs
  ○ Senior Director, Engineering
  ○ Senior Director, Human Resources
  ○ Senior Director, Human Resources Strategy
  ○ Senior Vice President, Corporate Affairs

1. How do companies staff corporate foundations?
While there is no one right way to staff a foundation, the majority of company’s tend to keep their staffing small and focused. CECP’s 2016 Giving in Numbers study found the median team size of foundation staff in 2015 was four, which is an increase from an average of three in 2014. Increasing the size of your foundation staff may have benefits, however, as according to a 2013 study, larger corporate foundations tend to be more structurally differentiated from the rest of the firm as they have the ability hire dedicated staff, establish greater independence, and follow specialized processes for charitable decision making. Foundations can hire staff to manage and execute foundation programming or firms can second corporate citizenship, community affairs, CSR, etc. staff members to support foundation operations for a portion of their time.

Corporate foundation staffing examples
Below are examples of corporate foundation staffing models for 1) corporations with foundation staff and 2) companies with corporate citizenship staff with foundation responsibilities. Information has been provided by the company and is shared with their approval. (Updated August, 2017)

1. Corporate foundations with discrete employees
• Texas Instruments tasks foundation and corporate employees with executing corporate citizenship programs. The Texas Instruments Foundation has two paid employees—the chairperson and controller, who both serve 12 hours a week and are retired Texas Instruments employees. The foundation’s executive director, an employee of the corporation, spends 75 percent of his time on the foundation. Employees from Texas Instruments’ tax, audit, finance, and legal departments also spend a portion of their time on foundation activities. Texas Instruments records the portion of an employee’s time spent on foundation activities as an in-kind gift from the corporation to the foundation.

• The Medtronic Foundation employs more than 20 people to support foundation programming and administration. Medtronic Foundation employees work closely with Medtronic’s philanthropy staff to align integrated marketing and communications plans.

• The EQT Foundation employs one full-time equivalent (FTE) who manages the foundation and reports to the Chief Human Resources Officer (and president of the foundation). The foundation reimburses the company for the FTE’s salary. EQT’s corporate communications and government affairs departments manage corporate giving, but all three parties are in close (almost daily) communication.
One of the Center’s mining and metals member companies employees one FTE at its corporate foundation. The foundation’s FTE manages global giving, grant making, and communications and reports to the company’s Chief Sustainability Officer (CSO). The CSO also serves as the foundation president and allocates approximately 50 percent of their time to foundation activities. The foundation’s board comprises five to six senior leaders from the company, including the CSO and CFO who serve as ex-officio board members. The company’s board of directors appoints the remaining foundation board members who serve three-year terms, which can be renewed up to three times. The foundation’s endowment funds the foundation’s annual staffing and operating costs—including the FTE’s salary and the proportion of any corporate employee’s salary for time spent on foundation activities.

2. Corporate foundations without discrete employees

Hypertherm, a long-time Center member, does not staff its foundation. Instead, the community citizenship team supports the foundation and manages the company’s grant software.

Consumers Energy’s three-person corporate citizenship team manages the company’s corporate citizenship activities and foundation administration.

Aerojet Rocketdyne’s community relations director reports to the vice president of human resources and spends 50 percent of their time on foundation activities and 50 percent of her time on community outreach programs, which include employee giving campaigns and volunteer programs. Aerojet Rocketdyne uses Foundation Source to manage the administration of its foundation.

Pacific Life deputizes its three-person community relations team to support the Pacific Life Foundation. The community relations team also manages the company’s volunteer outreach and company-sponsored philanthropy.

At First Interstate Bank, the three-person corporate citizenship staff supports the foundation’s grant making.

3 IRS. (2017).
7 IRS. (2016, October 13).
13 Minefee et al. (2015).
14 Minefee et al. (2015).
Based in the Carroll School of Management, the Boston College Center for Corporate Citizenship combines the most valuable aspects of a professional community and the resources of a leading academic institution for our members. We integrate the perspectives and experience of some of the leading corporate citizenship professionals in the field today with management best practices, helping you align your corporate citizenship objectives and business goals. We also conduct ongoing research, which is available to members through weekly, monthly, and biannual publications. Center resources and professional development opportunities support positive outcomes for your functional area, your organization as a whole, and for you as a leader.