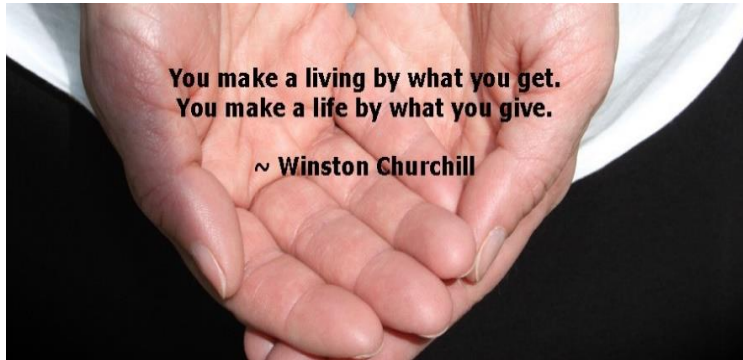


Mixing business and charity: Keep it ethical, legal, and transparent



Your clients who are corporate executives have likely wondered at some point about the benefits of aligning their companies with philanthropy, whether specific causes or particular organizations.

In general, a community engagement strategy can be good for business, if well-executed. For example, almost half of consumers view a brand [favorably](#) when the brand supports a charitable cause. Community engagement [programs](#) can help with employee retention, too.

But what are the risks involved in mixing business with charity?

In the spirit of aligning doing good with doing well, some companies would love to set up their own nonprofit organizations as “charitable arms” of their enterprises. Corporate leadership may like the idea of efficiency, control, and tight alignment between the company’s offerings and the charity’s mission. For example, a company that makes swimming pools might think it’s a great idea to set up a charity to build swimming pools at community centers to give more kids access to water sports. The company would like to donate tax-deductible dollars to the charity and ask its suppliers and customers to do the same. The company’s executives would serve on the board of the charity, and the charity would purchase swimming pools from the company to carry out its mission.

Is this a good idea?

No. This strategy plays fast and loose with the rules. Beyond setting up an obvious conflict of interest, this practice would mean that a company effectively would be using charitable funds to [benefit](#) itself. This is not a “charitable purpose” in the eyes of the IRS and could result in the loss of the charity’s tax exemption. Plus, if the news got out about this structure, the company could suffer reputational damage.

The company, its executives, and the community are all better off if the company pursues more transparent and ethical charitable strategies such as establishing a corporate fund at the Community Foundation, setting up a volunteer program for employees, establishing a matching gifts program, or aligning with wholly-independent charities on cause-related marketing partnerships.

Reach out to the Chester County Community Foundation to learn more about effective corporate philanthropy strategies. We are here to help as you work with your clients to achieve their charitable goals both at home and in the workplace.

For more information, contact the Chester County Community Foundation:

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The team at the Chester County Community Foundation is a resource and sounding board as you serve your philanthropic clients. We understand the charitable side of the equation and are happy to serve as a secondary source as you manage the primary relationship with your clients. This newsletter is provided for informational purposes only. It is not intended as legal, accounting, or financial planning advice.