

Creating a Corporate Foundation & Community Program Comparison



Feature	Corporate-Advised Fund at a Financial Institution (Fidelity, Schwab, Other)	Corporate-Advised Fund at a Community Foundation	Private Foundation	Entrepreneurs Foundation (EF)
Accepts Pre-IPO Stock	No	Yes but not preferred	Yes	Yes
Control	Corporation provides advice to foundation board on grants, resulting in practical, if not legal, control of grants.	Corporation provides advice to foundation board on grants, resulting in practical, if not legal, control of grants.	Corporation retains maximum control of board, investments, and grantmaking.	After liquidity, corporation advises to determine whether to create a foundation, donor advised fund or donate directly to non profits. (See categories to the left).
Tax Benefits	Public charity deductibility – market value at date of grant. Exempt from excise taxes.	Public charity deductibility – market value at date of grant. Exempt from excise taxes.	Property deductions: 20% Adjusted Gross Income. Cash deductions: 30% Adjusted Gross Income. Must pay excise taxes (IRS Code, Section 4940-4945)	Public charity deductibility – market value at date of grant. However, if option or warrant, company can deduct the “spread” and defer the tax deduction until liquidity for greater tax deductibility. Exempt from excise taxes.
Investment Flexibility	Offers donors limited number of investment strategies. Minimum grant recommendation: \$200. Minimum initial fund amount: \$100,000.	Offers donors limited number of investment strategies. No minimum requirement for amount of donations per year. Minimum grant recommendation: \$200. Minimum initial fund amount: \$30,000	Must divest excess business holdings (closely-held stock) within five years or pay excise tax. Must donate at least 5% per year.	Companies may choose a donor advised fund, private foundation or direct contributions to non profit public charities. Investment strategies for the donor advised fund or foundation varies.
Administration	Simple: Can establish in one day. No separate tax returns required.	Simple: Can establish in one day. No separate tax returns required.	Needs Financial Expertise: Accounting, Record Keeping, Tax return (form 990-PF)	Simple: EF has standardized option, warrant and stock purchase agreements. Once equity is liquid, the companies can choose from the choices (see categories to the left) for fund/foundation administration. EF will transfer the funds per the advice/direction of the company.
Staff Resources For Grant Making	None for grant making except by providing on line resources to verify non profit status of organizations.	Access to community foundation’s staff for investment and grant making expertise. No assistance with other aspects of corporate philanthropy such as employee programs, marketing or strategic planning.	Must hire staff and create a board of directors.	EF staff for developing a robust corporate citizenship program and community expertise. EF programs incorporate all facets of corporate of philanthropic giving including grant making, employee programs, strategic planning and marketing.
Corporate Citizenship Program	None	Grant making only.	Hired staff must have or develop community expertise. Does not necessarily include an employee-based community involvement program.	Provides strategy and expertise to create a comprehensive and robust corporate citizenship program including link to business strategy, policies and procedures, corporate and employee giving, employee volunteerism, and cause-related marketing.
Costs	Usually 0.60% per year or less	1% per year.	Legal, accounting fees, and staff salaries.	Flexible depending on valuation of company.
Summary	Best Solution if you are only interested in grant making, want to hire staff internally to manage it , and are confident that you will be able to easily put aside cash after IPO.	Best solution if you are only interested in grant making and are confident you will be able to easily put aside cash after IPO.	Best solution if you create a large endowment, want to maintain maximum control, and create your own infrastructure—including staff and a board.	Best solution if you want a comprehensive community and philanthropic program but don’t want to dedicate internal resources to manage it. This is also a good solution for companies on a acquisition path vs. an IPO. EF works in partnership with all other offerings on this matrix.