

Developing a Giving Program in Hispanic-Owned Companies



WHO IS THIS PUBLICATION INTENDED FOR?

South Florida is home to more than 159,000 Hispanic-owned businesses, most of which are medium to small. This publication is intended for Hispanic corporate leaders from these companies.

Medium-sized companies are defined as those having revenues between \$10-\$60 million per year in revenue and between 50-200 employees. Small-sized companies are defined as those having \$10 million per year in revenue and 50 employees or less.

South Florida has only five Fortune 500 companies and 96% of businesses have 50 employees or less. Hispanic-owned businesses form the bulk of Miami-Dade County's corporate community. According to the 2001 figures from the Greater Miami Chamber of Commerce Hispanic Business Group, the top 100 Hispanic -- public and private companies -- generate a combined revenue total of \$8 billion and employ 35,052. As such, the quality of life in this community depends, in large part, upon the philanthropic efforts of Hispanic-owned companies.

THE HISPANIC TRADITION OF HELPING OTHERS

Hispanics historically have viewed organized philanthropy as an activity limited only to the very wealthy. The trend is changing and Hispanic corporate leaders are realizing that corporate philanthropy is simply an extension of their longstanding tradition of helping others, their family, place of worship, and neighbors.

What is prompting this change?

- A rise in wealth. According to a study on Hispanic philanthropy conducted by Mauer Kunst Consulting, "Household income among Hispanics is increasing by more than 5% annually at a time when household income for other groups in the nation remains relatively flat."
- Hispanics are taking responsibility to give back to this country and to their community. The civic responsibility is prompted by the opportunity this country has afforded them to achieve success, the good old "American dream."

"I think it is important to provide an example of the success one is able to attain in a society in which freedom, democracy and respect for others exist. As a Cuban-American, it is important to give back and send a message that capitalism provides opportunities unlike any other system."

- Jorge Mas Santos,
Chairman, MasTec, Inc.

(Rated #1 in Hispanic Business Magazine's top 500 Hispanic Companies in 1999 and 2000)

THE BUSINESS BENEFIT OF CORPORATE GIVING

Although many corporate giving programs are rooted in altruism, there is growing evidence that corporate giving helps companies achieve goals and objectives. It also improves their image in the community. This change in philosophy is best described by the growing use of the term "strategic corporate philanthropy." Corporations strategically match their business interests with their community involvement. The bottom line is that the business must perform well financially in order to have the resources to invest in philanthropy. Corporate philanthropy builds a stronger business and improves employee pride. By achieving this kind of success, corporations are able to improve life in their communities even further.

Some of the business benefits that result from corporate giving include:

- A healthier community, which is a more profitable place to do business
- Demonstrates the CEO's leadership in the community and within the industry
- Builds employee pride and loyalty
- Heightens the CEO and senior managers' prestige among employees
- Provides tax deductions
- Distinguishes the company from its competitors
- Draws loyalty from customers
- Provides opportunities for positive image and public relations
- Builds strong relationships with local government officials and civic leaders

WHAT IS A STRUCTURED GIVING PROGRAM?

Hispanic-owned companies in South Florida have been making contributions to their community for years. The leaders of these companies may not describe their giving as corporate philanthropy because it has been done in an informal and unstructured manner. Adding some structure to the informal philanthropic efforts will enable companies to have a more effective way of giving. It can simplify it and make it more focused. It can also remain flexible enough to continue to support causes that are of interest to the CEO and upper management.

How to create more structure

- Setting aside an annual philanthropic budget
- Creating a mission statement for the corporate giving program
- Designating specific causes or issues to be supported
- Creating funding guidelines
- Designating a single person to manage the efforts
- Using a funding application or questionnaire

Benefits of a structured giving program

- Pre-budgeting of contributions
- Flexibility to address company and personal values
- Achieving specific business goals, as a result of the community involvement
- Networking opportunities with other corporate and civic leaders
- Ability to decline requests more easily due to the structured corporate program
- Greater impact on the community by directing your funding to issues that affect the employees, the industry and the community at large
- Expands the company's connection to services available in the community, which could be of assistance to employees
- Promotes accountability of the non-profits receiving funds

TYPES OF STRUCTURED GIVING PROGRAMS

Direct Giving Program

A company makes contributions directly to non-profit organizations. The charitable contributions are part of its annual operating budget. The giving amount is adjusted each year based on profitability, growth, community needs, etc. This allows companies to receive tax deductions on donations according to existing tax laws.

Corporate Foundation

A company sets up a corporate foundation that is a separate, legal entity from the business. These foundations are tax-exempt, non-profit organizations governed by an independent board of directors which adheres to IRS regulations. The company can fund it annually or by an initial major gift. The company receives a tax deduction at the time it makes a gift to the foundation. Perry Ellis International's chairman, George Feldenkreis finds that having a corporate and a family foundation provides the flexibility to address company and personal values.

Donor Advised Fund (DAF)

The company makes a donation of cash or stock to the DAF, usually at a community foundation, and receives tax benefits. The company can make recommendations on how to distribute grants based on the corporate mission or guidelines, provided the recipients are 501(c)(3) organizations. This type of fund is particularly useful for small to mid-size companies, with limited staff to manage giving programs.

Workplace Giving Program

The company and its employees make donations to non-profit organizations through payroll deductions. The donations are sent to an umbrella organization that distributes them to various non-profits. Some corporations provide an incentive by matching the employees' contributions, in addition to the corporate donation. The largest and most popular workplace giving campaign in the country is the United Way, which raises funds for local health and human service organizations. The United Way of Miami-Dade is the most preferred non-profit supported by Hispanic businesses.

In addition, there are several national and international workplace giving campaigns that support specific causes, such as international relief, world hunger, children's diseases, AIDS, protection of the environment, etc.

Adorno & Zeder, PA created an Employee Charitable Trust to involve all levels of employees in community efforts. Employees are asked to make contributions through payroll deduction. Each contributor participates in the trust board meeting, where funding decisions are made. Partners also contribute to a separate fund managed by the firm's managing partners.

DECIDING WHAT YOU WANT TO SUPPORT

Some companies base their giving around personal and family values, while others tie their giving directly into specific business goals and objectives. It may also be a combination of both. The following suggestions can help a company decide which causes to support.

- Issues that affect the community
- Causes that are important to the employees
- Endeavors that connect to the company's products or services
- Projects that will help achieve specific business goals
- Issues that are important to the CEO or his family

For the past three years, Silvia Fortun, owner of Fortun Insurance, has been president of the Guardian Angels, a support group of the Jackson Memorial Hospital Foundation. Fortun has been recruiting Hispanic women willing to donate their time and money to the Holtz Center for Maternal and Child Health. Current membership stands at approximately 200 angels, 70% of whom are Hispanic women.

WAYS TO GIVE

The Dade Public Education Fund's Ocean Bank Center started in 1992, following Hurricane Andrew. Ocean Bank's monetary donation helps run the warehouse where public school teachers can obtain free materials for their classroom projects, furniture, computers and other recycled items. This effort helps reduce costs for Miami-Dade County Public Schools, opens opportunities for low income students to obtain materials, encourages other companies to make in-kind donations and supports recycling efforts in this community. "Ocean Bank supports public education because it is important to our employees, whose children attend M-DCPS and also for our customers."

Direct cash awards

This is the most common type of corporate giving and provides the maximum flexibility to the non-profit and the donor.

In-kind donations

Companies make donations of products or services to non-profits. Other in-kind donations may be in the form of office space, postage, transportation, construction materials, food and other products. This kind of donation covers the non-profit's needs and showcases the company's goods and services.

Employee volunteerism

Corporations involve employees in company-supported community programs and projects, such as renovation and beautification projects. They participate in fundraising walks/runs, active involvement in a non-profit's board of directors or committees. This is an excellent opportunity for team building and leadership development skills.

Cause-related marketing

Donating a percentage of sales profits, or using marketing dollars to promote charitable efforts, are considered cause-related marketing. Such initiatives increase consumers' brand loyalty.

Gifting stock

Public and pre-IPO companies may donate stock to non-profits. When the company's stock increases in value, non-profits stand to gain new financial resources.

Partnerships between for profit and non-profits

Corporations and non-profits are partnering together on projects, such as Welfare-to-Work and others.

Sergio Pino, CEO, Century Partners supports health-related causes. He recently found another way to further contribute to La Liga Contra el Cancer by donating a brand new house to them. The organization will raffle the house in order to raise \$500,000 for their 2002 campaign.

DIRECTING YOUR FINANCIAL SUPPORT

Bacardi USA is well known for its philanthropic efforts in this community. Twelve years ago, the Amalia Bacardi endowment fund was given to the University of Miami to create a Bacardi Chair for Cuban Studies. Recently, \$1M was earmarked for the renovation of a building to house the Cuban and Cuban-American Studies Institute at the University of Miami's main campus. The institute will be a one-of-a-kind interactive center with historical information on Cuba, a computerized database about Cuban culture, a music pavilion, a cinema, and exhibit areas. As a result, Bacardi sits on the steering committee and has naming rights to the "Casa Bacardi" pavilion.

Unrestricted funds

Money is given to a non-profit, which determines how to best spend the funds. Non-profits prefer to receive unrestricted dollars versus other types of funding because it allows them flexibility in determining how and where to allocate donations.

Restricted funds

Companies designate funds to be used for a specific purpose in which case, non-profits are required to honor such requests.

Cause-related marketing

Companies donate a percentage of the sale of their products. Frequently, there is a minimum financial guarantee to the participating non-profit, as well as a maximum amount the company will donate.

Capital campaigns

Corporations donate funds that either help build a new facility, buy property, or go towards an endowment for a non-profit organization. This may involve naming rights for the corporation making the pledge.

Challenge/matching grants

Companies provide funding contingent upon the non-profit raising additional funds to match the gift. The company sets a time frame by which the non-profit must match the challenge grant.

Dollars for Doers

Corporations provide a financial contribution to the organizations where their employees volunteer their time.

Sponsorship

Companies sponsor non-profit events or projects in return for sponsorship benefits. They can be financial, in-kind or a combination of both.

The Pharmed Group supports health-related initiatives, as well as education and human services. Pharmed was awarded the 2001 Greater Miami Chamber of Commerce Hispanic Business Group's Community Involvement award for their philanthropic activities in Miami-Dade County. They have played an active role as donors and fundraisers for the St. John Bosco Clinic's building fund. The clinic will serve the underprivileged population who lack the insurance and the means to pay for quality medical attention.

TAX DEDUCTIONS AND BUSINESS EXPENSES

Tax Deductions

Companies often determine the type of support they give with consideration of tax benefits. This determination should be made through consultation with legal and tax counsel.

DETERMINING HOW TO GIVE

Corporate leaders have the largest giving programs in order to maintain their leadership role and set standards for the rest of the industry. It also distinguishes them from their competitors. This conveys a message of financial health, which lends itself to sharing profits with the community where they are successful and where their employees live and work.

Percentage of pre-tax profits

Companies designate anywhere from 1-5% of profits to charity. Such is the case with the Codina Group, a company fully committed to the United Way of Miami-Dade and Florida International University, to name a couple.

Marketing expenses vs. charitable donations

Some companies tie their corporate giving to business goals. Charitable contributions come out of the marketing budgets. When companies use marketing dollars to promote their philanthropic efforts, this is not considered a charitable donation, but a business expense.

Adjustments year-over-year

Companies usually adjust contributions yearly based on profitability and growth.

“Giving a generous donation to the United Way gives me an opportunity to challenge other Hispanic leaders to share their profits with our community”

Joe Arriola
Chairman, Inktel Direct

MANAGING THE CORPORATE GIVING PROGRAM

Who should manage the corporate giving program?

The responsibility and benefits of corporate giving cross over several departments. In the past, the CEO has typically been solely responsible for making all funding recommendations. It is important that the CEO be involved in order to gain management's support. In today's environment, the boards of directors of Hispanic-owned companies are taking an active role in the decision-making process. Larger companies have an employee committee comprised of members of management, staff and line employees who help evaluate requests and make funding decisions. This ensures the objectives of each work group or department are met. It also boosts employee pride and ensures accountability in the process.

Depending on the structure of the company, any of the following departments could effectively manage the program and its budget:

- Community Relations
- Corporate Communications
- Human Resources
- Public Relations
- Sales and Marketing
- Government Relations

Designate a single point of contact

It is recommended that one person be designated to manage the program in the selected department. This will ensure control over the program and will communicate a unified message to all stakeholders. It also avoids duplication of efforts.

DEVELOPING FUNDING GUIDELINES

In order to maintain an effective corporate giving program, it is recommended to draft clear written guidelines on what the company will support. Having guidelines also helps to reject requests that fall outside of them. In spite of the guidelines, companies should still set aside a small discretionary amount for fortuitous donations.

What types of organizations should your company support?

For companies seeking a tax deduction, the non-profit receiving the donation must be designated by the IRS as a section 501(c) (3) non-profit corporation. Other types of non-profit organizations such as fraternal organizations and advocacy groups can be supported but such contributions are not considered charitable deductions.

Many Hispanics donate to their church and other religious institutions. When it comes to corporate contributions, however, most companies do not support religious organizations. This is particularly true of public companies where the shareholders have various religious affiliations.

Hispanics are also inclined to support charities and relief efforts in their homeland and other foreign countries. In order for this type of contribution to be tax deductible, the organization needs to be based in the U.S. and recognized as 501(c)(3). In addition, an independent organization in a foreign country may have a relationship with a U.S. based non-profit to facilitate donations and serve as that organization's fiscal agent.

What should you include in your funding guidelines?

- Primary areas or causes that are important to the company
- Geographic region where funding will be provided
- Range of funding amounts
- Types of support to be provided (cash, in-kind or other)
- Causes that fall outside of guidelines
- Funding periods and closing dates
- Other pertinent information about the company, i.e., mission statement

What information should you request from non-profits?

- Proof of 501(c)(3) status
- Most recent audited financial statement or operations IRS 990 form
- Members of their board of directors
- Mission statement
- Description of current programs
- Length of operations
- Florida Charitable Solicitation License (except in the case of faith-based organizations)
- What the organization is trying to accomplish
- How much funding is requested
- How success will be measured
- What other funders are providing support

EVALUATING REQUESTS

What to look for in evaluating requests from non-profits?

- Are they fiscally responsible
- What percentage of the organization's dollars is spent on programs vs. fundraising and administration
- Who is on their board of directors
- How long have they been in business
- How they will maintain the project once it gets started
- What outcomes the organization is trying to achieve and how they will measure them
- What other companies are involved with this non-profit
- Is the non-profit part of a national or international organization
- What is the size of the organization's constituent base and what type of outreach does it have to these individuals
- What is its relationship with the media
- How will the organization publicize this project
- Can they share their mailing list for direct mail opportunities

Seek non-profit partners proactively

Most corporations wait for proposals to come in, evaluate them and react positively or negatively. However, some corporations are being proactive in their philanthropic efforts and seeking non-profit partners to meet their business objectives. This is particularly true of cause-related marketing initiatives where the consumer will buy the product because he is sensitive to the cause behind it.

COMMUNICATING PHILANTHROPIC EFFORTS

Hispanic companies have traditionally supported charitable causes based on altruism without a desire to publicize their efforts. Companies are realizing there are public relations and marketing opportunities gained from their philanthropy.

Promote the program internally

- A presentation by the CEO at a company staff meeting
- Departmental staff meetings
- Newsletters and intranet messages
- Posting information on bulletin boards
- Presentations at new employee orientations

Promote the program externally

- Send a press release to let the community, the industry and customers know about the program.
- Create public relations and media opportunities, such as a special celebration, the presentation of a large check to a non-profit, or an employee volunteer project.
- Some companies directly notify the non-profit community about their new giving program. It helps to get the word out and it limits the amount of requests to those that fit your interests.
- Promoting philanthropic efforts in community newspapers.
- Feature philanthropic efforts in the company's marketing materials, website and annual reports.

EVALUATING YOUR PROGRAM

It is important to measure the success of the corporate giving program against expectations and goals. This will be the basis for future enhancements or adjustments to the program year over year.

Although some of the business benefits of corporate giving are tangible, many are not. Civic responsibility, enhancing the company's public image, serving as a source for future community support are not quantifiable.

The following key aspects should be considered:

- The *organizations* that were supported were in line with the cause
- The support stayed within *budget*
- The budget was sufficient to achieve *goals*
- How many *employees* participated
- The extent of *publicity* or recognition
- How the company measured up to its *competitors*

EVOLUTION OF A CORPORATE GIVING PROGRAM

- CEO and/or employees are personally involved with non-profit organizations—no corporate donations yet
- Sympathy towards these non-profits grows and CEO or employees bring in the projects
- CEO agrees to make a corporate donation (financial, in-kind). Some sponsorship benefits obtained
- Company gradually increases support with no established budget or purpose
- Company's controller suggests donating money at the end of the year to gain tax benefits
- Company sets an annual budget for charitable projects and responds to requests that come in to the company
- Company engages employees in corporate efforts coordinating a workplace giving campaign
- Company develops formal policies on which causes to support
- Company creates a formal application and guidelines to evaluate requests
- Company evaluates what similar companies are doing locally
- Company incorporates philanthropic activities into strategic business plan
- Company proactively seeks to support causes that fall within guidelines and business goals
- Company takes a leadership role on a particular community need or towards a specific non-profit
- Company collaborates with other funders to deal with problems
- Company involves customers in philanthropic efforts by marketing and advertising their program

LOCAL RESOURCES TO SUPPORT YOUR GIVING PROGRAM

Donors Forum of South Florida

(305) 371-7944

www.donorsforumsf.org

United Way of Miami-Dade

(305) 860-3000

www.unitedwaymiami.org

NATIONAL RESOURCES TO SUPPORT YOUR GIVING PROGRAM

Council on Foundations (The) is a non-profit membership association of grantmaking foundations and corporations that promotes knowledge, growth and action in philanthropy.

(202) 466-6512

www.cof.org

New Ventures in Philanthropy, an initiative of The Forum of Regional Association of Grantmakers, is a multi-year project that aims to create new foundations and corporate giving programs.

(202) 467-0383

www.rag.org

CREDITS

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United Way
of Miami-Dade

Giving people help. Helping people give.

United Way gives Miami-Dade citizens a powerful way to combine hearts, minds and resources to build a strong and healthy community. United Way contributions help one in three people in this community through more than 250 health and human care programs, agencies and community initiatives.

DONORS FORUM
of South Florida

PROMOTING EFFECTIVE
PHILANTHROPY

Donors Forum of South Florida is an association of some 100 South Florida funders that promotes effective philanthropy in our region. It works with foundations, funders, and corporations from concept to creation through development and maturity.



**PROMOTION OF
PHILANTHROPY**
A South Florida Collaboration

AN INITIATIVE OF THE DONORS FORUM

POP is a project of Donors Forum of South Florida and a collaboration of 18 other partner organizations whose goal is to facilitate the growth of philanthropic capital in South Florida. POP develops and tests strategies intended to fuel organized philanthropic activity in the region.

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