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An Absence of Transparency: The Charitable and Political Contributions of US Corporations

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Abstract Although stockholders may benefit from information regarding the frequently substantial charitable and political contributions of the corporations they own, US corporations are typically not required to disclose any information about such payments in annual financial statements or information submitted periodically to regulatory agencies. This lack of transparency is confounded by disclosure requirements of private foundations, which a corporation may choose to establish for the purposes of administering charitable giving for the corporation. The resulting disclosure fog engendered by extant regulations may be confusing to those corporation owners who would like to know what corporation contributions are being made to charities and politicians. This article enumerates the magnitude of the charitable and political gifts of 40 of the most generous public corporations in the USA, the current disclosure requirements for public companies, the role of foundations, rationales for withholding relevant information from owners, and ethically questionable strategies that corporations may use to manage those disclosures for their benefit.

Keywords Charitable contribution disclosure · Political contribution disclosure · Corporation transparency

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Introduction

Owners of US corporations are typically uninformed regarding the extent to which their corporations give to charities and politicians, even though hundreds of thousands of curious investors and potential investors have requested changes in public corporation disclosure requirements that would provide the relevant information (Goad 2014; McRitchie 2015; Overby 2015). This article explores the extent of corporation charitable and political giving, the rationales for providing or withholding such information from corporation owners, and the related ethics.

In the USA, corporation charitable contributions are estimated to exceed $20 billion annually, including payments to nonprofit organizations which are focused on religion, education, science, culture, and poverty relief (Charity Navigator 2016; Heavey 2013; Pearce 2015). Such organizations often provide benefits to society, and donations to such organizations typically reduce the tax liability of the corporation donors (Farrell 2010; Morris and Bartkus 2015; Pearce 2015).

Many corporations also donate to politicians. Since the US Supreme Court decision of *Citizens United vs. Federal Election Commission* in 2010, corporations are less constrained in their pecuniary support of politicians and political causes than prior to the controversial court conclusion (Bebchuk and Jackson 2013; Blumenthal 2012, 2013; Cummings 2015; Elliot 2012; Lunder and Whitaker 2013; Porter 2015; Skroupa 2012). Correspondingly, US corporation spending on political candidates, political causes, and lobbying currently exceeds $4 billion annually, although current disclosure rules make an accurate estimate challenging (Hindery 2013). Some corporations currently have more than 100 lobbyists pressing the demands of the represented corporation on politicians, and 95 of the 100 organizations that spend the most on lobbying represent businesses (Drutman 2015). Rules of the US Internal Revenue Service (IRS) regarding the deductibility of corporation political contributions are more complicated than those rules related to charitable gifts; e.g., some corporations may be reducing their annual tax liability by deducting their political contributions (Elliot 2012; Saunders 2012).

In light of such corporation largesse directed to charities and politics, the question that corporation owners may ponder is "Specifically who in the corporation is being generous to whom and why?" Shareholders may wonder whether such charitable and political payments reflect the varied interests and concerns of the owners of the corporation, are somehow aligned to a stated company mission, or stem from the ideological or political dreams of a few members of corporation management. Regarding gifts to charities, one answer may seem obvious: The corporation board of directors may believe that a charity is serving a useful purpose in society and should be financially supported. Alternatively, the answer may be ideological (Posnick-Goodwin 2010). Some corporations, for example, have provided extensive charitable contributions to universities under the condition that their curriculum be revised to include specific authors and novels in coursework (Beets 2015). Similarly, corporation gifts to political causes may have varying purposes. Some corporation boards may believe that a particular political action committee (PAC) serves society well, and other boards may make political contributions with hopes that the corporation will directly benefit from their financial support (Drutman 2015; Lu et al. 2016). Studies by Allison and Harkins (2014) and Dos Reis et al. (2012) found that many corporations receive, in return for their political contributions, extensive financial benefits from the government that may be much larger than the corporation payments.

Studies by Campbell et al. (2002) and Campbell and Slack (2008) contended that corporation giving has four possible motivations: (1) strategic, i.e., giving will eventually enhance corporation profitability; (2) altruistic, i.e., giving, with no expectation of a tangible return, for the betterment of society; (3) political, i.e., giving to benefit a particular political perspective; and (4) managerial utility, i.e., giving to causes that are personally supported by corporation managers. In a study of US corporations, Chen et al. (2008) discovered an additional possible motivation for corporation giving: Corporations that had relatively poor records regarding environmental issues and product safety were more likely to make significant charitable contributions.

In some countries, public disclosures of corporation contributions are currently required. The 1967 Companies Act of the United Kingdom, for example, requires disclosure of the amounts and recipients of charitable and political contributions made by the company if the contribution exceeds a small, defined amount (Cowton 1987; Inglis 1968).

In the USA, however, there is an active debate regarding whether the owners of the corporation should be made aware of corporation charitable and political contributions. Possibly, the most frequently employed argument of those who defend non-disclosure of corporation contributions is that additional disclosure requirements would be costly and invite additional scrutiny and criticism. According to this perspective, expanded disclosure rules would result in significant additional expenses for internal controls, accounting, and legal expenses associated with periodically preparing and publishing the required information, and those disclosures would likely result in criticism as corporation owners may be displeased with the decisions of corporation managers to fund particular charities or political organizations (Bebchuk and Jackson 2013; Morris and Bartkus 2015).

Other arguments of those who defend non-disclosure of corporation gifts include freedom of speech; i.e., as a legal entity, a corporation has the right to publicly address or refuse to publicly address the issue of their contributions within the constraints of law. Correspondingly, advocates of this argument posit that a corporation has the right to refuse to inform its owners of the contributions made by the entity (Bebchuk and Jackson 2013; Cummings 2015; Goad 2014). Non-disclosure proponents also argue that the US Securities and Exchange Commission (SEC), which promulgates disclosure requirements for corporations that offer publicly traded stock, should not delve into activities that may be perceived as political but should confine its concerns to those that are financial in nature (Ackerman 2016; Bebchuk and Jackson 2013; Goad 2014). Last, some justify non-disclosure of corporation giving on the basis that such contributions are immaterial; i.e., the payments are small compared to the overall financial statements of the corporation (Ackerman 2016; Bebchuk and Jackson 2013).

Many corporation owners, however, remain concerned about the appropriateness, magnitude, significance, secrecy, and negative publicity associated with these contributions (Bartkus et al. 2002), and accordingly, some corporations have experienced stockholder proposals and even litigation demanding transparency or cessation of any such non-transparent contributions (Confessore 2013; Myerson 2006; Pearce 2015). Despite stockholder and investor concerns, however, current disclosure requirements of the IRS and the SEC are minimally helpful to those stockholders who would like to know the extent of charitable and political contributions made by the corporations they own. Despite hundreds of thousands of requests for SEC rules requiring transparency of public corporation payments to charities and political causes, public corporations are not required to disclose to their owners information about those payments (Bebchuk and Jackson 2013; Blumenthal 2013; Cohen 2012; Cummings 2015; Gilbert 2013; Goad 2014; Hodgson 2015).

Decision Usefulness, Materiality, and Ethics of Transparency

In the preparation of financial statements of a corporation, a guiding principle for accountants who construct the statements and the auditors who determine their fairness is the decision usefulness of information included. If information, such as the charitable and political contributions of a corporation, would be useful to the decision making of stockholders and potential stockholders, the information should be disclosed to those financial statement users, i.e., that information has decision usefulness and should not be withheld or obscured (Bayou et al. 2011; Cascino et al. 2016; Williams and Ravenscroft 2015; Young 2006).

A related accounting concept is that of materiality, which the International Accounting Standards Board (IASB) defined as follows:

> Information is material if its omission or misstatement could influence the economic decisions of users taken on the basis of the financial statements. Materiality depends on the nature and amount of the item judged in the particular circumstances of its omission or misstatement (International Financial Reporting Standards 2005).

Materiality of corporation giving, consequently, is not solely determined by the magnitude of the contributions. The economic decisions of many financial statement users may be affected by knowledge of even relatively small gifts to some charities or politicians (Gillmor and Bremer 1999).

Both of the accounting concepts of decision usefulness and materiality relate to the broader concept of transparency, as preparers and auditors of financial statements and the related notes must consider the decision usefulness and materiality of information in discerning appropriate corporation transparency. Turilli and Floridi (2009) indicated that transparency has multiple definitions, and one of those meanings refers to forms of information visibility which may be enhanced by the reduction or elimination of obstacles to that visibility. These authors also argued that information transparency is not an ethical principle per se but can become either ethically enabling or ethically impairing when disclosed information has an impact on ethical principles (Turilli and Floridi 2009). While some may consider enhanced transparency to be an unrealistically comprehensive panacea for corporation and government shortcomings (Hale 2008), others contend that greater corporation transparency is more ethical than less corporation transparency because of stakeholders' deontological right to information and utilitarian arguments that stakeholders benefit from increases in corporation transparency (Das Neves and Vaccaro 2013; Vaccaro and Madsen 2009).

Bessire (2005) argues that much of the debate regarding these rights to information transparency is fundamentally a power struggle between the owners and managers of corporations. Relatedly, Elia (2009) also addressed the rights associated with corporation transparency and contended that a theory of stakeholder rights would be helpful in providing guidance regarding needed disclosures. The author also concluded:

> …the best moral justification for corporate transparency calls on its instrumental role in the protection of widely shared stakeholder interests, and that the language of transparency rights, or moral rights to know, best captures the force of corporate responsibilities (Elia 2009, p. 152).

Palanski et al. (2011) found that transparency may be considered a virtue which can be defined somewhat differently from one profession to another. Transparency in accounting may be focused on the enhancement of public awareness of relevant transactions of a business organization, while transparency in politics regards the public dissemination of information that the government has acquired about government officials, entities that influence government, related decisions, and rationales for those decisions. Palanski et al. (2011) also empirically discovered, in a laboratory study and a field study, that transparency of team actions was positively related to the behavioral integrity of teams, and team behavioral integrity was positively related to team trust.

The ethics of transparency may also be perceived differently across countries and cultures. The financial and government institutions that value transparency are more developed in some countries than in emerging markets, and this difference may affect those who are considering investment in corporations of developing countries (Millar et al. 2005).

Visible Philanthropy of Corporations: Private Foundations

As many corporation owners in the USA seek transparency regarding the charitable and political donations of their corporations, a review of the available venues for the needed information is appropriate. One useful venue may be public information provided by corporation private foundations, if the corporation of interest has voluntarily chosen to form such a foundation. Many public corporations choose to create private "grant-making" foundations, which are specifically allowed by the IRS to channel corporation payments to charities: specifically religious, educational, scientific, cultural, and poverty relief institutions, as well as other organizations classified by the IRS as 501(c)(3) charities. Such a private foundation is essentially a subsidiary of the corporation, and the corporation chooses a separate foundation board of directors and delegates to them some of the responsibility of day-to-day philanthropy (Carter 2010, 2013; Morris and Bartkus 2015).

Currently, there are more than 2500 corporation private foundations with total assets in excess of $25.5 billion (Foundation Center 2014). As an example of one recipient category, colleges and universities annually receive more than $1 billion from such private foundations, often with very focused contractual expectations (Beets 2015; Marcus 2013).

The IRS requires private foundations to annually complete form 990-PF, which includes a schedule of payments that the foundation made during the year, indicating recipients and payment amounts. The required 990-PF is one of the few IRS tax forms that is made publicly available so that those interested, including corporate owners, may determine the charitable philanthropy of corporation private foundations. While corporation submissions (including financial statements) to the SEC have been available through the SEC Web site (https://www.sec.gov/edgar/searchedgar/companysearch.html) for several years, the IRS began allowing the review of corporation foundation 990-PF forms through Amazon Web Services (https://aws.amazon.com/public-data-sets/irs-990/) in 2016. Prior to 2016, those interested in 990-PF forms could locate them through the Web sites of nonprofit organizations, such as ProPublica (https://projects.propublica.org/nonprofits/) and Public.Resource.Org (https://public.resource.org/) (Howard 2016). These tax forms, however, may not be easily digested, as a foundation's payments to charities, which may number in the thousands annually, are typically presented in no specified order. The 2013 990-PF of the foundation of Bank of America, for example, has a list of payments to charities that is more than 2900 pages with payments ranging from $25 to more than $2.2 million in no apparent order.

The related public scrutiny of corporation private foundation 990-PFs may be a mixed outcome for the related corporation. On the negative side, the corporation may be criticized for financially supporting charities that are disliked by some stockholders and investors: environmental organizations, a particular college or university, or an organization focused on a specific ideology. Additionally, some stockholders may be opposed to any corporation donations to charities, as such donations may reduce the liquidity that might otherwise be used to pay dividends (Beets 2015; Friedman 1970; Morris and Bartkus 2015; Myerson 2006; Stern 2013).

On the positive side, however, many corporation owners and potential investors may be pleased with corporation generosity to the International Red Cross or other local, national, or global charitable organizations, and because the funds channeled through corporation private foundations can be publicly scrutinized, generous corporations may receive positive publicity and public relations resulting from their benevolence (Fernandez-Feijoo et al. 2014; Morris and Bartkus 2015). For example, the nonprofit organization, the Foundation Center, maintains, on its web site, a list of the "50 Largest Corporation Foundations by Total Giving," enumerating the annual amounts given by those foundations (Foundation Center 2014). Forty of the fifty corporations that own these foundations are US public corporations and are consequently subject to oversight of the SEC. Part of this federal regulator scrutiny is a requirement that public corporations annually submit audited financial statements and other information through periodic filings which are made publicly available on the SEC Web site. The remaining ten corporations on the Foundation Center list are either (1) private corporations, which do not offer their stock for sale to the public, or (2) corporations based outside the USA. These latter two groups of corporations, therefore, do not typically face the scrutiny of the SEC.

Table 1 correspondingly lists those 40 public US corporations, in alphabetical order, whose private foundations gave the most to charities in 2013. The mean annual charitable contribution of these corporation foundations was approximately $50 million. Considering that the 40 corporations of Table 1 are among the most generous foundations of hundreds of corporation foundations, the difference in giving among these 40 may be surprising: The most generous gave more than $186.8 million to charity, while the 40th most generous gave $19.9 million.

While amount donated is one measure of generosity, the extent of benevolence of a corporation may also consider the size and profitability of the corporation. Ostensibly, a larger company may have more resources to give to charity than a smaller company, and similarly, a company which is more profitable may be able to donate more to charity than a less profitable organization. Accordingly, Table 1 also lists the 2013 total assets and 2013 net income of the related public corporations. Both of these financial statement measures are significantly correlated with the annual foundation giving (p values ≤ 0.002, Spearman's rho).

Table 1 Charitable and Political Giving of the 40 US Public Corporations with the Most Generous Foundations (all $-amounts in thousands) (base years 2012/2013)

	Annual foundation giving[a]	Total annual self-reported charitable giving[b]	Annual political spending[c]	Corporation total assets[d]	Corporation net income[d]
3 M Co.	$21,208	$30,287	$3268	$33,550,000	$4,721,000
Alcoa Inc.	22,170	39,251	2356	35,742,000	−2,244,000
Bank of America Corp.	160,480	166,453	7528	2,102,273,000	11,431,000
Bristol-Myers Squibb Co.	31,251	No response	4124	38,592,000	2,580,000
Caterpillar Inc.	55,999	No response	3353	84,896,000	3,808,000
Citigroup	78,372	144,613	7359	1,880,382,000	13,673,000
Coca-Cola Co.	98,176	131,762	5414	90,055,000	8,626,000
Duke Energy Corp.	26,052	No response	6000	114,779,000	2,676,000
Eli Lilly and Co.	26,199	55,785	9885	35,248,700	4,684,800
Emerson Electric Co.	29,060	No response	1216	24,711,000	2,066,000
Exxon Mobil Corp.	72,748	227,488	19,511	346,808,000	33,448,000
Fidelity National Fin. Inc.	24,082	Not surveyed	307	10,524,000	419,000
Ford Motor Co.	27,126	37,700	7324	202,026,000	7,148,000
Freeport-McMoRan Inc.	20,132	No response	810	63,473,000	3441,000
General Electric Co.	124,512	154,800	26,515	656,560,000	13,355,000
General Mills Inc.	29,202	No response	717	22,658,000	1,892,500
General Motors Co.	33,013	No response	10,893	166,344,000	5,331,000
Goldman Sachs Group Inc.	38,625	262,581	6328	911,507,000	8,040,000
IBM Corp.	21,618	38,430	6578	126,223,000	16,483,000
Illinois Tool Works Inc.	20,915	No response	985	19,966,000	1,679,000
Intel Corp.	45,122	109,020	3641	92,358,000	9,620,000
Johnson & Johnson	46,446	157,168	7098	132,683,000	13,831,000
JPMorgan Chase & Co.	115,516	210,909	8677	2,415,689,000	17,923,000
Medtronic Inc.	27,935	No response	4326	34,841,000	3,467,000
Merck & Co.	41,823	107,020	7766	105,645,000	4,517,000
MetLife Inc.	42,489	87,733	5991	885,296,000	3,393,000
Monsanto Co.	21,766	No response	7294	20,664,000	2,525,000
Nationwide Mutual Ins. Co.	26,275	26,221	3560	183,161,000	1,927,000
PepsiCo Inc.	31,731	46,986	4453	77,478,000	6,787,000
Pfizer Inc.	21,057	51,700	15,677	172,101,000	22,072,000
PNC Financial Services	48,269	No response	951	320,296,000	4,227,000
Prudential Financial Inc.	26,860	71,267	7592	731,781,000	−560,000
The Dow Chemical Co.	21,504	39,748	7589	69,501,000	4,816,000
US Bancorp	23,293	66,477	1104	364,021,000	5,732,000
United Health Group	19,861	59,733	4458	81,882,000	5,673,000
UPS Inc.	42,896	54,529	6398	36,212,000	4,372,000
Valero Energy Corp.	26,074	No response	1065	47,260,000	2,728,000
Verizon Comm. Inc.	41,567	No response	17,450	274,098,000	23,547,000
Wal-mart Stores Inc.	182,859	311,607	7046	203,105,000	17,756,000
Wells Fargo & Co.	186,776	275,478	5414	1,527,015,000	21,878,000
Mean	$50,026	$114,029	$6451	$368,535,118	$7,987,233

[a] Cash payments only (Foundation Center 2014)

[b] Cash payments only, includes foundation giving (Chronicle of Philanthropy 2013)

[c] Cash payments only, total donations for years 2007–2012 divided by 6 years (Sunlight Foundation 2014)

[d] 2013 10 k for each corporation filed with the SEC

As with foundation giving, there is a difference in the size and profitability of these generous corporations. The average total assets of these 40 corporations was $368.5 billion; the largest, JP Morgan Chase, had assets of $2.4 trillion, while the smallest, Fidelity National Financial, had total assets of $10.5 billion. Profitability also differed; the most profitable was Exxon Mobil with a net income of $33.4 billion, and the least profitable was Alcoa which experienced a $2.2 billion net loss in 2013. The mean net income of these 40 generous corporations was $8.0 billion in 2013.

Considering the total assets and net income of these 40 corporations, arguments may be made that their charitable and political contributions are inconsequential to such large organizations. As discussed previously, however, magnitude is not the sole determinant of materiality and decision usefulness. The decisions of investors and stockholders may be strongly influenced, positively or negatively, by knowledge of contributions to certain charitable causes, regardless of the magnitude of that giving.

To gain insights regarding some of the largest charitable contributions made by these generous corporation foundations, 990-PF forms were scrutinized of the five corporations whose foundations gave the most in 2013: Bank of America, General Electric, JPMorgan Chase, Wal-mart, and Wells Fargo. Table 2 lists the largest payments made by these corporation foundations during the year, and a review of this list reveals some of the philanthropic priorities of these corporations as all of these individual payments are $1 million or larger. One obvious priority of the General Electric philanthropy, for example, is the support of public schools as several of the larger donations related to that need. Wells Fargo, by contrast, is environmentally focused in their charitable giving as two of their largest payments, $9 million and $3.1 million, were to the National Fish and Wildlife Foundation. Some charities benefitted from the generosity of more than one of these corporations: the Neighborhood Reinvestment Corporation was the recipient of large payments from the foundations of both Wells Fargo and JPMorgan Chase, the Foundation for the Carolinas received large payments from the foundations of Wells Fargo and Bank of America, and the charity, Feeding America, received large payments from the foundations of both Bank of America and Wal-mart.

While many may applaud the financial support provided to charities by these corporations, as mentioned previously, such transparent philanthropy may also garner some stockholder or public resentment regarding the choice of specific charity; e.g., why did the corporation generously fund that particular university or art museum rather than others, or why did the corporation fund environmental or public policy issues? In 2010, for example, Target Corporation was criticized and boycotted for financially supporting an organization that opposed gay rights. Some stockholders also may criticize what they perceive as lavish gifts to charity which instead should have been directed to corporation owners in the form of dividends (Friedman 1970; Morris and Bartkus 2015; Skroupa 2012).

Invisible Philanthropy of Corporations

The corporation philanthropy described in the preceding section regards the giving that the corporation has chosen to make visible to corporation owners and others by voluntarily making two distinctly separate choices: (1) choosing to establish a private foundation and (2) choosing to donate through that foundation. Corporations, however, are not required to form private foundations and may give generously to charities and other causes without forming a foundation. Further, corporations that have formed private foundations are not required to utilize them for all corporation giving: The corporation may make some charitable payments through the private foundation and make other charitable payments directly through the corporation.

Evidence that corporation foundations are not completely reflective of all corporation philanthropy is provided by an annual survey of the 300 largest corporations of the Fortune 500 by the *Chronicle of Philanthropy*. This survey asks the corporations about their charitable giving and a corresponding ranking is published by the journal of the ten most generous corporations according to the self-reported results (Frostenson and O'Neil 2014; Lopez-Rivera 2013; Smith 2013). Upon request for the use in this article, the *Chronicle of Philanthropy* generously shared the results of the annual survey which are reflected in the second column of data in Table 1, "total annual self-reported charitable giving." Only one of the generous corporations of Table 1 was not surveyed by the *Chronicle of Philanthropy*; Fidelity National Financial was not one of the 300 largest corporations of the Fortune 500 in 2013. Of the remaining 39 corporations of Table 1, 26 corporations responded to the voluntary survey, and the total annual charitable contributions that they self-reported on the survey are listed in the table. These amounts include the giving of the corporation's foundation, but also include charitable contributions of the corporation without the use of the foundation.

Considering the "annual foundation giving" and the "total annual self-reported charitable giving" of Table 1, some corporations, such as Bank of America, apparently utilize their private foundation for most of their charitable giving, while other corporations, such as Goldman Sachs, give generously to charity but utilize their foundation for a relatively small portion of those gifts. As

Table 2 Largest Individual Payments of the Most Generous US Public Corporation Foundations in 2013 (all $-amounts in thousands)[1]

1. Wells Fargo & Co.		*2. Wal-mart Stores Inc.*	
National Fish and Wildlife Foundation	$9000	Feeding America	$8890
Neighborhood Reinvestment Corp.	$5500	National Council of YMCAs of the USA	$5302
Neighborhood Reinvestment Corp.	$4000	Goodwill Industries International	$4295
National Fish and Wildlife Foundation	$3100	Amer. Assoc. of Commun. Colleges	$4190
Neighborhood Reinvestment Corp.	$2500	League for Innov. In Commun. Coll.	$3500
Mint Museum of Art	$2000	Wider Opportunities for Women Inc.	$3500
Natl. Found. For Credit Counseling	$2000	Winrock Int'l Institute for Agri. Devel.	$3500
Scholarship America Inc.	$1548	Goodwill Industries International	$3421
Foundation for the Carolinas	$1200	Cybergrants Inc.	$3286
Robert W Woodruff Arts Center	$1200	American National Red Cross	$3223
3. Bank of America Corp.		*4. General Electric Co.*	
Scholarship America Inc.	$2271	National Science Foundation	$2500
Foundation for the Carolinas	$2000	Fund for Public Schools Inc.	$2,491
Georgia State Univ. Foundation	$2000	National Medical Fellowships Inc.	$2150
Center for Leadership Innovation	$1689	United Way of Greater Cincinnati	$1914
Feeding America	$1500	JA Worldwide	$1800
Habitat for Humanity International	$1500	Cincinnati Public Schools	$1723
Vital Voices Global Partnership	$1200	Fund for Public Schools Inc.	$1509
Tsinghua Education Foundation	$1000	Atlanta Public Schools	$1500
Feeding America	$1000	Stamford Public Schools	$1500
Foundation for the Carolinas	$1000	Student Achievement Partners	$1500
San Francisco Gen. Hospital Found.	$1000		
National Council of La Raza	$1000		
5. JP Morgan Chase & Co.			
Local Initiatives Support Corp.	$2240		
Natl. Sept. 11 Memorial and Museum	$2001		
Seattle Art Museum	$1875		
Turnaround for Children Inc.	$1692		
Enterprise Community Partners	$1510		
Participle Ltd.	$1428		
Neighborhood Reinvestment Corp.	$1295		
Institute For Public Policy Research	$1282		
Chicago Community Trust	$1250		
Jobs for the Future Inc.	$1210		

[1] Annual 990-PF for each related private foundation filed with the IRS

indicated, the mean of the self-reported charitable giving of those 26 corporations that responded to the survey was $114.0 million, while the mean given by the foundations of those corporations was $60.2 million. Accordingly, the foundation giving for these 26 corporations was significantly different from their self-reported charitable giving (p value < 0.001, Wilcoxon signed rank).

As a consequence, corporation owners may wonder why the corporation's foundation is not used for all giving, so that the owners could determine the recipients of the corporation's generosity. As a result of the extant disclosure environment, the amounts listed as "annual foundation giving" for any of the public corporations of Table 1 may be appropriately considered to be accurate minimums that the corporations donated to charity in that year. Beyond the self-reported contributions described above, which are not independently verifiable and are not part of audited financial statements, the entire amount that a public corporation has given to charities in a given year cannot be determined under current disclosure rules of the IRS and SEC, regardless of whether the corporation has chosen to create a private foundation and regardless of the extent to which the corporation utilizes a created foundation for charitable giving.

The decision to utilize or not utilize the corporation private foundation for giving may be strategic but ethically questionable, as the corporation management is aware that payments made through the private foundation are transparent, and those made through the corporation are not (Bartkus et al. 2002). A corporation with a private foundation can manage publicity and transparency of their corporate giving by (1) contributing through the private foundation, and thereby disclosing to corporation owners and the public through 990-PF transparency, gifts that may be viewed favorably, such as contributions to a disaster relief organization, or (2) contributing through the corporation, and thereby avoiding disclosure to the stockholders and others, gifts that may be viewed unfavorably such as large contributions to specific universities, museums, environmental or public policy organizations, or organizations that are ideologically focused, such as the Ayn Rand Institute. While legal, this strategic channeling of transparent and non-transparent contributions is ethically questionable, as it obscures the visibility of the giving and decision usefulness of the resulting financial statements and disclosures.

Invisible Political Payments of Corporations

As with corporation charitable giving, stockholders may also benefit from information of corporation political contributions. While corporation private foundations can be generous to organizations classified as 501(c)3 charities, those foundations are prohibited from donating to political organizations, such as PACs (Carter 2010). Corporations, however, are not as constrained in their political giving as foundations, nor are corporations required to disclose to corporation owners or investors the political payments made by the corporation. While corporation donations to PACs, lobbying firms, and other political organizations typically cannot be used to reduce tax liabilities, such payments are usually legal and may be more extensive than many stockholders and investors realize (Hodgson 2015; New York Times 2014; Vandewalker 2013; Weisman 2014; Winkler 2013).

As examples of the extensiveness of corporation political donations, the political spending of the corporations listed in Table 1 is also indicated in that table. While the 40 public corporations of Table 1 had the most generous private foundations in 2013, many of them also gave generously to political causes, ranging from General Electric, which donated \$26.5 million for political influence, to Fidelity National Financial, which donated \$0.3 million to political organizations. On average, each of the 40 public corporations listed in Table 1 donated about \$6.5 million to political organizations, which was much less than the average annual charitable donation of \$50 million, although, as mentioned previously, materiality is not singularly delineated by magnitude, as the investing decisions of some current and potential stockholders may be influenced by even relatively small corporation payments to political causes. In considering corporation political spending as it relates to the financial statement constructs of total assets and net income, both of these measures are significantly correlated with the annual political spending (p values $\leq$ 0.001, Spearman's rho).

While public corporations typically are not required to disclose their political contributions, some nonprofit organizations, such as the Sunlight Foundation (http://sunlightfoundation.com/) monitor such payments from information that must be submitted by recipient organizations, such as political action committees. To determine a public corporation's giving for political influence, correspondingly, an owner of that corporation is unlikely to find the annual report or audited financial statements helpful, as such disclosure is not required of corporation management. Instead, the corporation owner must attempt to extract that information from a nonprofit organization that pieces the data together from a variety of lobbyists and political organizations that received money from the corporation (Allison and Harkins 2014).

Comparison of Giving Among Corporations of Different Size

As mentioned previously, one of the contrasts of the corporations in Table 1 is the difference in their size as some of the companies have assets in excess of \$2.0 trillion and others have assets of \$20 billion or less. Correspondingly, the corporations listed in Table 1 were divided into four quartiles of ten corporations each according to their total assets, and the comparisons associated with these quartiles is presented in Table 3. Regarding the five criteria discussed in the previous sections, "annual foundation giving," "total annual self-reported charitable giving," "annual political spending," "corporation total assets," and "corporation net income," the size quartiles differed significantly (p values $\leq$ 0.021, Kruskal–Wallis), indicating that the larger corporations gave significantly more to charities and political causes than the corporations that were smaller.

Generosity, however, may be defined in many ways. If one corporation has assets of \$100 million, earned annual net income of \$10 million, and gave \$1.2 million to charity, would that company be considered more or less generous than a corporation with assets of \$20 million, earned net income of \$2 million, and gave \$1 million to charity? Arguably, generosity may not be solely a function of total dollars given by a corporation but may consider corporation size and profitability. Accordingly, Table 3 also displays comparisons of ratios created by utilizing the metrics discussed above. Two of the ratios, "annual foundation giving/total assets" and "annual political spending/total assets" consider giving as a function of corporation size, and regarding these two ratios, the size quartiles differed significantly (p values $\leq$ 0.001, Kruskal–Wallis); smaller corporations gave a significantly larger proportion of their assets than larger firms.

Profitability may also be a factor with regard to charitable and political giving, as a company with a larger periodic net income may have more resources to give, although a study by Campbell et al. (2002) found no significant relationship between corporate profitability and the extent of giving. Two of the ratios presented in Table 3 relate to profitability: "annual foundation giving/net income" and "annual political spending/net income." The size quartiles, however, did not differ significantly with regard to these two ratios (p values $\geq$0.420, Kruskal–Wallis). Correspondingly, corporation size was not significantly related to the proportion of profitability that a corporation donated to charities or political causes.

The Corresponding Disclosure Fog

Currently, if stockholders of a public corporation want to know what charities, politicians, or PACs are financially supported by the corporation they own, their opportunities to access that information are very limited, and intentional obfuscation of corporation giving is allowed by the regulatory environment (Gillmor and Bremer 1999; Skroupa 2012). If the corporation has a private foundation, the owners can review the foundation's IRS form 990-PF and consider the payments which the corporation has chosen to make through the foundation. Corporations that have private foundations, however, are not required to utilize them for all charitable contributions and can, if management prefers, give generously and without transparency to charities without the use of the foundation. Corporations that do not have private foundations may give as generously to charities as corporations that do have foundations. Those corporations without a foundation, however, are not required to make any disclosures about their charitable contributions. Regarding corporation payments to politicians, lobbyists, and political organizations, corporation management is not required to inform corporation owners of these payments either (Bebchuk and Jackson 2013; Morris and Bartkus 2015).

Extant IRS and SEC rules, consequently, do not provide necessary transparency and allow a charitable and political contributions shell game for public corporations, where management has the ability to show corporation owners only the contributions that management wants the owners to see. This government-sanctioned lack of transparency is ethically questionable as it results in misleading and incomplete information regarding the charitable and political contributions of public corporations and results in financial statements that fail in their decision usefulness

Table 3 Giving of the size quartiles (by total assets) of the 40 US Public Corporations with the Most Generous Foundations (all \$-amounts in thousands) (base years 2012/2013)

Size quartile	Annual foundation giving[a]	Total annual self-reported charitable giving[b]	Annual political spending[c]	Corporation total assets[d]	Corporation net income[d]
Q1-largest	\$86,967	\$166,780	\$9,602	\$1,182,133,200	\$12,831,300
Q2-larger	47,428	103,804	8,258	189,481,600	11,499,800
Q3-smaller	39,167	82,378	4,267	75,114,000	5,259,600
Q4-smallest	26,543	44,963	3,675	27,411,670	2,358,230
Mean	\$50,026	\$114,029	\$6,451	\$368,535,118	\$7,987,233
p value (K-W)	0.021	0.019	0.021	<0.001	0.003

Size quartile	Annual foundation giving/total assets	Annual foundation giving/net income	Annual political spending/total assets	Annual political spending/net income
Q1-largest	0.0088%	0.7516%	0.0014%	0.0805%
Q2-larger	0.0255%	0.6246%	0.0047%	0.1014%
Q3-smaller	0.0527%	0.8020%	0.0058%	0.0885%
Q4-smallest	0.1084%	1.5111%	0.0126%	0.1188%
Mean	0.0488%	0.7212%	0.0061%	0.0558%
p value (K-W)	<0.001	0.420	0.001	0.669

[a] Cash payments only (Foundation Center 2014)

[b] Cash payments only, includes foundation giving (Chronicle of Philanthropy 2013)

[c] Cash payments only (Sunlight Foundation 2014)

[d] 2013 10 k for each corporation filed with the SEC

and provision of materially relevant information (Ackerman 2016; Bebchuk and Jackson 2013; Blumenthal 2013; Gillmor and Bremer 1999; Hodgson 2015; Lander and Auger 2008).

While some oppose transparency of corporation philanthropy based on arguments related to increased scrutiny and costs, freedom of speech, and immateriality of the amounts donated, many others believe that those who own a corporation should be aware of any charitable and political payments made by the corporation. A 2012 poll of US citizens revealed that 80% of those surveyed believed that corporation contributions should be contingent upon prior shareholder approval (Common Cause 2012). Yet while 1.1 million comments submitted to the SEC have requested resolution to this disclosure issue, and 70 charitable foundations and five state treasurers have asked for SEC rules promoting disclosure of corporation charitable and political contributions, the commission has failed to respond (Goad 2014; McRitchie 2015; North Carolina Department of State Treasurer 2015; Overby 2015). In the absence of regulatory requirements for corporation contribution transparency, stockholders of some corporations have successfully petitioned corporation boards of directors to provide information regarding contributions, but these corporation disclosures vary in their content from company to company, confounding comparisons among the few corporations that provide them (Bagley et al. 2015; Bebchuk and Jackson 2013; Cummings 2015; Hodgson 2015; McRitchie 2015; Overby 2015).

Public interest in transparency regarding corporation contributions to charities and politicians has prompted some federal government officials to design and promote legislation that would foster enhanced disclosures. House of Representatives Bill 944, introduced in 1997, and the Corporate Charitable Disclosure Acts of 2002, 2003, 2005, and 2007, would have provided enhanced transparency of corporation giving, but each of these proposed bills were eliminated by congressional committee; the US Congress did not vote on any of them (Pearce 2015).

Many believe that the SEC should act in requiring transparency of public corporation giving, and correspondingly, in 2012, SEC Commissioner Luis Aguilar indicated that SEC action on corporation contributions disclosure was critically important to "ensure that investors are not left in the dark while their money is used without their knowledge or consent" (Cohen 2012, p. 1). At the beginning of 2013, the SEC put consideration of a related rule on their agenda, but with a change of SEC chairs later that year from Mary Schapiro to Mary Jo White, SEC agenda priorities shifted, and consideration of a rule regarding transparency of corporation contributions was dropped from the agenda (Ackerman 2016; Blumenthal 2013; Gilbert 2013; New York Times 2014). With the presidential election in 2016 of Donald Trump, a new era of corporation regulation reduction has begun, and the Trump administration may not be interested in encouraging the SEC to seek additional reporting requirements regarding corporation giving (Merle 2017).

Conclusion

Many public corporations are generous in their charitable and political contributions. Several of them have formed private foundations to facilitate the portion of their charitable giving which is available for scrutiny by stockholders and others, and those disclosures may garner positive publicity for generous corporations. Because corporation private foundation giving is transparent through the publicly available IRS form 990-PF, interested corporation owners may consider information such as that in Table 2 in determining the wisdom and benevolence of Wal-mart corporation management, for example, in donating $8.9 million to Feeding America and $3.5 million to Wider Opportunities for Women, Inc., in 2013.

These corporation foundation contributions, however, are usually the only aspect of corporation giving that is required to be disclosed to the owners of the corporation. As indicated in Table 1, while many public corporations give generously through their foundation, they may also give to charities directly from the corporation and without the use of their foundation. This regulatory circumstance allows a "shell game" of charitable contributions, as corporations can strategically manage the related publicity by (1) donating through the foundation when the corporation would benefit from the required transparency, and (2) donating through the corporation (without using the foundation) when the payments could be considered inappropriate by stockholders or others. Correspondingly, the ethics and decision usefulness associated with the related information is confounded, as some corporations may legally manipulate the portion of giving that is transparent. The corporation management of Exxon Mobil, for example, reported that it gave about $227.5 million to charities in 2013, but scrutiny of their foundation's 990-PF revealed charitable contributions of approximately $72.7 million. The corresponding difference in Exxon Mobil's reported charitable giving of $154.8 million may have been donated directly from the corporation without use of their foundation. While Exxon Mobil's charitable giving may be generous and ethical, the required disclosures lack transparency, as the corporation is not required by law or regulation to disclose to corporation owners the recipients or contributions composing the related difference of $154.8 million.

Additionally, these public corporations are not required by federal law or regulation to form corporation private foundations to facilitate philanthropy. If Exxon Mobil had chosen not to form a foundation and still gave $227.5 million to the same recipients in 2013, corporation owners and others might have no information of the corporation philanthropy except what the managers voluntarily reported.

Another component of corporation giving which is not disclosed to stockholders or others is the amount given, directly or indirectly, to political candidates, lobbyists, and PACs. As indicated in Table 1, political spending varies by corporation, may involve several million dollars, and is essentially unknown to corporation owners as disclosure of related contributions is not required. Would the owners of Pfizer, for example, be interested in knowing what organizations were recipients of the millions of dollars that the corporation has spent on political influence?

The US Congress and the SEC have the ability to disperse much of this disclosure fog by requiring publication of charitable and political contributions of public corporations in annual audited financial statements. This may be accomplished by continued efforts of congressional leaders and SEC leadership in creating legislation or SEC rules considering and perhaps incorporating some aspects of the failed disclosure acts of the last decade and successful laws of other countries, such as the Companies Acts of the United Kingdom. While some may oppose such disclosures on the basis of additional costs and scrutiny, many corporation owners and investors would benefit from the decision usefulness of this material information in their valuation of the corporation and their evaluation of its managers. Regardless of laws and requirements of regulators, however, the ethical application of the concepts of decision usefulness, materiality, and transparency may bring corporation managers to the realization of the importance of these disclosures.

Suggestions for Future Research

While this article focused on the corporation contribution disclosure fog of businesses in the USA, an informative extension of this research would be an examination of the disclosure requirements in other countries. As mentioned previously in this article, required financial statement disclosures differ from nation to nation, and cultural perceptions of the value of transparency may vary across cultures. An examination of these differences as they relate to required disclosure of contributions may be worthwhile in considering the related ethics.

In addition, research focused on management rationale in making charitable and political contributions would be insightful in understanding the related ethics. As there may be a plethora of reasons for charitable and political giving, comprehension of those rationales could foster ethical decisions made by corporation donors and charitable or political recipients of such funds.

Compliance with Ethical Standards

Conflict of interest S. Douglas Beets declares that he has no conflict of interest. Mary G. Beets declares that she has no conflict of interest.

Ethical Approval This article does not contain any studies with human participants or animals performed by any of the authors.

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