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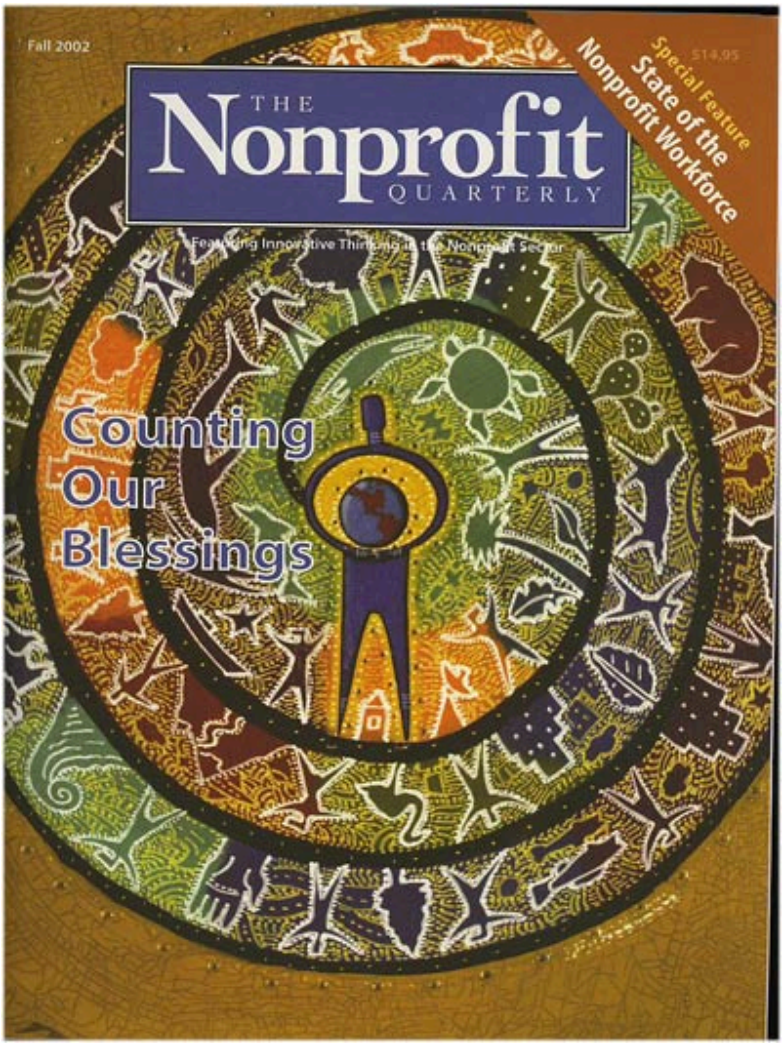
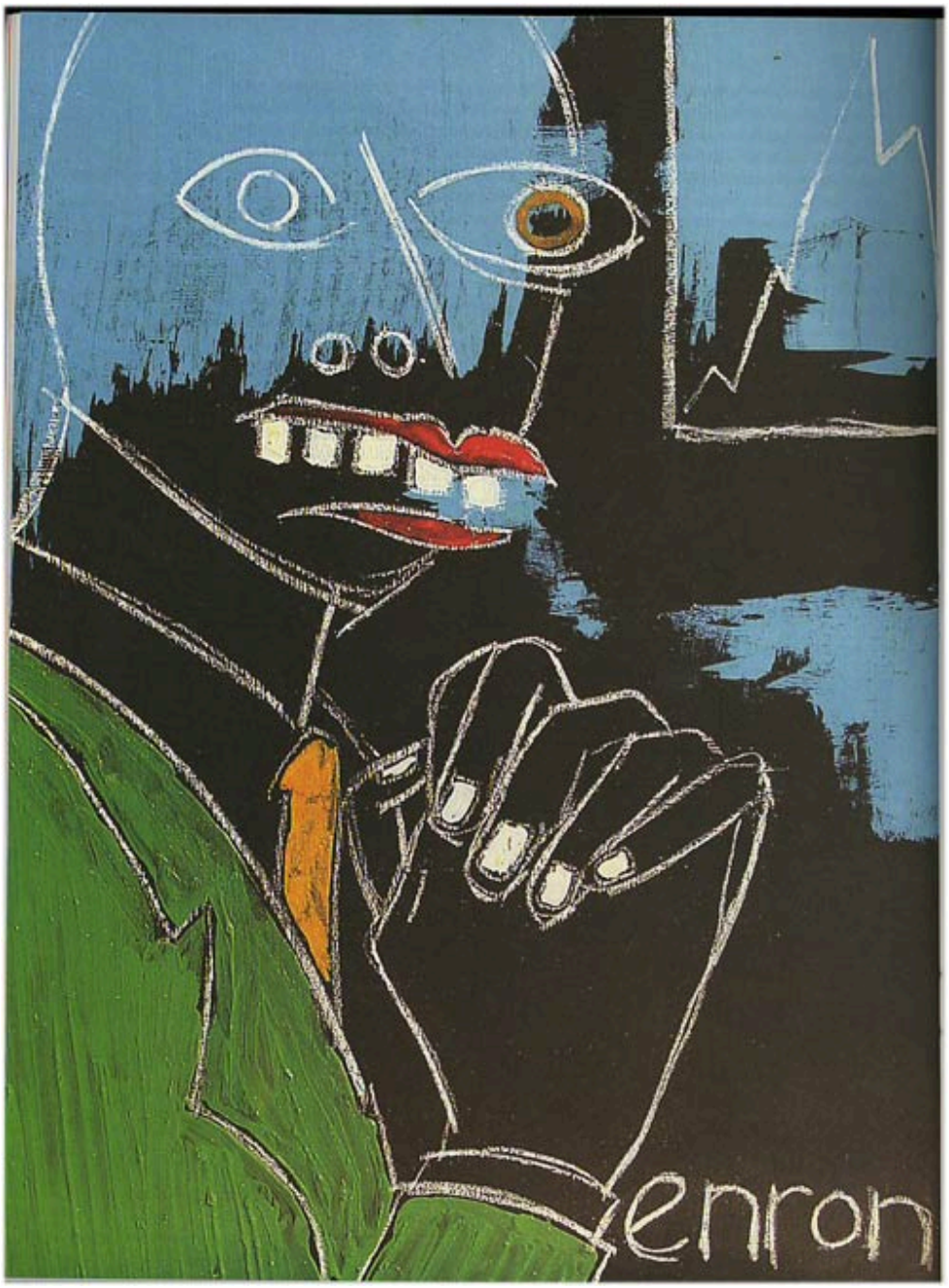
Sesow's "Enron" painting in Nonprofit magazine

2002




enron

Corporate Giving: De-cloaking Stealth Philanthropy

by Rick Cohen

By some estimates, less than half, maybe not much more than a third, of corporate philanthropic grantmaking flows through corporate foundations. Corporate foundations like other foundations file publicly accessible 990PFs with the IRS, making their grantmaking relatively researchable.

But most corporate grantmaking travels below the radar screen, is inconsistently reported and revealed, sometimes not revealed at all, and frequently gets used for some unusual purposes. Painting a complete picture of corporate grantmaking is daunting. In NCRP's past research on corporate philanthropy, efforts to get corporations without foundations to provide information on their grantmaking resulted in only 2 of 30 corporations complying. An IRS review not all that long ago found most corporate foundations requesting extensions, sometimes nearly a year or more, for filing their 990PFs, resulting in a significant time lag on basic philanthropic disclosure.

You aren't going to find out much more from corporate filings with the Securities and Exchange Commission. Even while acknowledging technical difficulties in figuring out how to fashion a requirement for increased corporate disclosure, the SEC in May of 1999 reported widespread disparities in corporate reporting practices, particularly in their SEC filings, due to differing interpretations of which contributions warrant consideration as "material to an investor's understanding of the company's business or financial statements."

Don't expect the information from corporate tax returns; corporate tax returns have the same privacy restrictions as individual taxpayers, and the charitable giving information in the returns is frequently lumped together, not detailed and explained.

The poster child for questionable corporate philanthropy at the moment is Enron—no surprise. Some of the combined philanthropy of Enron's foundation and marketing arms, plus the charitable giving of Enron's CEO, Kenneth Lay, went for eyebrow-raising purposes. One beneficiary was the Mercatus Center, a free-market, anti-regulation think tank at George Mason University in Virginia that employs Wendy Gramm, the spouse of Texas conservative, Senator Phil Gramm. Nothing wrong with a pro-corporate think tank grant, except that Ms. Gramm also serves as a member of the Enron board of directors. The senator himself shared in the Enron largesse with $72,000 in direct campaign contributions between 1995 and 2000.[1]

The Mercatus grant, a paltry $50,000, pales to the nearly $1.9-million given by Enron (as well as Lay's family foundation) to the M.D. Anderson Cancer Center at the University of Texas, whose president is John Mendolson, another member of the Enron board—sitting on the board's stunningly ineffective audit committee. Enron was ecumenical in its charitable giving, however, making contributions to the I Have a Dream Foundation under the name of President Clinton's energy secretary, Hazel O'Leary, to curry favor with Democrats.

While much of corporate giving goes to charities associated with corporate officers and directors, Enron's officer—and director—linked philanthropy does not pass the sniff test in light of the corporation's remarkably widespread lack of ethics and accountability. Recent Congressional efforts to tackle the rampant governance and accountability shortcomings highlighted by Enron, Tyco, Worldcom, Xerox, ImClone, and others added corporate grantmaking to the catalog of financial items to be audited and revealed.

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ENRON – MARK SESOW

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