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STUDY BY THE STAFF OF THE U.S.

General Accounting Office

Statistical Analysis Of The Operations And Activities Of Private Foundations

The Tax Reform Act of 1969 established a series of rules governing the activities and operations of private foundations. These rules included detailed reporting requirements to provide data for congressional and public oversight.

In June 1983, the Oversight Subcommittee of the House Committee on Ways and Means held hearings to look into the operations of private foundations since passage of the 1969 Tax Reform Act. Those hearings demonstrated, among other things, the difficulty of measuring the effects of the act on foundations because of the lack of complete and consistent statistical data.

This study, based on GAO testimony at those hearings, provides a detailed profile of foundation operations for the most recent year in which descriptive IRS data was available for analysis--1979--and basic background information for certain other years. It should be useful to researchers in the congressional, academic, and foundation communities, and to legislators and administrators in that it provides (1) data pertinent to promoting public oversight and understanding of private foundation operations and (2) a baseline for future statistical analyses of private foundations.



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FOREWORD

With reductions in federal spending, the amount of federal aid to education, health, and social welfare--as well as to the public in general--is diminishing. As a result, many people are looking to private foundations for resources to help fill the gap.

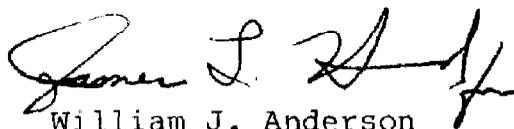
Private foundations are unique charitable tax-exempt organizations which, unlike other types of exempt organizations, are frequently controlled by an individual, family, or other closely controlled entity. Like other types of charitable tax-exempt organizations, however, they are required to permanently dedicate their assets to public purposes, as opposed to serving the private financial interests of the controlling parties. The close control private individuals frequently maintain over foundation assets and operations has, over the years, given rise to congressional and public concern over how well foundations are living up to their mandate of serving public interests. Because of this concern, the Congress, as part of the Tax Reform Act of 1969, enacted a series of rules governing the activities and operations of private foundations. To help assure compliance with these rules, the Congress (1) required foundations to make extensive disclosures on their returns filed with IRS and (2) stipulated that foundation returns, unlike other tax returns, were to be made available to the public to help in the oversight process.

In June 1983, the Subcommittee on Oversight, House Committee on Ways and Means, held hearings on the operations of foundations under the 1969 Tax Reform Act. The hearings demonstrated, among other things, the difficulty of measuring the effects of the 1969 act on foundations because of the lack of complete and consistent statistical data.

GAO participated in the hearings, at the subcommittee's request, by developing and testifying on a statistical profile of private foundations in terms of certain economic characteristics indicating (1) the financial well-being of private foundations and (2) the degree to which foundations use their financial resources for charitable purposes. This staff study, which consists of the summary and comprehensive statements presented in testimony before the Oversight Subcommittee on June 28, 1983, contains the results of our statistical analysis. The data provides a detailed profile of foundation operations for the most recent year in which descriptive IRS data was available for analysis--1979--and basic background information for certain other years. The sources of the data we used--essentially IRS return information--and the limitations of the data are presented in detail throughout. In summary, we used the most complete and best data available at the time we did our work.

Our analysis helps to illustrate how foundations have fared under the 1969 Tax Reform Act; however, we did not consider the data available for analysis sufficient for us to draw firm conclusions on the effects of the act on the private foundation community and those served by that community. More consistent and comprehensive data, collected over a sufficient period of time to facilitate trend analysis, is needed to fully assess the efficiency and effectiveness of private foundation operations and to measure the effects of the act.

We prepared this study to provide (1) substantive information on the operations and activities of private foundations at a particular point in time and (2) a baseline for future statistical analyses of private foundations. In this regard, it should be useful to researchers in the congressional, academic, and foundation communities. It should also be useful to legislators, administrators, the private foundation community, and the public in determining what information needs to be accumulated and analyzed for future oversight and administrative purposes.

A handwritten signature in cursive script, appearing to read "William J. Anderson".

William J. Anderson
Director

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ABBREVIATIONS

GAO	General Accounting Office
IRS	Internal Revenue Service



UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

FOR RELEASE ON DELIVERY
EXPECTED AT 10:00 A.M. EDT
TUESDAY, JUNE 28, 1983

SUMMARY STATEMENT OF
JOHNNY C. FINCH, ASSOCIATE DIRECTOR
GENERAL GOVERNMENT DIVISION
BEFORE THE
SUBCOMMITTEE ON OVERSIGHT
HOUSE COMMITTEE ON WAYS AND MEANS
CONCERNING
THE OPERATIONS AND
ACTIVITIES OF PRIVATE FOUNDATIONS

Mr. Chairman and members of the subcommittee:

We are pleased to have the opportunity to assist your subcommittee in carrying out its oversight of private foundation operations and activities. In 1969, the Congress enacted a series of rules aimed at ensuring that only those private foundations operating for the public benefit enjoy favorable tax treatment. The primary purpose of my testimony is to draw a statistical profile of the private foundation community in terms of certain economic characteristics which illustrate how foundations are operating under those rules. Specifically, as requested by this subcommittee, we analyzed foundation return information to determine the financial well-being of private foundations and the degree to which private foundations use their financial resources for charitable purposes.

Overall, our analyses of available data--primarily an IRS sample of private foundation returns for tax year 1979--indicates that the number of private foundations have increased from 14,865 in 1962 to 31,866 in 1981--a 114-percent increase. Their assets at market value have increased, over the same period, from about \$16.3 billion to about \$51 billion--a 213-percent increase. Their total annual receipts also increased from about

\$1.9 billion to about \$9.1 billion--a 379-percent increase. Concurrently, foundations' total annual expenses increased from about \$2.7 billion in 1974 to about \$4.8 billion in 1981--a 78-percent increase. Likewise, those expenses related to exempt purposes increased from about \$1 billion in 1962 to about \$3.2 billion in 1979--a 220-percent increase.¹

Notwithstanding these increases, the data also indicates that foundations, on a percentage basis, are spending less of each year's receipts. For example, in 1974 foundations spent about 97 percent of their total receipts, as compared to about 53 percent in 1981. Similarly, the percentage of total receipts disbursed for exempt purposes has also decreased--from about 86 percent in 1974 to about 54 percent in 1979.

As I previously mentioned, private foundation financial growth appears substantial when measured in actual dollars. However, an examination of available financial data in terms of constant dollars shows a less dramatic picture--a 13-percent increase; in fact, over the last 2 years, asset values declined about 5 percent. Even so, our analysis of available data showed that private foundations have earned and/or received sizable revenues and have annually retained more and more of these revenues.

Earnings on assets, particularly as measured by adjusted net income, is particularly important to the financial well-being of foundations and their ability to continually fund charitable activities. In this regard, our analysis of return data for 1979 showed that foundation adjusted net income, expressed as a percentage of assets, was generally below 1979 inflation rates, which ranged between 8 and 13 percent depending on the measure used.

The limited financial growth of private foundation assets since 1962, as measured in constant dollars, may in part be attributable to inflation and to the charitable purpose distribution provisions of the 1969 Tax Reform Act which required most foundations to make certain qualifying distributions for charitable purposes in an amount essentially equaling all earnings on their assets. This provision was changed effective in January 1982. Another reason for the decline in the real

¹During the hearings some foundation groups raised concerns about the data used to evaluate the effects of the Tax Reform Act of 1969 on the private foundation community. The addendum on pages 26 to 29 was developed from available IRS data to provide additional information about these concerns.

value of foundation assets lies with the nature of those assets. In fact, our analysis showed that foundations have extensive holdings in the stock of for-profit businesses. Given this, the depressed stock market conditions that existed until recently may help explain the declining trend in the real value of foundations' assets over the last few years.

Foundation investment and earnings practices are only one side of the foundations' economic profile. The degree to which private foundations direct their resources to serve charitable purposes is equally as important.

In this regard, our analysis showed that of the \$3.5 billion of total expenses incurred by foundations in tax year 1979, about \$3.2 billion, or about 91 percent, were reported as disbursements for charitable purposes. However, only about two-thirds of all foundations reported charitable purpose disbursements at about the 91-percent level or greater. Furthermore, some reported disbursing very little for charitable purposes in comparison with their total expenses. Similarly, about 72 percent of all foundations reported charitable purpose disbursements equaling at least 90 percent of their adjusted net income and some reported disbursing little even though their adjusted net income was quite large.

Mr. Chairman, the foregoing information briefly summarizes the financial results of foundation operations--primarily for tax year 1979--under the rules which Congress enacted in 1969 to govern foundations. Those rules were enacted to assure that private foundations serve public rather than private interests. Our statistical analyses of the financial aspects of foundation operations, standing alone, do not permit us to reach hard and fast conclusions as to whether foundations are properly balancing their operations between serving the public and meeting their own financial needs and whether there is a need for more or less regulation. What the proper balance should be can best be determined through the legislative process and public debate, as represented by hearings such as these. We trust that the information we have presented today will assist the subcommittee and the Congress in making these determinations.

I would now like to turn briefly to a related matter--the Internal Revenue Code provisions requiring private foundations to make extensive public disclosures on their returns. With reductions in federal spending, many people will look to tax-exempt private foundations for aid; thus the need for complete and accurate public reporting by foundations will become even

more important. In view of this, we recently evaluated how well IRS assures that private foundations comply with the reporting requirements of the Internal Revenue Code.²

In summary, we found that private foundations generally comply well with those reporting requirements which IRS, through its actions, has identified as being necessary for tax computation and enforcement purposes. Most foundations, however, did not comply as well with other statutorily required information that is useful to the public--information on grants, investments, and foundation management. This is because IRS has devoted less attention to enforcing those requirements.

To assure that the Congress' and the public's information needs for oversight and grant seeking purposes are met, we recommended that IRS make certain administrative changes to better enforce those tax exemption reporting requirements. IRS agreed with our recommendations and is taking actions to strengthen its enforcement program.

This concludes my summary statement. I would be pleased to respond to any questions.³

²Public Information Reporting By Tax-Exempt Private Foundations Needs More Attention By IRS (GAO/GGD-83-58, Sept. 26, 1983).

³Following the hearings, Chairman Rangel requested that we respond to seven questions to complete the hearing record. Our response is included in this study as attachment XX.

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WASHINGTON, D.C. 20548

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COMPREHENSIVE STATEMENT OF
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CONCERNING
THE OPERATIONS AND
ACTIVITIES OF PRIVATE FOUNDATIONS

Mr. Chairman and members of the subcommittee:

We are pleased to have the opportunity to assist your subcommittee in carrying out its oversight of private foundation operations and activities. In 1969, the Congress enacted a series of rules aimed at ensuring that only those private foundations operating for the public benefit enjoy favorable tax treatment. Today, your subcommittee wants to know how well those rules are working.

Towards this end, the primary purpose of my testimony is to draw a statistical profile of the private foundation community in terms of certain economic characteristics which illustrate how foundations are operating under those rules. And, I also want to share with the subcommittee some of our observations regarding foundation practices in reporting statistical and other information needed for congressional, public, and IRS oversight.

Specifically, as requested by the subcommittee, we analyzed foundation return information to determine:

--the financial well-being of private foundations, as indicated by the rate of growth in their financial resources over the years, their major sources of revenues, the extent of their business holdings, and the rate of return on their investments and business operations; and

--the degree to which private foundations use their financial resources for charitable purposes, as shown by the type of expenses they incur and the relationship between their expenditures for charitable purposes and their total expenses, as well as their earnings.

To develop information on the foundations' financial resources and charity-related expenditures, we analyzed an available IRS computer data base containing a sample of returns filed by private foundations for tax year 1979.¹ To supplement the data on foundation business holdings, we also analyzed microfiche records of the most recent returns available as of December 1982--primarily tax year 1981 returns--for private foundations reporting assets of \$1 million or more. While our

¹This data base was the most recent and complete source of computerized data on private foundations available to us for analysis within the time frames for this hearing. The data base was developed by IRS' Statistics of Income Division from a sample of private foundation returns processed by IRS during 1980. The sample was stratified on the basis of size of total foundation assets and selected at rates that ranged from 7 percent of foundations with assets of less than \$25,000 to 100 percent of foundations with assets of \$10 million or more. There were 9,438 returns in the sample drawn from an estimated population of 29,845 private foundations. While we did not review IRS' methodology in detail, we did look briefly at the procedures IRS followed to sample, process, and analyze the data and found them to be generally sound. We also performed limited checks on the data to assess its reliability. It should be recognized, however, that any data analysis effort which is based on a sample is subject to a certain amount of sampling error. The size of this error generally depends on the size of the sample and how much the data varies for any given element. Our limited analysis shows that even though IRS' sample sizes are relatively large, the data varies considerably. Therefore, the figures presented should not be considered precise ones, but rather indicators of the foundations' financial positions. On the other hand, because the sample size increased as book value of assets increased, greater reliability can be placed on the data for the larger foundations.

work involved extensive analysis of return information, I would like to emphasize that, as agreed with the subcommittee, we did not examine the books and records of foundations or discuss our analyses with foundation managers or their representatives.

Given the importance of accurate and complete information to the oversight of foundation operations and the grant-seeking process, I would also like, as part of my testimony, to address the reporting practices of private foundations. We recently completed a review of IRS' administration of foundation reporting requirements imposed under the Internal Revenue Code, and our report will be issued shortly. As I will discuss in more detail later, we concluded from our review that IRS needs to do more to assure that private foundations fully comply with all information reporting requirements. IRS has agreed with our recommendations and has begun to implement them. This should help to assure that more complete information is available for both oversight and grant-seeking purposes.

OVERALL PROFILE OF PRIVATE FOUNDATION FINANCIAL RESOURCES AND EXPENDITURES

Private foundations are unique charitable tax-exempt organizations. Unlike other types of exempt organizations, they are frequently founded, financially supported, and operationally controlled by an individual, family, or other closely controlled entity. Like other types of charitable tax-exempt organizations, however, they are required to permanently dedicate their assets to public purposes, as opposed to serving the private financial interests of the controlling parties.

In general, private foundations serve public purposes in two ways. First, some make grants to other tax-exempt charitable organizations, such as schools, hospitals, and community organizations, so that these organizations can provide needed public services. Second, some directly carry out charitable activities, such as operating museums, performing research, or assisting in community development. With reductions in federal spending, such as federal aid to education, health and social welfare, many people are looking to private foundations to help fill the funding gap.

The close control private individuals frequently maintain over foundation assets and operations has, over the years, given rise to congressional and public concern over how well foundations are living up to their mandate of serving public interests. Because of this concern, the Congress, as part of the Tax Reform Act of 1969, enacted a series of rules governing the activities and operations of private foundations. For example, the Internal Revenue Code contains minimum payout provisions

that foundations must comply with in determining how much to spend on charitable activities. Similarly, the Code imposes requirements governing foundation business and investment practices, such as restrictions on self-dealing, business holdings, and jeopardy investments. Within these rules, foundations must decide how much of their revenues should be spent to carry out the charitable purposes of the organization and how much should be retained and invested to sustain the organization so that it may continue to provide charitable services in future years.

In this regard, our analysis of available data indicates that the number of private foundations have increased from 14,865 in 1962 to 31,866 in 1981--a 114-percent increase. Their assets at market value have increased, over the same period, from about \$16.3 billion to about \$51 billion--a 213-percent increase. Their total annual receipts also increased from about \$1.9 billion to about \$9.1 billion--a 379-percent increase. Concurrently, their total annual expenses increased from about \$2.7 billion in 1974, the earliest year for which data was available, to about \$4.8 billion in 1981--a 78-percent increase. Likewise, those expenses related to exempt purposes increased from about \$1 billion in 1962 to about \$3.2 billion in 1979, the most recent year for which data was available--a 220-percent increase.²

Notwithstanding these increases, the data also indicates that foundations, on a percentage basis, are spending less of each year's receipts. For example, in 1974 foundations spent about 97 percent of their total receipts, as compared to about 53 percent in 1981. Similarly, the percentage of total receipts spent for exempt purposes has also decreased--from about 86 percent in 1974 to about 54 percent in 1979.

While the data indicates that foundations are retaining more of their receipts each year, this does not necessarily mean that the foundation community is not complying with the minimum payout provisions of the Internal Revenue Code. From 1969 through 1981, the minimum payout provisions were keyed to adjusted net income which, as defined by the Code, excluded both donations received and long term capital gains realized. As I will discuss later, our analysis of 1979 return information

²During the hearings some foundation groups raised concerns about the data used to evaluate the effects of the Tax Reform Act of 1969 on the private foundation community. The addendum on pages 26 to 29 was developed from available IRS data to provide additional information about these concerns.

shows that, in the aggregate, the receipts retained by private foundations roughly approximated the amount of donations they received.

I would now like to discuss the statistical analyses we did to profile the financial well-being of private foundations and then discuss the degree to which private foundations use their financial resources for charitable purposes.

THE FINANCIAL WELL-BEING AND RESOURCES OF FOUNDATIONS

To carry out their charitable activities, private foundations need to have a sound financial resource base. These resources have traditionally come from donations received by the foundations, as well as earnings on investments.

As I previously discussed, the market value of foundation assets, expressed in actual dollars, increased substantially over the period 1962 through 1981. When expressed in constant dollars, however, the percentage of growth is not as substantial. In fact, over the last few years, asset values declined slightly. Even so, our analysis of available data showed that private foundations have earned and/or received sizable revenues and have in recent years retained an increasing part of these revenues.

Investments make up a large and important part of private foundations' financial resources. In fact, our analysis showed that foundations have extensive holdings in the stock of for-profit businesses. Given this, the depressed stock market conditions that existed until recently may help explain the declining trend in the real value of foundations' assets over the last few years.

Earnings on assets, particularly as measured by adjusted net income, are also important to the financial well-being of foundations and their ability to continually fund charitable activities. In this regard, our analysis of return data for 1979 showed that foundation adjusted net income, expressed as a percentage of foundation assets, was generally below 1979 inflation rates, which ranged between 8 and 13 percent, depending on the measure used. This situation may help explain why private foundation disbursements for charitable purposes--expressed in constant dollars--did not increase significantly over 1974 levels. We also noted that, in general, foundations that had a more balanced mix of investments in corporate stocks and bonds and in cash investments and U.S. Government obligations had higher rates of return than foundations that had more

concentrated corporate investments or other investments. Also, larger foundations generally earned a slightly higher rate of return than smaller foundations.

Extent of private foundation asset growth

It is difficult to determine long-term trends in private foundation growth for two reasons. First, data relating to private foundations has not been consistently or continuously kept over the years. Second, changes in the tax exemption laws make comparisons imprecise. Within these limitations, however, IRS' Statistics of Income Division published three studies on private foundations which covered selected years between 1962 and 1979. Attachment I to my statement contains selected data from these studies, as well as other data which we developed for 1980 and 1981 based on information available from IRS' master file.

As shown in attachment I and as previously discussed, private foundation financial growth appears substantial when measured in actual dollars. However, an examination of the financial data in terms of constant dollars shows a less dramatic picture. To obtain estimates in terms of constant dollars, we applied the Gross National Product Implicit Price Deflator to the current dollar data. Based on these estimates, foundation assets, at fair market value, increased from about \$23 billion to \$26.1 billion over the 19-year period--a 13-percent increase. Over the last 2 years, however, these assets have shown about a 5-percent decline. Similarly, for the period 1962 to 1979, foundation disbursements for exempt purposes, in constant dollars, increased from about \$1.4 billion to about \$2.0 billion--a 43-percent increase. However, since 1974, these disbursements also showed a 5-percent decline. On an annualized basis this represents about a .7 percent compounded growth rate for assets over the 19-year period and about a 1.9 percent compounded growth rate for charitable disbursements over the 17-year period.

The limited financial growth of private foundation assets since 1962, as measured in constant dollars, may in part be attributable to inflation and to the charitable purpose distribution provisions of the 1969 Tax Reform Act. Those provisions required most foundations, during the period 1969 through 1981, to make certain qualifying distributions for charitable purposes in an amount essentially equaling all earnings on their assets. Thus, foundations could not invest part of their adjusted net income to counteract the detrimental effects of inflation. However, recent legislation which changed this requirement should improve the financial growth pattern of private

foundations.³ In general, most foundations are now required to make charitable distributions in an amount equal to 5 percent of their investment assets.

Another reason for the decline in the real value of foundation assets lies with the nature of those assets. Foundations have extensive holdings in corporate stocks. In fact, our review of the most recent foundation returns shows that some foundations have most of their assets invested in a single company. Until recently, of course, stock market prices have been depressed and this has been reflected in the fair market value of foundation assets. With the current advancement of stock prices, the fair market value of their assets should increase.

Foundation revenues have exceeded expenses

Even though foundations have shown limited growth in terms of constant dollars over the years, our analysis showed that they have earned and/or received substantial revenues and have retained more and more of them. For example, in 1974 private foundation revenues exceeded total expenses by \$75 million. This surplus amounted to about 3 percent of total revenues. In comparison, the surplus in 1979 amounted to about \$2.5 billion, or about 41 percent of foundation revenues and in 1981 grew to \$4.3 billion, or about 47 percent of foundation revenues.

To determine the sources of foundations' revenues, as well as the number of foundations whose revenues exceed expenses and the primary source of those revenues, we compiled a summary income statement using financial data available from IRS' sample of private foundation returns for tax year 1979.

As shown in attachment II, in tax year 1979 foundations reported revenues totaling about \$6 billion. The largest source of these revenues--passive income, such as dividends, interest,

³The Tax Reform Act of 1969 generally required foundations to make certain charitable or other exempt purpose distributions in an amount at least equal to the greater of their adjusted net income or a specified percentage--subsequently fixed at 5 percent--of the value of their investment assets, less certain taxes and adjustments. The Economic Recovery Tax Act of 1981 repealed the adjusted net income requirement on the basis that the rate of return that assets generally earn represents a real income portion and a portion to compensate for the effects of inflation. As a result, the effect of requiring foundations to pay out all adjusted net income in qualifying distributions was to gradually reduce the real value of private foundation investment assets.

rents, and royalties--accounted for about \$2.6 billion. The second largest source--donations--accounted for about \$2.3 billion. The third largest source of revenues--the net gain from asset sales--accounted for about \$.8 billion of \$1.1 billion in other income. In addition, foundations reported about \$50 million in income from unrelated business activities.

The attachment also shows that foundations reported spending about \$3.5 billion, or about 58 percent, of their \$6 billion in total revenues. About 55 percent of all foundations reported revenues exceeding expenses, about 6 percent reported revenues equaling expenses, and about 39 percent reported deficits.

In general, our analysis showed that larger foundations were more likely to have revenues exceeding expenses. In the aggregate, the excess of foundation revenues over expenses, at least in 1979, roughly approximated the amount of donations received by private foundations. However, for the largest foundations analyzed--those with assets exceeding \$10 million--the excess of revenues over expenses exceeded donations received while smaller foundations actually used some of the donations to fund their activities. In fact, when comparing the revenues and expenses of various size foundations, we noted that foundations' reliance on donations to fund their activities increased as the size of the foundation decreased.

Foundation investments

Foundations hold a vast amount of financial resources to support their charitable activities. The use to which these resources are put has long been a concern of various congressional committees. This concern led to the enactment of section 4943 of the Internal Revenue Code which limits the extent to which foundations can own for-profit businesses.⁴ Currently, several bills are pending before the Congress to amend this provision.

⁴Generally, under section 4943, a foundation and all disqualified persons, such as the foundations' officers, directors, substantial contributors, and certain of their relatives, may not own together more than a 20-percent interest in a business. This section also provides a series of transitional rules for foundations which held stock on May 26, 1969. These transitional rules prescribe time periods for foundations to divest their excess holdings based on the extent of their holdings in 1969. One such divestiture period ends on May 26, 1984.

To assist this subcommittee in reviewing the investment practices of private foundations and evaluating how foundations have operated under section 4943, we developed detailed information on foundation investments from two sources.

First, our analysis of IRS' data base of a sample of 1979 foundation returns showed that foundations hold substantial investments in stock of for-profit businesses. As shown in attachment III, about one-half of all foundations in 1979 reported holding corporate stock amounting to about \$15.7 billion at book value. The larger foundations were more likely to hold corporate stocks. For example, about 88 percent of foundations with assets exceeding \$10 million at book value held corporate stocks amounting to about 50 percent of their total assets. In comparison, about 50 percent of the foundations with assets ranging from \$25,000 to \$100,000 held corporate stocks amounting to about 31 percent of their assets.

Second, to obtain further information on foundation stock holdings, we reviewed microfiche copies of the most recent foundation returns available as of December 1982--primarily tax year 1981--which reported assets in excess of \$1 million. Of the 3,851 returns reviewed, 365, or 9 percent, reported owning 2 percent or more interest in a for-profit business. We used the 2-percent figure because of the de minimis rule on excess business holdings, as specified by section 4943 of the Code.⁵ Although IRS does not require foundations to report any further information on the nature or extent of these holdings, they are required to report the identity, market, and book values of all stock held. Attachment IV is a listing of these 365 foundations, their two largest stock holdings, and the extent to which these holdings account for the total fair market value of the foundations' assets.

As shown in attachment V, the largest stock holding of these 365 foundations, in the aggregate, amounted to about \$8.3 billion, or about 43 percent of their total assets. To place this in better perspective, the \$8.3 billion represented about 16 percent of the \$51 billion in total assets--at fair market value--held by the 31,866 private foundations recorded on IRS' master file for tax year 1981.

⁵In general, the excess business holdings provisions of section 4943 only apply if a foundation owns at least 2 percent of the voting stock and at least 2 percent of the value of all outstanding shares of all classes of stock, regardless of the ownership by disqualified persons.

Also, as this attachment shows, many of the 365 foundations had a substantial portion of their total assets in the stock of a single business. For example:

--116 foundations held corporate stock of a single business amounting to 50 percent or more of the fair market value of each foundation's total assets. This stock, in the aggregate, was valued at about \$7 billion.

--27 foundations held corporate stock of a single business amounting to 95 percent or more of the fair market value of each foundation's total assets. In the aggregate, this stock was valued at \$1.5 billion.

Furthermore, 14 foundations each had a largest holding worth \$100 million or more. In the aggregate, this totaled \$4.5 billion, or 23 percent of the 365 foundations' total assets.

While many foundations have a substantial portion of their assets in a single stock holding, this does not necessarily mean that these foundations will have excess business holdings as defined by section 4943 of the Code. To determine if a foundation has business holdings which may, in the future, constitute an excess holding, other information is needed. This includes,

--percentage interest of the business owned by the foundation,

--percentage interest of the business owned by all disqualified persons,

--classes of stock held by the foundation and disqualified persons, and

--dates the interests were acquired.

Since private foundations are not required to report this information on their returns, we were unable to determine whether any of the foundations' largest holdings may, in the future, constitute an excess business holding.

Foundation earnings

In order to continually fund charitable activities beyond the level of donations they may receive, private foundations need to earn a reasonable rate of return on their investments. One measure of a private foundation's financial ability to make charitable distributions is adjusted net income. Generally speaking, adjusted net income, as defined by section 4942(f) of the Internal Revenue Code, is the amount by which a private

foundation's revenue exceeds the expense of earning that revenue.⁶ During 1979, the Code essentially required most foundations to make certain charitable distributions in an amount at least equal to their adjusted net income.

To measure the return foundations earned on their assets, we analyzed their adjusted net income first as a percentage of the fair market value of their total assets and, second, as a percentage of the book value of their total assets excluding those assets identified on the balance sheet sections of their returns as being held for directly carrying out charitable purposes. We did this analysis using the information available from IRS' sample of foundation returns for tax year 1979.

As shown in attachments VI and VII, 45 percent of all foundations earned adjusted net income at a 5- to 8-percent rate when measured against either fair market value of total assets or book value of assets, excluding those being held for directly carrying out charitable purposes. Also, using the same measures, about 20 percent earned adjusted net income at a 0- to 1-percent rate. While the frequency of this 0 to 1 percent return rate was substantially influenced by the earnings of small foundations, some large foundations also had a similar return rate. For example, about 4 percent of the 2,930 private foundations with \$1 million to \$10 million book value of assets and about 6 percent of the 483 foundations with assets valued at \$10 million or more earned adjusted net income at a rate of 1 percent or less.

⁶In general, on the revenue side, adjusted net income includes all amounts derived from, or connected with, property held by the foundation, such as income attributable to amounts set aside, income from all exempt functions, and income from any unrelated trade or business activity. Deductible expenses are those foundation operating expenses which are paid or incurred to produce or collect those revenues. However, expenses associated with property used for exempt purposes which exceed the revenues derived from that property are not allowed as a deduction. Rather, the expenses would be accounted for as a disbursement for charitable purposes. Also, by definition, adjusted net income does not include long term capital gains or losses nor gifts, grants, or contributions received by the foundation.

During 1979 most foundations' earnings rates, as calculated from return information, were below inflation rates.⁷ Since, as I previously discussed, foundation asset values have not appreciated significantly in terms of constant dollars, earnings rates lower than inflation would lessen the ability of private foundations to make progressively larger charitable purpose distributions, at least in terms of constant dollars. Considering earnings from this perspective helps to explain why foundations' disbursements for charitable purposes--as measured in constant dollars--have shown a 5-percent decline from 1974 levels, as shown in attachment I.

Factors affecting foundation earnings

Given the range of private foundation earnings rates that I just discussed, and the importance of those earnings rates to the support of charitable activities, we wanted to determine if differences in the types of assets held by private foundations affected the rate of return earned. Accordingly, using IRS' sample of 1979 returns, we compared the types of assets held by foundations--excluding assets reported as being held to directly carry out charitable activities--with the rates of return earned by foundations with those assets. In addition, since larger foundations would be more likely to employ professional investment advisors, we also considered foundation size in performing our analysis.

To summarize the results of our analysis, I would first like to discuss how foundation size relates to earnings return. Attachment VI, which summarizes the rates of return earned by various size foundations, shows somewhat of a mixed picture, with larger foundations generally earning a slightly higher rate of return than smaller foundations. For example, 22 percent of the foundations with assets of \$10 million or more earned a higher rate of return than the 5- to 8-percent return earned by most foundations. In comparison, 19 percent of the foundations with assets of from \$25,000 to \$100,000 earned more than the 5- to 8-percent rate of return. Further, in comparing these same two size categories of foundations, only 13 percent of the larger foundations earned less than the 5- to 8-percent rate while 28 percent of the smaller foundations earned less. Likewise, within the 5- to 8-percent range, 40 percent of the larger foundations earned a 7- to 8-percent return while only 28 percent of the smaller foundations earned a 7- to 8-percent return.

⁷The inflation rate for 1979 as measured by the Consumer Price Index, Producer Price Index, and GNP deflator (fourth quarter 1979 over fourth quarter 1978) was 12.9 percent, 12.7 percent, and 8.0 percent, respectively.

Similarly, the types of assets held also affected the rate of return. In general, as shown in attachment VIII, foundations with a more balanced mix of cash investments and U.S. Government obligations and corporate stocks and bonds earned a better return than foundations with greater proportional holdings of corporate stocks and bonds and lesser proportional holdings of cash investments and U.S. Government obligations. Further, those with the greatest proportional holdings of "other" investments or assets (the IRS data base does not further identify these) generally earned the lowest rate of return.

For example, we compared the kinds of assets held by foundations earning 5 to 8 percent (the rate of return earned by most foundations) with foundations earning a 19-percent return or more (the highest return rate analyzed) and with those earning a 0-percent return (the lowest return rate analyzed). As shown in the attachment:

- Foundations earning 19 percent or more had proportionately more cash and U.S. Government obligation investments than the 5- to 8-percent earners or the 0-percent earners--26 percent versus 17 percent and 9 percent, respectively.
- Foundations earning 19 percent or more had proportionately fewer assets in the category "other" investments or "other" assets than the 5- to 8-percent earners or the 0-percent earners--8 percent versus 9 percent and 19 percent, respectively.
- Foundations earning 19 percent or more had proportionately fewer corporate stocks and bonds than the 5- to 8-percent earners; however, so did the 0-percent earners--58 percent versus 71 percent and 62 percent, respectively.

Also, as shown in attachments IX through XIII to my prepared statement, these observations generally hold true for the various size foundations included in our analysis.

Our observations, however, must be qualified. The data base we analyzed did not contain data on (1) the rate of return on investments over several years, (2) the degree foundations' investment strategy complemented their charitable goals, or (3) the degree of risk assumed by foundations to earn the rate of return. Further, our analysis did not account for foundation earnings from long term capital gains because that source of income is excluded by law from the definition of adjusted net income. In addition, foundations could earn a very high rate of return without, for example, having a balanced mix of assets. A

foundation could invest essentially all of its resources in corporate stocks paying high dividends in relationship to the acquisition price and have essentially no investments in interest bearing cash deposits or U.S. Government obligations. Moreover, the rate of return can be substantially affected by changes in market conditions which can occur frequently. Thus, to reach a final judgment as to the merits of an individual foundation's investment strategy requires information not available on foundation returns.

CHARITABLE AND OTHER EXPENDITURES OF FOUNDATIONS

Foundation investment and earnings practices are only one side of the foundations' economic profile. The other side involves how foundations spend their financial resources. I would now like to discuss the statistical analyses we did to profile the financial expenditures of private foundations, particularly as they relate to charitable endeavors.

Foundations are recognized as exempt from federal income tax because of their charitable purposes. To determine the degree to which private foundations direct their resources to serve charitable purposes, we analyzed IRS' sample of foundation returns filed for tax year 1979 to ascertain the type of expenses foundations incurred and the proportion of these expenses that were for charitable purposes. We then analyzed the relationship of charitable expenses to adjusted net income to determine the degree to which foundations applied their income to support charitable purposes.

In general, our analysis showed that of the \$3.5 billion of total expenses incurred by foundations, about \$3.2 billion, or about 91 percent, were reported as disbursements for charitable purposes. The \$3.2 billion of charitable purpose disbursements included \$2.8 billion in contributions made to others and \$.4 billion of expenses associated with making the contributions or delivering other charitable services. To better put these exempt purpose disbursements in perspective with the available foundation financial resources, which I have previously discussed, the \$3.2 billion represents about 7 percent of total foundation assets at fair market value, about 54 percent of total foundation revenues, and about 123 percent of foundation adjusted net income.

Although, on an overall basis, about 91 percent of total foundation expenses were reported as disbursements for charitable purposes, only about two-thirds of all foundations reported charitable purpose disbursements at about that level or greater. Furthermore, some reported disbursing very little for

charitable purposes in comparison with their total expenses. Similarly, about 72 percent of all foundations reported charitable purpose disbursements equaling at least 90 percent of their adjusted net income and some reported disbursing little even though their adjusted net income was quite large. The following sections of my testimony provide the details of our analysis and also explain how a foundation on the one hand can report little in the way of charitable expenses yet on the other hand apply essentially all of its resources to charitable purposes.

Extent of foundation charitable expenses

To profile the degree to which private foundations direct their resources to serve charitable purposes, we analyzed their expenses to determine the types incurred and the extent to which these expenses were reported as disbursements for charitable purposes. We also performed similar analyses for a broader measure of foundation charitable activities--qualifying distributions.

Private foundations, as shown in attachment XIV, incurred expenses totaling about \$3.5 billion during tax year 1979. Of this total, foundations reported disbursing about \$3.2 billion (91 percent) for charitable purposes. Charitable disbursements are defined by IRS to include gifts, grants, and contributions made to public charities and all necessary and reasonable administrative expenses paid by the foundations for religious, charitable, scientific, literary, educational, or other public purposes. In general, the remaining \$.3 billion was spent to produce income--including revenues earned while delivering charitable services--or to conduct other activities to sustain the foundations.⁸

⁸The data base analyzed contained detailed information on categories of total foundation expenses and the portion of these expenses allocated by the foundations as disbursements for charitable purposes. IRS requires foundations to report disbursements for charitable purposes on a cash basis and to report total expense data as recorded in the foundations' books and records. However, IRS does not require disclosure of accounting principles used for reporting total expenses or the basis for allocations to disbursements for charitable purposes. Furthermore, foundations incurring expenses while engaging in charitable activities which produce revenues are instructed to report these expenses as charitable purpose disbursements only to the extent the expenses exceed the revenues earned.

We analyzed the \$3.5 billion of total expenses to identify the types of expenses incurred and the extent to which those expenses were reported as part of the \$3.2 billion in exempt purpose disbursements or the \$.3 billion in expenses for other operations. In summary, as the attachment shows:

- About \$2.8 billion (about 79 percent of total expenses) was given as contributions to others to carry out charitable purposes. About 81 percent of all foundations reported making these charitable purpose contributions.
- About \$269 million (about 8 percent of total expenses) was spent compensating officers, directors, and other employees, of which about \$72 million (about 2 percent of total expenses) was attributable to officers and directors compensation. Overall, about \$220 million, or about 82 percent of all compensation was reported as disbursed for charitable purposes. However, only about 9 percent of all foundations reported compensating their employees, and only 19 percent reported compensating their officers and directors.
- About \$89 million (about 3 percent of total expenses) was spent paying taxes, of which about \$13.7 million, or about 15 percent, was reported as disbursed for charitable purposes. These amounts were probably paid to state and local governments, although the returns did not specify the nature of these payments. About 72 percent of all foundations reported paying taxes, and 18 percent reported some of these taxes as charitable disbursements.
- About \$81 million (about 2 percent of total expenses) was spent on outside professional services, such as accounting, legal, and investment services, of which about \$30 million, or about 37 percent, was reported as disbursed for charitable purposes. About 47 percent of all foundations reported paying for outside professional services, and 28 percent reported some of these services as charitable disbursements.
- About \$235 million (about 7 percent of total expenses) was spent on "other" expenses of which about \$181 million, or about 77 percent, was reported as disbursed for charitable purposes. About 77 percent of all foundations reported "other" expenses, and about 49 percent reported some of these "other" expenses as charitable disbursements. Further details on these expenses were not available from the data base analyzed.

In addition, some foundations reported relatively small amounts of interest, depreciation, and rental expenses.

Although in the aggregate about 91 percent of total foundation expenses was reported as being for charitable disbursements, not all foundations reported making charitable disbursements at this level. As shown in attachment XV, only about 73 percent of the foundations which reported some expenses reported disbursements for charitable purposes amounting to 90 percent or more of total expenses. Furthermore, some foundations' charitable disbursements seemed small in relation to their total expenses. For example, of the 3,426 foundations which incurred expenses totaling \$100,000 to \$1,000,000, about 55 reported making no charitable purpose disbursements and another 47 reported making charitable purpose disbursements amounting to only 1 to 39 percent of total expenses. Also, a few of the larger foundations reported making small charitable purpose disbursements in relation to their total expenses.

The results are similar when using a more encompassing measure of charitable purpose expenditures--distributions qualifying as charitable expenditures under the Internal Revenue Code's minimum payout provision. In general, such qualifying distributions as defined in Section 4942(g) of the Internal Revenue Code include the charitable purpose disbursements I previously described, plus amounts paid for program related investments, amounts paid to acquire assets used directly to carry out charitable purposes, and amounts set aside for specific charitable purpose projects. These latter amounts would generally not be fully recognized by the foundation as expenses during the year. As shown in attachment XVI, only about 74 percent of the foundations which reported some expenses reported making qualifying distributions equaling or exceeding 90 percent of total foundation expenses. However, we estimate that of the 3,426 foundations reporting expenses totaling \$100,000 to \$1 million, about 48 made no qualifying distributions and another 46 made qualifying distributions of only 1 to 39 percent of total expenses. Also, there were some larger foundations in the two categories just discussed.

It should be noted, however, that some foundations might have been applying more of their expenses to charitable purposes than was reported as exempt purpose disbursements or qualifying distributions. To the extent that a foundation's charitable activities produce revenues, such as charging for services provided to the public or operating a museum which charges admission, the foundation is required by IRS to report the associated expenses--up to the level of revenue earned--as an expense for computing adjusted net income. Foundations are instructed not to classify those expenses as disbursements for exempt purposes. Accordingly, the IRS data base we used does not permit an analysis of this type of situation, nor does any other historical data maintained by IRS.

Foundation charitable expenses in
relationship to earnings

We also examined the relationship between foundations' charitable purpose expenditures and earnings. Again, we used two measures of charitable purpose activities--qualifying distributions and disbursements for charitable purposes. We then expressed them as percentages of adjusted net income--a measure of earnings that the Congress had defined as the amount available for funding charitable purpose activities.

As in the case of our analysis of the percentage of foundation expenses used for charitable purposes, we found that the majority of foundations reported disbursing or distributing 90 percent or more of their adjusted net income for charitable purposes. As shown in attachments XVII and XVIII, of the foundations reporting some adjusted net income:

- about 59 percent reported making disbursements for charitable purposes equal to or exceeding their adjusted net income,
- about 60 percent reported making qualifying distributions equal to or exceeding their adjusted net income, and
- about 12 percent reported such disbursements or distributions as amounting to 90 to 99 percent of their adjusted net income during the tax year.

A few foundations disbursed or distributed little in relationship to their adjusted net income. For example, of the 2,691 foundations which earned adjusted net income of at least \$100,000:

- About 49 foundations, or almost 2 percent, made charitable purpose disbursements of less than 10 percent of adjusted net income and another 54, or about 2 percent, made such disbursements equaling 10 to 30 percent of adjusted net income.
- About 40 foundations, or about 1 percent, made qualifying distributions of less than 10 percent of adjusted net income and another 46, or about 1 percent, made such distributions equaling 10 to 30 percent of adjusted net income.

It should be noted that these are 1 year disbursement and distribution statistics, and may not be indicative of the multi-year spending patterns of the foundations. For tax year 1979,

the Internal Revenue Code required most foundations to make qualifying distributions in an amount at least equal to their adjusted net income less certain taxes and adjustments. However, the Code also authorized foundations to apply any excess qualifying distributions from the 5 preceding years to their qualifying distribution requirement. In addition, the Code authorized foundations to make the required qualifying distributions during the year following the year of the earnings. The data base we analyzed did not contain sufficient information to allow us to determine how these multi-year considerations affected private foundation expenditure patterns. Accordingly, our analysis was limited to the foundations' tax year disbursements for charitable purposes and qualifying distributions.

PUBLIC INFORMATION REPORTING
BY TAX-EXEMPT PRIVATE FOUNDATIONS
NEEDS MORE ATTENTION BY IRS

As we have discussed today, foundations hold vast resources dedicated to public purposes and provide considerable contributions to support charitable organizations. Accordingly, the Internal Revenue Code requires private foundations to make extensive public disclosures on their returns filed with IRS. Such information is useful to grant seekers for identifying those foundations most likely to fund their proposals and to IRS, the Congress, and the public for monitoring foundation activities. This subcommittee's inquiry is a good example of the uses of and need for such information.

With reductions in federal spending, such as federal aid to education, health, and social welfare, many people will look to tax-exempt private foundations to help fill the gap; thus the need for complete and accurate public reporting by foundations will become even more important. In view of this, we recently evaluated for the Chairman of the House Government Operations Subcommittee on Commerce, Consumer, and Monetary Affairs, how well IRS assures that private foundations comply with the reporting requirements of the Internal Revenue Code. On May 11, 1983, we testified before that subcommittee on our findings, conclusions, and recommendations. We expect to issue our final report shortly.⁹

In summary, we found that private foundations generally comply well with those reporting requirements which IRS, through

⁹Public Information Reporting By Tax-Exempt Private Foundations Needs More Attention By IRS (GAO/GGD-83-58, Sept. 26, 1983).

its actions, has identified as being necessary for tax computation and enforcement purposes. Most foundations, however, did not comply as well with other statutorily required information that is useful to the public--information on grants, investments, and foundation management. This is because IRS has devoted less attention to enforcing those requirements.

Specifically, our analyses of foundation returns filed at three service centers showed that:

--About 79 percent of the foundations' returns did not report complete information on grants paid during the year. Most significantly, about 59 percent did not report complete grant purpose descriptions and about 72 percent did not report grant recipient addresses.

--About 31 percent of the foundations' returns did not report complete information on asset holdings. Most significantly, about 28 percent did not adequately describe all securities and other assets.

--About 41 percent of the foundations' returns did not report complete information on those responsible for managing the foundation. Most significantly, 32 percent reported no information.

To assure that the Congress' and the public's information needs for oversight and grant seeking purposes are met, we recommended that IRS make certain administrative changes to better enforce those tax exemption reporting requirements. IRS agreed with our recommendations and is taking actions to strengthen its enforcement program and improve its management information system. These actions should help to assure that the public's oversight and grant-seeking information needs are met.

CONCLUDING REMARKS

To assure that private foundations serve public rather than private interests, the Congress enacted an extensive set of rules governing the operations of tax-exempt private foundations. Today, I have summarized the financial results of foundation operations--principally in tax year 1979--under those rules.

Although sizeable revenues are flowing into foundations, and although foundations are retaining increasing portions of these revenues, the data, when measured in constant dollars, shows that the market value of foundation assets has declined in recent years as have foundation disbursements for charitable purposes. Even so, the majority of money paid out by the

private foundation community as a whole has been for charitable purposes--about \$3.2 billion of \$3.5 billion in total expenses for 1979, of which \$2.8 billion was for grants or contributions. Also, the charitable disbursements of many foundations equaled or exceeded their adjusted net income--the amount generally deemed available for funding charitable activities.

Mr. Chairman, we believe that within the context of the law, a balance must be struck between the benefits to be derived from the operational freedom of private foundations and the need for regulation to assure that public purposes are served. Our statistical analyses of the financial aspects of foundation operations, standing alone, do not permit us to reach hard and fast conclusions as to whether foundations are properly balancing their operations between serving the public and meeting their own financial needs and whether there is a need for more or less regulation. What the proper balance should be can best be determined through the legislative process and public debate, as represented by hearings such as these. We trust that the information we have presented today will assist the subcommittee and the Congress in making these determinations.

This concludes my statement. I would be pleased to respond to any questions.¹⁰

¹⁰Following the hearings, Chairman Rangel requested that we respond to seven questions to complete the hearing record. Our response is included in this study as attachment XX.

ADDENDUM

During the June 1983 hearings held by the House Ways and Means Subcommittee on Oversight, some participants said that the rules enacted by the 1969 Tax Reform Act were severe impediments to the contribution of private funds to create new grant-making private foundations. In particular, they were concerned that the information being considered by the subcommittee could lead to an opposite and, in their opinion, erroneous conclusion. Their concern with the data being considered was that it (1) aggregated information from both grant-making and nongrant-making foundations and (2) treated previously established charities as new foundations if they were subsequently reclassified by IRS as private foundations. To provide additional information about these concerns we developed this addendum from available IRS data after the hearings.

As specified in our testimony, we did not consider the IRS data available for analysis to be sufficient for us to draw firm conclusions. One of our concerns is that the data available did not permit us to make pre-act and post-act comparisons to evaluate the impact of the 1969 act on the number and growth of newly established foundations--either grant-making or nongrant-making--or the amount of private funds contributed to establish new foundations.

Even so, given the concerns expressed above, we tried to develop some indication of the degree to which contributions have resulted in the creation of new foundations. In doing so, we used the best data available at the time we did our work. In essence, our analysis showed that the number of tax-exempt organizations recognized by IRS as private foundations have continued to increase since 1969, but the rate of increase, particularly for grant-making foundations, has been substantially less than the rate for the 10-year period prior to the act. On the other hand, foundation growth as measured by the percentage increase in contributions received has, over recent years, exceeded the growth in the U.S. economy as measured by the Gross National Product. The following paragraphs present a detailed description of our analysis.

In 1981, IRS' Statistics of Income Division completed a study of private foundations, in part, to identify the year in which private foundations obtained their tax exempt status. The study was based on a sample of returns filed by private foundations for tax year 1974. Those returns required each foundation to report, among other information items, the date

the foundation obtained its tax exemption letter from IRS and the amount of charitable grants made during the year. The following table, which we compiled from the IRS sample estimates, shows the number of foundations that obtained tax exemption prior to the act and during the first 5 years after the act.

<u>Date of exemption</u>	<u>Grant-making foundations</u>		<u>Nongrant-making foundations</u>	<u>Total foundations</u>
	<u>Number</u>	<u>Grant Amt.</u> (\$000)		
No year reported	730	19,194	443	1,173
Before 1920	(a)	(a)	(a)	(a)
1920 - 1939	331	365,129	70	401
1940 - 1949	1,774	343,355	297	2,071
1950 - 1959	5,506	649,744	555	6,061
1960 - 1969	10,077	433,734	2,017	12,094
1970	909	41,662	338	1,247
1971	802	20,011	290	1,092
1972	763	39,814	318	1,081
1973	539	22,666	270	809
1974	522	17,444	334	856
Total (b)	21,956	1,953,060	4,933	26,889

a/Estimates are not shown separately because of the limited number of sample returns on which they were based.

b/Estimates are based on all sampled returns.

As shown in the preceding table, an estimated 6,061 foundations (5,506 which reported making grants) obtained tax exemption during the 1950s; 12,094 (10,077 which reported making grants) obtained tax exemption during the 1960s; and 5,085 (3,535 which reported making grants) obtained tax exemption during the first 5 years of the 1970s--the first 5 years after passage of the act.

In 1982, the Statistics of Income Division completed a second foundation study in which it updated the tax year 1974 sample data with tax year 1979 sample data. In tax year 1979, however, foundations were not required to report the date that they obtained tax exemption. Thus, we could not update the analysis shown in the preceding table. We were, however, able to make some comparisons of the return estimates for the 2 years. These comparisons, as shown in the following table, indicated some increase in the number of tax exempt foundations.

The post-1974 increase, however, was substantially less than would be expected when compared to the results of IRS' first study as shown by the preceding table.

<u>Description</u>	<u>1974</u>	<u>1979</u>	<u>Percent increase</u>
Number of foundations:			
Grant-making	21,956	22,564	3
Nongrant-making	<u>4,933</u>	<u>5,416</u>	10
Total	<u>26,889</u>	<u>27,980</u>	4

Although the data indicates that both grant-making and nongrant-making foundations are increasing in numbers, it should be recognized that the data reported in the preceding two tables is based on the year IRS officially recognized an organization as a tax-exempt private foundation and not necessarily on the year in which the foundation was created. For instance, in 1964 IRS sent out questionnaires to determine the exempt status of a number of organizations which had been filing exempt organization returns without having applied to IRS for recognition of their exempt status. As a result of this mailing and subsequent contacts, a number of foundations received exemption letters from IRS during the period 1964-1969 even though many of these foundations were organized prior to 1964. Also, in later years, some organizations classified as public charities were subsequently determined by IRS to be private foundations. Data is not available to identify the number of public charities that have been so reclassified by IRS and reported in the preceding tables. Conversely, data is not available to identify the number of newly established foundations.

Likewise, data is not available on contributions of private funds to create new private foundations. Data is available, however, on the total amount of contributions made to private foundations during certain years. As shown in the following table, contributions received by private foundations increased by about 88 percent from 1974 to 1979. To place this percentage increase in perspective, the increase in contribution dollars received by foundations has exceeded the financial growth of the U.S. economy as measured by the Gross National Product.

<u>Description</u>	<u>1974</u>	<u>1979</u>	<u>Percent increase</u>
Contributions Received by Foundations (\$ millions)	1,217	2,282	88
U.S. Gross National Product (\$ billions)	1,379	2,358	71

Of the \$2.3 billion contributed to private foundations during 1979 as shown in the preceding table, about \$2 billion was contributed to grant-making foundations and the remainder to nongrant-making foundations. We could not further analyze this data because comparable contribution data is not available for 1974.

In developing the preceding tables, we presented data on both grant-making and nongrant-making foundations when available. We did this because limiting consideration to only those foundations which reported making a grant during the tax year would understate (1) the value of the charitable expenditures made by the foundation community and (2) the potential for charitable expenditures by the foundation community as indicated by the amount of their financial resources. To illustrate, of the estimated 5,416 foundations which did not make a grant during 1979, 2,854 (53 percent) reported on their returns that they spent a total of about \$253 million in making qualifying distributions--amounts spent during the year in support of charity as defined by the minimum pay-out provisions of the Internal Revenue Code. In addition, of the estimated 2,562 foundations which reported making neither grants nor qualifying distributions, about 71 percent had assets totaling about \$302 million; 49 percent earned revenues totaling about \$111 million; and 28 percent received contributions totaling about \$92 million.

OVERVIEW OF PRIVATE FOUNDATION RESOURCES AND EXPENSES
AS MEASURED IN ACTUAL AND CONSTANT DOLLARS

1962 to 1981

Foundation Financial Data In Millions of Constant (1972) Dollars (c)				Foundation Financial Data In Millions of Actual Dollars				Selected years (e)
Assets at market value	Total receipts	Total expenses	Total Disbursements for exempt purposes	Assets at market value	Total receipts	Total expenses	Total Disbursements for exempt purposes	
1,433 a/	N/A	2,688	23,031	1,898	N/A	2,792	1,012	1962
2,093 a/	2,361	2,430	N/A	2,717	N/A	2,792	2,409	1974
1,922 a/	2,142	3,125	24,900	4,369	34,817	3,001	2,692	1977
2,061 a/	2,337	3,288	24,482	4,933	36,735	3,516	3,101	1978
1,986 a/	2,164	3,679	27,321	6,013	44,648	3,536	3,246	1979
b/	2,235	4,099	26,882	7,323	48,023	3,993	4,808	1980
(d) b/	2,459	4,633	26,075	9,059	50,980	4,808	4,808	1981

a/ Source is GAO analysis of data from SOI Bulletin (Publication 1136, October 1982) and Private Foundations 1974-78 (Publication 1073, April 1981) Statistics of Income Division, Internal Revenue Service.

b/ Source is GAO analysis of IRS Master File data as reported to IRS Exempt Organizations Division.

c/ Implicit Price Deflator for Gross National Product as developed by the Department of Commerce, Bureau of Economic Analysis, was applied to actual dollars to compute constant 1972 dollars.

d/ Data not available. However, data on contributions paid, which based on prior year data generally accounts for about 85 percent of exempt purpose disbursements, totaled about \$3.1 billion in 1980 and \$3.7 billion in 1981 as measured in actual dollars. These contributions, in constant 1972 dollars, amounted to about \$1.8 billion in 1980 and \$1.9 billion in 1981.

e/ Selected years were dictated by data availability.

OVERVIEW OF 1979 PRIVATE FOUNDATION REVENUE AND EXPENSES
 BY SIZE AS MEASURED BY BOOK VALUE OF ASSETS

FOUNDATION ASSET SIZE AT BOOK VALUE		1,000,000 UNDER		10,000,000 UNDER		25,000,000 UNDER		100,000,000 UNDER		25,000,000 OR NOT REPORTED		TOTAL	
FOUNDATIONS WITH EXCESS REVENUES % OF TOTAL FOUNDATIONS	55	41	3,538	58	3,437	66	5,760	2,145	71	384	78	15,319	55
FOUNDATIONS WITH DEFICITS % OF TOTAL FOUNDATIONS	319	4,359	2,456	41	2,905	871	2,905	29	104	21	11,016	39	319
FOUNDATIONS BREAKING EVEN % OF TOTAL FOUNDATIONS	649	668	75	1	52	10	1	0	2	0	1,647	6	649
TOTAL NUMBER OF FOUNDATIONS	1,223	8,557	5,967	8,717	3,026	490	27,980						

SOURCE: GAO ANALYSIS OF IRS STATISTICS OF INCOME DIVISION RANDOM SAMPLE DATABASE OF 1979 PRIVATE FOUNDATION RETURNS. DATA REPRESENTS ESTIMATES PROJECTED TO THE UNIVERSE OF FOUNDATIONS.

	OR NOT REPORTED	FOUNDATION ASSET SIZE AT BOOK VALUE					TOTAL
		UNDER 25,000	100,000 UNDER 1,000,000	1,000,000 UNDER 10,000,000	10,000,000 AND OVER		
TOTAL NUMBER OF FOUNDATIONS	1,223	8,557	5,967	8,717	3,026	490	27,980
ASSETS:							
CASH (\$)	0	31,302,549	91,611,666	457,192,984	673,833,010	757,369,221	2,011,309,429
X OF TOTAL ASSETS	0	49	28	15	8	3	6
NUMBER OF FOUNDATIONS	0	8,220	5,834	8,464	2,922	470	25,910
X OF TOTAL FOUNDATIONS	0	96	98	97	97	96	93
RECEIVABLES (\$)	0	1,830,180	10,054,147	84,799,916	233,297,813	429,884,402	759,866,459
X OF TOTAL ASSETS	0	3	3	3	3	2	2
NUMBER OF FOUNDATIONS	0	660	738	1,787	1,004	246	4,455
X OF TOTAL FOUNDATIONS	0	8	13	20	33	50	16
INVENTORY (\$)	0	303,408	1,446,563	9,205,163	48,016,569	10,740,196	39,711,899
X OF TOTAL ASSETS	0	0	0	0	0	0	0
NUMBER OF FOUNDATIONS	0	92	59	129	92	29	401
X OF TOTAL FOUNDATIONS	0	1	1	1	3	6	1
U.S. GOVERNMENT OBLIGATIONS (\$)	0	3,249,747	22,430,000	319,981,996	1,144,000,975	2,596,997,781	4,086,661,098
X OF TOTAL ASSETS	0	5	7	11	13	12	12
NUMBER OF FOUNDATIONS	0	358	822	2,872	1,728	340	6,126
X OF TOTAL FOUNDATIONS	0	4	14	33	57	69	22
STATE/LOCAL OBLIGATIONS (\$)	0	281,795	1,100,606	8,971,356	32,163,304	23,722,991	66,240,052
X OF TOTAL ASSETS	0	0	0	0	0	0	0
NUMBER OF FOUNDATIONS	0	31	48	166	113	21	379
X OF TOTAL FOUNDATIONS	0	0	1	2	4	4	1
CORPORATE BONDS (\$)	0	9,412,180	46,046,377	540,432,485	1,805,796,159	4,639,445,242	7,037,132,443
X OF TOTAL ASSETS	0	8	14	18	20	21	20
NUMBER OF FOUNDATIONS	0	752	1,832	4,679	2,207	406	9,876
X OF TOTAL FOUNDATIONS	0	9	31	54	73	83	35
CORPORATE STOCKS (\$)	0	13,785,359	103,047,630	1,033,027,831	3,420,935,946	11,169,345,831	15,740,142,597
X OF TOTAL ASSETS	0	22	31	34	39	50	45
NUMBER OF FOUNDATIONS	0	1,612	3,006	6,030	2,561	430	13,639
X OF TOTAL FOUNDATIONS	0	19	50	69	85	88	49
MORTGAGE LOANS (\$)	0	256,739	5,098,034	42,098,899	84,229,265	290,566,860	422,249,817
X OF TOTAL ASSETS	0	0	2	1	1	1	1
NUMBER OF FOUNDATIONS	0	61	198	542	343	75	1,219
X OF TOTAL FOUNDATIONS	0	1	3	6	11	15	4

TYPE OF ASSETS AT BOOK VALUE HELD BY PRIVATE FOUNDATIONS

	DURING 1979 ACCORDING TO ASSET SIZE		FOUNDATION ASSET SIZE AT BOOK VALUE		TOTAL		
	OR NOT REPORTED	UNDER 25,000	25,000 UNDER 100,000	100,000 UNDER 1,000,000	1,000,000 UNDER 10,000,000	10,000,000 AND OVER	
TOTAL NUMBER OF FOUNDATIONS	1,223	8,557	5,967	8,717	3,026	490	27,980
DEP. ASSETS HELD FOR INVESTMENT (0)	0	15,749	745,325	29,502,060	81,456,595	111,879,543	223,599,231
X OF TOTAL ASSETS	0	0	0	0	1	0	1
NUMBER OF FOUNDATIONS	0	15	48	430	389	113	995
X OF TOTAL FOUNDATIONS	0	0	1	5	13	23	4
DEP. ASSETS HELD FOR CHARITY (0)	0	1,078,763	6,120,633	50,683,506	215,586,555	170,153,212	443,622,669
X OF TOTAL ASSETS	0	2	2	2	2	1	1
NUMBER OF FOUNDATIONS	0	404	240	578	470	139	1,832
X OF TOTAL FOUNDATIONS	0	5	4	7	16	28	7
LAND HELD FOR INVESTMENT (0)	0	23,025	4,264,503	48,241,992	135,782,530	189,736,442	378,048,491
X OF TOTAL ASSETS	0	0	1	2	2	1	1
NUMBER OF FOUNDATIONS	0	31	182	590	398	113	1,135
X OF TOTAL FOUNDATIONS	0	0	3	7	13	23	5
LAND HELD FOR CHARITABLE PURP. (0)	0	281,964	3,683,558	35,205,438	97,833,237	55,097,585	192,083,782
X OF TOTAL ASSETS	0	0	1	1	1	0	1
NUMBER OF FOUNDATIONS	0	77	190	455	324	75	1,080
X OF TOTAL FOUNDATIONS	0	1	3	5	11	15	4
OTHER INVESTMENTS (0)	0	4,445,513	27,421,386	245,520,185	569,413,292	1,392,631,711	2,239,432,058
X OF TOTAL ASSETS	0	7	8	8	6	6	6
NUMBER OF FOUNDATIONS	0	767	996	2,197	965	203	5,088
X OF TOTAL FOUNDATIONS	0	9	17	25	32	41	18
OTHER ASSETS (0)	0	1,422,039	10,041,991	92,654,504	302,524,822	621,280,779	1,027,924,135
X OF TOTAL ASSETS	0	2	3	3	3	3	3
NUMBER OF FOUNDATIONS	0	706	672	1,584	1,010	269	4,241
X OF TOTAL FOUNDATIONS	0	8	11	18	33	55	15
TOTAL ASSETS (0)	0	63,689,523	333,096,179	2,997,521,324	8,814,871,450	22,458,851,972	34,668,030,448
NUMBER OF FOUNDATIONS	0	8,357	5,967	8,717	3,026	490	26,757
X OF TOTAL FOUNDATIONS	0	100	100	100	100	100	96

SOURCE: GAO ANALYSIS OF IRS STATISTICS OF INCOME DIVISION RANDOM SAMPLE DATABASE OF 1979 PRIVATE FOUNDATION RETURNS. DATA REPRESENTS ESTIMATES PROJECTED TO THE UNIVERSE OF FOUNDATIONS.

LIST OF PRIVATE FOUNDATIONS REPORTING ASSETS IN EXCESS OF \$1 MILLION AND REPORTING A 2 PERCENT OR MORE OWNERSHIP IN A FOR-PROFIT BUSINESS RANKED BY THE FOUNDATION'S LARGEST STOCK HOLDING AS A PERCENTAGE OF FAIR MARKET VALUE OF ITS ASSETS

FOUNDATION NAME	1/	ASSET		2/	CORPORATE STOCK		2/	NAME	AMOUNT (\$000)	2/	NAME	AMOUNT (\$000)	3/	PERCENTAGE	COMPARISONS	4/	5/	FOOT-NOTES	6/
		AMOUNT (\$000)	TOTAL (\$000)		LARGEST HOLDING	SECOND LARGEST HOLDING													
Bremer, Otto Fnd	n	35622	77045	b	75458	b	1457	Otto Bremer Company	1457	b	Amer Bankcorp Inc	224	4	98					
Apfstein, J S, F.	n	4545	5575	b	5575	b	-	American Greeting	-	-	-	123	000	100					
Wurlitzer, Fanny R, F.	n	3268	4331	b	4331	b	-	Wurlitzer Co.	-	-	-	133	000	100					
Gannett Foundation	n	204980	220259	m	217469	m	293	Gannett Inc.	293	m	A T & T	106	000	99					
Maclean Fdn	n	65926	65885	m	65844	m	38	Provident Life/Acc Ins	38	m	Ancorp Bancshares	100	000	100					
MacLellan, R J, Trust	n	26606	26511	m	26511	m	-	Prov Life/Accident Ins	-	-	-	100	000	100					
Deaney, B P, Char Tr	n	32246	32099	m	32099	m	-	Steadyne Inc	-	-	-	100	000	100					
Hollingsworth Fund In	n	2760	2760	m	2760	m	-	J D H on Wheels Inc	-	-	-	100	000	100					
Leviton Foundation Inc	n	1351	1346	m	1346	m	-	Leviton Mfg Co Inc	-	-	-	100	000	100					
Harris Bros F	n	2052	2051	m	2051	m	-	Harris Struc Steel Co	-	-	-	100	000	100					
Kellogg, W K, Trust	n	626791	626220	m	626220	m	-	Kellogg Company	-	-	-	100	000	100					

1/ Type n indicates nonoperating foundations; o indicates operating foundation
 2/ Type m or b indicates asset valuation at market or book, respectively
 3/ Largest holding as a percent of total asset value
 4/ Second largest holding as a percent of total asset value
 5/ Largest holding as a percent of total stocks
 6/ See notes on page 54

LIST OF PRIVATE FOUNDATIONS REPORTING ASSETS IN EXCESS OF \$1 MILLION AND REPORTING A 2 PERCENT OR MORE OWNERSHIP IN A FOR-PROFIT BUSINESS RANKED BY THE FOUNDATION'S LARGEST STOCK HOLDING AS A PERCENTAGE OF FAIR MARKET VALUE OF ITS ASSETS

FOUNDATION NAME	1/ ASSET AMOUNT (\$000)	2/ TOTAL (\$000)	CORPORATE STOCK		PERCENTAGE COMPARISONS		FOOTNOTES	
			LARGEST HOLDING NAME	AMOUNT (\$000)	SECOND LARGEST HOLDING NAME	3/ AMOUNT (\$000)		4/ AMOUNT (\$000)
Gilmore, Earl B, F	6019	5667	A F Gilmore Company	15	Gilmore C & Savings B	93	000	100
Lilly Endowment Inc.	694067	645093	Ell Lilly & Company	---	---	93	000	100
Kennedy, John R, F Inc	3939	3740	Federal Paper Board Co	88	Midantic Bank Inc	93	2	98
Stemmons Fdn	1191	1090	Industrial Properties	---	---	92	000	100
Herrle, Stanley B, F	4426	4346	Herrle Bank Corp Inc	51	Santa Fe Ind	92	1	94
Helinz, Howard, Endow	101483	95715	H J Helinz Co.	2781	601 Holding Co.	91	3	97
Wallace, Dewitt, Fund	22301	21246	Readers' Digest Assn.	68	I B M	91	000	95
Lakewar Fund Inc.	23242	23617	Readers Digest Assoc.	68	I B M Corp.	90	000	96
Stoddard C Trust	38735	37220	Wyman-Gordon Co	339	Texas Oil Gas Corp	90	1	94
Luce, Henry, F Inc.	118549	112618	Time Inc.	771	Freeport-McKoran Inc.	88	1	92
Boswell, J B, Fdn	47130	40852	J B Boswell Co	---	---	87	000	100
Eastick Foundation Inc	1669	1492	Eastick Investment Inc	10	Figgle International	86	1	99
Ahenson F.	119592	100891	H F Ahenson & Co.	---	---	84	000	100
Kaplan-Helper	4866	4127	Kaplan Trucking Co	17	AT&T	84	000	99
L A W Fund Inc	30233	27665	Readers Digest Assoc.	182	I B M Corp.	84	1	91
Blaissell, P & S, F	1894	1367	Zippo Manufacturing Co	---	---	83	000	100
Zale Foundation	7339	6448	Zale Corp	85	IBM	83	1	94
Dunforth F.	92390	84230	Relston Purina Co.	584	Atlantic Richfield	83	1	91
Merley, J C, C Fund	1595	1304	Aro Corp	---	---	82	000	100
Haus-Helms F Inc	2382	1926	Telephone Service Co	200	Buckland Telephone Co	82	8	100
Jones, W Alton, F Inc.	99860	92883	Cititas Service Co.	490	Avon Products Inc.	82	000	88

LIST OF PRIVATE FOUNDATIONS REPORTING ASSETS IN EXCESS OF \$1 MILLION AND REPORTING A 2 PERCENT OR MORE OWNERSHIP IN A FOR-PROFIT BUSINESS RANKED BY THE FOUNDATION'S LARGEST STOCK HOLDING AS A PERCENTAGE OF FAIR MARKET VALUE OF ITS ASSETS.

FOUNDATION NAME	1/	ASSET AMOUNT (\$000)	2/		TOTAL (\$000)	2/		LARGEST HOLDING NAME	AMOUNT (\$000)	3/	SECOND LARGEST HOLDING NAME	AMOUNT (\$000)	3/		PERCENTAGE COMPARISONS	4/	5/	FOOTNOTES
			2/	2/		2/	2/											
Dickson, R H, Family F	n	2292	n	2393	2118	n	Ruddick Corporation	2118	82	3	89	82	n	82	3	89		
Blaffer, Robert L, Tr	o	1141	n	312	255	n	Suburban Realty corp.	255	82	3	82	82	n	82	3	82		
Stone, France, Fdn	n	4085	n	3505	3505	n	France Stone Co.	3505	81	000	100	81	n	81	000	100		
Republic Steel E&C T	n	10041	n	8084	8084	n	Republic Steel Corp.	8084	81	000	100	81	n	81	000	100		
Olmstead, Geo Fdn	n	7554	n	6570	6138	n	International Bank	6138	81	4	93	81	n	81	4	93		
El Power Foundation	n	81852	n	68250	65266	n	El Power Invest. Co.	65266	80	1	96	80	n	80	1	96		
Hewlett, W & F, F.	n	316053	n	282386	251471	n	Hewlett Packard Co.	251471	80	000	89	80	n	80	000	89		
Haytag, F, Family F	n	8999	n	7609	7079	n	Haytag Company	7079	79	2	93	79	n	79	2	93		
Garsch Fdn Inc.	n	1858	n	1701	1472	n	Lancaster Colony Corp.	1472	79	3	87	79	n	79	3	87		
Dietrich, D W	n	4989	n	3916	3916	n	Dietrich Corp.	3916	78	000	100	78	n	78	000	100		
Cousins F Inc	n	2522	n	2119	1969	b	Omnit Prod Co of Ga	1969	78	6	93	78	b	78	6	93		
Vollmer Foundation	n	13206	n	11816	10538	n	CA Venezolana de Cam	10538	78	8	87	78	n	78	8	87		
Johnson, Robert W, F.	n	1007822	n	826510	777951	n	Johnson & Johnson	777951	77	000	94	77	n	77	000	94		
Alden, George I, T.	n	94997	n	46162	42265	n	Norton Company	42265	77	1	92	77	n	77	1	92		
Tandy, Ab & CD, F	n	165760	n	148082	128304	n	Tandy Corp.	128304	77	3	87	77	n	77	3	87		
Whitaker Fdn	n	88007	n	73932	67311	n	A M P Inc.	67311	76	1	91	76	n	76	1	91		
Atkinson, N K, Fdn	n	16470	n	14301	12339	n	G F Atkinson Co	12339	76	1	88	76	n	76	1	88		
McArthur, JD & CT, F	n	934939	n	700000	700000	b	Bankers Life&Casualty Co.	700000	75	000	100	75	n	75	000	100		
Rogers, McFely, Fdn	n	3169	n	2581	2372	n	Latrobe Die Casting Co	2372	75	1	92	75	n	75	1	92		
High Winds Fund Inc.	n	23945	n	19190	17794	n	Readers' Digest Assn.	17794	74	000	93	74	n	74	000	93		
Trebor Foundation	n	22409	n	19868	16663	n	Coca-Cola Co.	16663	74	2	84	74	n	74	2	84		

LIST OF PRIVATE FOUNDATIONS REPORTING ASSETS IN EXCESS OF \$1 MILLION AND REPORTING A 2 PERCENT OR MORE OWNERSHIP IN A FOR-PROFIT BUSINESS RANKED BY THE FOUNDATION'S LARGEST HOLDING AS A PERCENTAGE OF FAIR MARKET VALUE OF ITS ASSETS

FOUNDATION NAME	1/	ASSET		CORPORATE STOCK		SECOND LARGEST HOLDING		PERCENTAGE COMPARISONS		FOOT-NOTES											
		AMOUNT (\$000)	2/	TOTAL (\$000)	2/	AMOUNT (\$000)	2/	NAME	AMOUNT (\$000)		2/										
Reeves Bros Fdn Inc	n	5708	*	5590	*	4006	*	Reeve Brothers, Inc	654	m	74	11	74	11	74	11	74	11	74	11	
Noble, S R, Fdn Inc	n	356378	*	276021	*	245621	*	Mobile Affiliates Inc	1780	m	77	1	88	1	88	1	88	1	88	1	
Millikin, James, Tr.	n	10835	*	8237	*	7725	*	Millikin B Inc	83	m	71	1	94	1	94	1	94	1	94	1	
Ellison Fdn	n	1196	*	924	*	846	*	Proctor Ellison Co	49	m	71	4	92	4	92	4	92	4	92	4	
Whitehead, Lettie, Fdn	n	59507	*	36627	*	27480	*	Coca Cola Co	2426	m	70	6	75	6	75	6	75	6	75	6	
Few Memorial T	n	1022998	*	842009	*	706247	*	Sun Company Inc.	7872	m	69	1	84	1	84	1	84	1	84	1	
Whitehead, Joseph B, F	n	95037	*	45990	*	36484	*	Coca-Cola Co.	3235	m	69	6	79	6	79	6	79	6	79	6	
Kieckhefer, J W, F	n	8439	*	6099	*	5680	*	Myerhausser Company	134	m	67	2	93	2	93	2	93	2	93	2	
Evjue, William T, C, T	n	6773	*	5128	*	4515	*	Capital Times Co	105	m	67	2	88	2	88	2	88	2	88	2	
Mare Foundation	n	8029	*	7332	*	5411	*	American Water Works	1240	m	67	15	74	15	74	15	74	15	74	15	
Victoria Fdn Inc	n	35625	*	22263	*	22263	*	Chubb Corp.	---	m	66	000	100	000	100	66	000	100	66	000	100
Woods Charitable Fdn	n	28218	*	20750	*	18499	*	Sahara Coal Co.	947	m	66	3	89	3	89	3	89	3	89	3	
Duke Endowment	n	406913	*	359642	*	268848	*	Duke Power Company	5125	m	66	1	79	1	79	1	79	1	79	1	
Cowles Char T	n	5993	*	3421	*	2633	*	Cowles Commu.	165	m	66	4	77	4	77	4	77	4	77	4	
Beveridge, F S, Fdn	n	12337	*	8294	*	8033	*	Stanley Home Prod Inc	77	m	64	1	98	1	98	1	98	1	98	1	
Kirby, F M, F, Inc.	n	83262	*	76976	*	93199	*	Allegheny Corp.	1032	m	64	12	69	12	69	12	69	12	69	12	
Schaefer, RH & A, Fdn	n	4254	*	4235	*	2708	*	Ohio Road Paving Co.	1275	m	64	30	64	30	64	30	64	30	64	30	
Blair, C M, M, Tr.	n	10370	*	7482	*	6545	*	Bair Co.	550	m	63	5	87	5	87	5	87	5	87	5	
Mess-Halter Fdn	n	2076	*	2062	*	1314	*	Gravill Commercial	748	m	63	36	64	36	64	36	64	36	64	36	
Bartlett, EB & HT	n	3311	*	3309	*	2080	*	Bartlett Collins	239	m	63	7	63	7	63	7	63	7	63	7	
Willetts, H L, F, Inc	n	3405	*	2111	*	2111	*	Willetts Inc	---	m	62	000	100	000	100	62	000	100	62	000	100

LIST OF PRIVATE FOUNDATIONS REPORTING ASSETS IN EXCESS OF \$1 MILLION AND REPORTING A 2 PERCENT OR MORE OWNERSHIP IN A FOR-PROFIT BUSINESS RANKED BY THE FOUNDATION'S LARGEST STOCK HOLDING AS A PERCENTAGE OF FAIR MARKET VALUE OF ITS ASSETS

FOUNDATION NAME	1/	ASSET		2/	LARGEST HOLDING		2/	CORPORATE STOCK		2/	SECOND LARGEST HOLDING		2/	PERCENTAGE COMPARISONS		3/	4/	5/	FOOT-NOTES
		AMOUNT	(\$000)		AMOUNT	(\$000)		AMOUNT	(\$000)		AMOUNT	(\$000)							
Honey, Wm E, Fdn	n	2185		n	1475		n	1357		n	117		n	62	5	92			
Myrin, Mabel Faw, T.	n	145419		n	111356		n	90090		n	1900		n	62	1	81			
Russell, B & R, E&C F	n	8790		n	6942		n	5420		n	341		n	62	4	78			
Slomp Foundation	n	3604		n	2945		n	2240		n	205		n	62	6	76			
Altman Foundation	n	11631		n	11358		n	7114		n	1502		n	61	11	65			
Richardson, J, F	n	7810		n	7024		n	4685		n	1395		n	60	18	67			
Chobers, James B	n	2126		n	1269		n	1254		n	14		n	59	1	99			
Evens, Lettie Pate, F	n	16492		n	13240		n	9769		n	2042		n	59	12	74			
Lowenstein, Leon, Fdn	n	19389		n	16960		n	11455		n	525		n	59	3	68			A
Stewart, Guy T, Fdn	n	2491		n	1471		n	1415		n	40		n	57	2	96			
Feldman Foundation	n	5531		n	3199		n	3046		n	67		n	57	1	96			
Tinklen Intern Fund	n	12424		n	6920		n	6920		n	---		n	56	000	100			
Lamb, KS & RB, F	n	4465		n	3640		n	2491		n	794		n	56	18	68			
Francis, Parker B, Fdn	n	20356		n	16629		n	11211		n	355		n	55	2	67			
Hoffberger F Inc	n	7568		n	7156		n	3993		n	2680		n	54	36	56			
Riwalt, Peter, F	n	31616		n	18914		n	16603		n	1206		n	53	4	88			
Reeves Foundation	n	7030		n	4958		n	2577		n	1325		n	53	19	52			
Hoover Foundation	n	14219		n	10925		n	7295		n	155		n	51	1	67			
Murphy, John P, F	n	11103		n	9575		n	5609		n	382		n	51	3	59			
Smith Richardson F In	n	99628		n	85567		n	48680		n	14478		n	51	15	57			
Murphy, Dan, F	n	103639		n	89658		n	51477		n	32516		n	50	31	57			

LIST OF PRIVATE FOUNDATIONS REPORTING ASSETS IN EXCESS OF \$1 MILLION AND REPORTING A 2 PERCENT OR MORE OWNERSHIP IN A FOR-PROFIT BUSINESS RANKED BY THE FOUNDATION'S LARGEST STOCK HOLDING AS A PERCENTAGE OF FAIR MARKET VALUE OF ITS ASSETS.

ASSET	1/	FOUNDATION NAME	CORPORATE STOCK		LARGEST HOLDING		SECOND LARGEST HOLDING		PERCENTAGE COMPARISONS		
			AMOUNT (\$000)	%	AMOUNT (\$000)	%	AMOUNT (\$000)	%	3/	4/	5/
n	1493	Richardson, H S, CH T	10231	6983	Richardson-Vicks Inc	2597	m	Dow Chemical Co.	49	18	68
n	6074	Stoen, SM & L, Fdn	3585	2916	Simco Stores	31	b	I B M	48	1	81
n	1863	Higgins, Aldus C, F	1394	885	Horton Company	58	m	Scudder Cash Invest Tr	48	3	63
n	1408	Familian, I&S, Fam F.	678	659	Familian Realty Inv Corp	100	m	Israel Invest Corp	47	7	97
n	2555	Katzemberger F	1923	1201	Advert Checking Bur	152	m	IBM	47	6	62
n	11584	Olin Foundation Inc.	93448	34523	Federal Cartridge Corp	3475	m	First Bank System Inc	47	3	58
n	3823	Cook Bros E F Inc	3821	1800	Community Bank	1250	m	First Fin. Co. of West	47	33	47
o	3453	Dreyfus Medical F	1599	1597	Dreyfus Corp	1	m	Evans Products	46	000	100
n	7703	Publiker, H&R, Tr	6318	3579	Wrigley (Wm) Jr Co	490	m	Texaco	46	6	57
n	761	Ottfeld Family Fdn	343	343	Publiker Ind, Inc.	---	---	---	45	000	100
n	3118	First Etc Tr of Canton	1418	1418	Timken Co	---	---	---	45	000	100
n	19569	Haynes, R & D, Fdn	12661	8749	Union Oil California	---	---	---	45	13	69
n	22562	Stranahan Foundation	19964	10030	Champion Spark Plug Co.	321	m	American Home Prod Cor	45	1	50
n	83638	Gund, George, Fnd.	69055	36911	Kellogg Co.	9867	m	Cleveland-Cliffs Iron	44	12	53
n	4807	ARM Foundation	4713	2123	Pinkerton Hold Corp.	1534	m	Pinkerton Inc.	44	32	45
n	2179	Mandel, J N L, F	1733	940	Premier Ind Corp	50	m	Exxon Corp	43	2	54
n	316	Mayer, H & EB, Fdn	134	134	Hazor Masterpieces Inc	---	---	---	42	000	100
n	97594	McDonnell Fdn	26118	24232	McDonnell Douglas Corp.	1090	m	General Electric Co	42	2	93
n	38978	Blaustein, J A, Fdn	21033	16432	Amer Trading Prod Corp	2631	m	Standard Oil of Ind.	42	7	78
n	5054	Pinkerton Foundation	3275	2123	Pinkerton Holding Corp	1152	m	Pinkerton's Inc	42	23	65
n	6481	Hillisdale Fund Inc	3880	2735	Richardson-Vicks Inc	545	m	Dow Chemical Co	42	8	47

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LIST OF PRIVATE FOUNDATIONS REPORTING ASSETS IN EXCESS OF \$1 MILLION AND REPORTING A 2 PERCENT OR MORE OWNERSHIP IN A FOR-PROFIT BUSINESS RANKED BY THE FOUNDATION'S LARGEST STOCK HOLDING AS A PERCENTAGE OF FAIR MARKET VALUE OF ITS ASSETS

ASSET	1/	AMOUNT (\$000)	CORPORATE STOCK		AMOUNT (\$000)	2/	NAME	AMOUNT (\$000)	2/	NAME	3/	4/	5/	FOOT- NOTES
			LARGEST HOLDING	2/										
Hack, J S, Fdn	n	3908	1619	m	1619	100	GC Murphy Co	---	-	---	41	000	100	
J J C Foundation Inc	n	1946	1099	b	802	41	United Tool & Die	296	b	(Public Traded Stock)	41	15	73	
Karren, William K, F	n	122872	96999	m	50779	41	Bull Oil Corp.	15225	m	Warren American Oil C.	41	12	52	
Monfort Char Fdn	n	1173	464	m	464	40	Monfort of Colorado	---	-	---	40	000	100	
Johnson, Howard, F	n	2719	1080	m	1080	40	Jon Co Inc	---	-	---	40	000	100	
Harriman, G & R, F	n	26068	18227	m	10460	40	Union Pacific Corp.	650	m	Doubladay	40	2	57	
Houston Endow Fund	n	254929	126652	m	100000	39	Houston Chron Pub Co.	4312	m	Texas Commerce Bank	39	2	79	
Franklin, J & M, Fdn	n	12629	7575	m	4890	39	Audichron	312	m	Exxon Corp	39	2	65	
Educational F of Amer	n	21961	16852	m	8516	39	Prentice-Hall	856	m	Kansas City South Ind	39	4	51	
Large Foundation	n	2220	2176	m	871	39	Huntardon Co, Natl Bnk	650	m	Eastman Kodak	39	29	40	
Hulisking Fnd, Inc	n	2430	2419	m	959	39	C L Hulisking & Co	769	m	Marck & Co Inc	39	32	40	
Bundy Foundation	n	2658	2240	m	1015	38	Bundy Corporation	78	m	CSX Corporation	38	3	45	
Hardin, Phil, Fdn	n	9480	6046	m	3494	37	Hardins Bakeries Corp	364	m	A T & T	37	4	58	
Weinstein, J, Fdn	n	1351	1154	m	474	36	J W Mays Inc	315	m	Standard Oil of Ind	36	24	41	
Boettcher Fdn	n	80950	36159	m	28143	35	Ideal Basic Industries	5651	m	United Banks of Col.	35	7	78	
Svenson, Ernest, Fdn	n	2526	2284	m	817	35	John Barnes Corp	100	b	Udln svenson Corp	35	7	56	
McIntosh Fdn	n	8259	2978	b	2809	34	Great Alp Tea Co	124	m	Union Pacific Corp	34	2	94	A
Hoody Founde	n	204051	72727	b	68390	34	American Natl Insur Co	1576	b	Gal-Tex Hotel Corp.	34	1	94	
Tinkin F of Centon	n	88315	58127	m	29892	34	Tinkin Company	3681	b	Rockwell Intl	34	4	78	
Mengeloff Foundation	n	1268	999	m	432	34	J B Kendall Co	43	m	Mobil Corp	34	3	73	
Fairchild, Sherman, F	n	113766	54034	m	38518	34	I B M Corp	2939	m	Fairchild Ind Inc	34	3	71	

LIST OF PRIVATE FOUNDATIONS REPORTING ASSETS IN EXCESS OF \$1 MILLION AND REPORTING A 2 PERCENT OR MORE OWNERSHIP IN A FOR-PROFIT BUSINESS RANKED BY THE FOUNDATION'S LARGEST STOCK HOLDING AS A PERCENTAGE OF FAIR MARKET VALUE OF ITS ASSETS

FOUNDATION NAME	1/	ASSET AMOUNT (\$1000)	CORPORATE STOCK		PERCENTAGE COMPARISONS		FOOTNOTES			
			2/ TOTAL (\$1000)	2/ AMOUNT (\$1000)	LARGEST HOLDING NAME	2/ AMOUNT (\$1000)		2/ SECOND LARGEST HOLDING NAME		
Winstow, W R, R Tr	n	5219	2624	1704	MR Winstow Cos	64	Becker Paint Glass Co	33	1	65
Limerick, Stanley J, F	n	1808	1030	591	J Limerick Industries	94	Ford Motor Company	33	5	57
Wickes, H R, Fdn	n	13029	7936	4363	Michigan Natl Corp	1456	Wickes Companies Inc	33	11	55
Anderson, M D, Fdn	n	70467	42263	22231	Southeast Bancshares	8830	First City Bancorp /TX	32	13	53
Forest Lern Found.	n	2670	2196	902	Amerl SecurFidel Cor	67	Barter Travelol	31	2	41
Coors, Adolph, Fdn	n	33984	48746	16980	Adolph Coors Co.	1711	Gray Research Inc.	31	3	35
Kerr Foundation Inc	n	51341	36261	19337	Kerr McGee Corp.	1462	Apache Corp.	30	3	42
McCormick, R R, Ch Tr	n	14915	12951	4498	Lake Shore Natl Bank	804	Phillip Morris Inc	30	5	35
Dickson F Inc	n	4883	3749	1425	Ruddick Corp	371	NCB Cooperation	29	8	38
Hindemann Fdn Inc	n	1928	1078	965	Nestle-Laurer Co	104	Standard Oil Of Ind	29	5	52
Mandeville Fdn Inc	n	5296	5273	1545	White Consol Ind	530	Parall Inc	29	10	29
Jay, GS & GA, Fdn	n	1227	434	349	Geo Jay Drug Co	37	AT & T	28	3	80
Buelli, Temple Hoyne, F	n	3047	1241	837	Buelli Development	132	Mobil Oil Corp	28	4	69
Cahn, E & W, Fdn	n	22936	13339	6441	Southern Union Co	5327	Supron Energy	28	24	48
Langwood Fdn Inc	n	112051	83637	31137	Edipont delemurs Co.	3789	General Motors Corp.	28	3	37
Scheldapp, TR U/M JB	n	17769	15415	9006	Xerox Corp.	772	Standard Oil Co of Ind	26	4	32
Rogers Foundation	n	2864	1816	780	R H Rogers Invest Co	242	Standard Oil of Ind	27	8	45
Kaiser, Henry J, F	n	221352	154934	60583	Kaiser Alum & Chem Cor	5319	Kaiser Steel Corp	27	2	39
Mechite Foundation	n	2296	866	586	Valley Company Inc	46	Nierman+Chen/Alm York	26	2	68
Cannon Foundation Inc	n	34008	10137	8629	Cannon Mills Co	1172	Concord Telephone Co	25	3	80
Heas Jr, E & W, Fund	n	14994	8447	3644	Levi Strauss & Co.	220	Schlumberger, LTD.	25	2	43

LIST OF PRIVATE FOUNDATIONS REPORTING ASSETS IN EXCESS OF \$1 MILLION AND REPORTING A 2 PERCENT OR MORE OWNERSHIP IN A FOR-PROFIT BUSINESS RANKED BY THE FOUNDATION'S LARGEST STOCK HOLDING AS A PERCENTAGE OF FAIR MARKET VALUE OF ITS ASSETS

FOUNDATION NAME	1/	ASSET AMOUNT (\$000)	2/	TOTAL (\$000)	CORPORATE STOCK		PERCENTAGE COMPARISONS		FOOTNOTES					
					LARGEST HOLDING NAME	AMOUNT (\$000)	2/	LARGEST HOLDING NAME		3/	4/	5/		
Liberty Fund Inc	o	46694	n	28101	n	11866	n	Continental Telephone	3112	n	AMX Inc	25	7	42
Herrick Foundation	n	89912	n	21212	b	21212	b	Tecumseh Products Co.	---	-	---	24	000	100
Abney Foundation	n	14384	n	6358	n	3493	n	Abney Mills	268	n	Barter Travemol Labs	24	2	55
Doboss, Arthur S, F	o	19897	n	8725	n	4803	n	Templeton World Fund	173	n	Fidelcor Inc.	24	1	55
Mine Safety Ap Co C Tr	n	2336	n	1177	n	511	n	Char & Co	61	n	Rohn & Heas	22	3	43
Mellon, Richard King, F	n	357217	n	228886	n	78157	n	General Re Corp Del	24218	n	Gulf Oil Corp.	22	7	34
Emporia Foundation	n	1678	n	978	n	394	n	GT Electronic Corp	346	n	Bucktail Bank & T Co	21	21	36
Irwin-Sweeney-Miller F	n	5256	n	703	n	637	n	Cummins Engine Co Inc	65	n	Lewellen Manufac Co	20	2	91
Calritz, M & G, Fdn	n	59815	n	18162	b	11666	b	Adassador Inc	3278	b	Calritz Building Inc	20	5	64
Whiting Foundation	n	4722	n	2002	n	944	n	Citizens Commercial	65	n	AT&T	20	1	47
Dextra B M F Inc	n	1806	n	1191	n	370	n	United Aircraft P Inc	357	n	Baldwin Hillis Co	20	20	32
Norton, G, Memor Corp	n	1878	n	1322	n	378	n	Thomas Industries Inc	122	n	Uptown Ntl Bank/Chic.	20	6	29
Rubln, CH & WS, F F	n	3057	n	2611	n	621	n	Tootsie Roll Ind Inc.	100	n	Dreyfus Corp.	20	3	24
Reas Family Fdn	n	821	n	176	n	35	n	A T & T	3	n	Old Stone Corp	20	000	20
Levin, M & A, Fdn	n	4033	n	1290	n	756	b	Meadville Corp	115	n	AT&T	19	3	60
Mogulne Fdn Inc	n	4636	n	3145	n	858	n	United Technologies	518	n	Quarex Corp	19	11	27
Brown, Fdn	n	239736	n	182734	n	46361	n	Halliburton Co.	20870	n	Texas Eastern Corp.	19	9	23
Schacht, L, Fdn	n	1080	n	1078	n	208	n	Marathon Oil	177	n	Felmont Oil	19	16	19
Bradley Family F.	n	2985	n	533	b	533	b	Zita Inc.	---	-	---	18	000	100
Hess Foundation Inc.	n	66275	n	11821	b	11821	b	Amerade Hess Corp.	---	-	---	18	000	100
Lendogor Char F Inc	n	1827	n	326	b	326	b	Parsons & Whittemore	---	-	---	18	000	100

LIST OF PRIVATE FOUNDATIONS REPORTING ASSETS IN EXCESS OF \$1 MILLION AND REPORTING A 2 PERCENT OR MORE OWNERSHIP IN A FOR-PROFIT BUSINESS RANKED BY THE FOUNDATION'S LARGEST STOCK HOLDING AS A PERCENTAGE OF FAIR MARKET VALUE OF ITS ASSETS

FOUNDATION NAME	1/	ASSET		CORPORATE STOCK		SECOND LARGEST HOLDING		FOOT-NOTES
		AMOUNT (\$000)	2/	AMOUNT (\$000)	2/	AMOUNT (\$000)	2/	
Dobson F Inc	n	2699	472	472	m	Maine National Bank	111	100
Paw Jr, J M, Char T	n	121546	23845	21332	b	Sun Company Inc.	136	89
Kuntz F	n	1864	1218	318	b	Peter Kuntz Company	136	26
Tektronix Foundation	n	3672	2707	619	m	Tektronix Inc	256	23
Juste Fdn	n	1844	454	287	b	J & J Corrugated Box C	14	63
Charles Fdn Inc	n	41147	23221	6458	m	Sun Ray Homes Inc	1762	26
Mott, Charles S, F	n	386534	301072	63140	m	General Motors Corp.	39537	21
Dunneke, C & Ad	n	8699	5416	1348	m	USA Foreign	968	25
Clark Foundation	n	123699	84628	18375	m	Mesa Petroleum	5110	22
Baird, Cameron, F	n	7085	6843	1079	m	First Empire State Co.	832	16
Street, Gordon, Fdn	o	3844	525	525	b	North Amer Royalties	--	100
Kardon, S & R, Fdn	n	2102	322	297	m	American BagPaper Ind	25	92
Megener, H & M, F	n	2284	461	325	m	Technology Fund Inc	68	70
Kemper, H & E, Fund	n	8364	6338	1168	m	H Kemper Cert/Bans In	623	18
Kemper, E & C, Fdn	n	24938	18719	3383	m	Kansas City South Ind.	2039	18
Breidenthal, WJ & HB	n	1234	163	163	b	Commercial Natl Bank	-	100
Mordson Foundation	n	22071	3179	2800	b	Mordson Corporation	31	88
Tisch Foundation Inc	n	7722	2021	993	m	CommonHealth Edison	919	49
Polk Foundation	n	1763	901	238	m	Gateway Opt Inc Fund	218	26
Westport Fund	n	622	447	80	m	Floods Petroleum	78	16
Ryan, John R, F Tr	n	3048	702	352	b	Ruan Inc	349	50

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LIST OF PRIVATE FOUNDATIONS REPORTING ASSETS IN EXCESS OF \$1 MILLION AND REPORTING A 2 PERCENT OR MORE OWNERSHIP IN A FOR-PROFIT BUSINESS RANKED BY THE FOUNDATION'S LARGEST STOCK HOLDING AS A PERCENTAGE OF FAIR MARKET VALUE OF ITS ASSETS

FOUNDATION NAME	1/	ASSET		CORPORATE STOCK		PERCENTAGE	
		AMOUNT (\$000)	2/	AMOUNT (\$000)	2/	3/	4/
Ravson, Charles H, F	n	65207	n	7656	n	989	m
Medina Foundation	n	17158	n	2050	n	979	m
Rosemary Found.	n	14607	n	1715	n	909	m
Kahl, Dolores, E F	o	2075	n	226	b	15	b
Gloeckner, F C, F Inc	n	849	n	95	n	22	m
Blanch, M B, F, Fund F	n	4089	n	2157	n	312	m
Cunco F	n	2037	n	224	n	177	m
Leidesdorf Foundation	n	1062	n	112	n	100	m
Presto Foundation	n	8717	n	1046	b	57	b
Ordan Foundation	n	11801	n	1257	n	580	m
Katson, JJ & EJ, Fdn	n	9788	n	1015	n	482	m
Mallon, Andrew, Fdn	n	816055	n	64504	n	19945	m
Josefati, Morris	n	4067	n	412	n	400	m
Western New York Fdn	n	3834	n	567	n	224	m
Beltz Foundation	n	1920	n	170	n	85	m
McCoy Fdn	n	1624	n	142	n	60	m
Fuller F Inc	n	2750	n	257	n	68	m
Guggenheim, D & F	n	5525	n	478	n	484	m
Susman, Asher, F	n	1978	n	185	n	150	m
Bothin Helping Fdn	n	10077	n	945	n	520	m
Mean, R John, Fdn	n	19442	n	10798	n	869	m

FOUNDATION NAME	1/	ASSET		CORPORATE STOCK		PERCENTAGE	
		AMOUNT (\$000)	2/	AMOUNT (\$000)	2/	3/	4/
IBM	12	2	26	989	m	12	2
Univar Corp.	12	6	21	979	m	12	6
Merrill Lynch R A Tr.	12	6	14	909	m	12	6
Templeton Energy Co	11	1	94	15	b	11	1
A T & T	11	3	50	22	m	11	3
Union Pacific Corp	11	8	21	312	m	11	8
U S and Foreign Sec	11	9	15	177	m	11	9
Rio Verde Energy	11	9	15	100	m	11	9
Anglo American Gold	10	000	80	57	b	10	000
Northwest Bankcorp	10	3	25	580	m	10	3
Mobil Corp	10	5	17	482	m	10	5
Aluminum Co of America	10	2	16	19945	m	10	2
Culbro Corp.	10	10	11	400	m	10	10
Quaker Corp.	10	6	10	224	m	10	6
Servico Inc	9	4	43	85	m	9	4
IT&T	9	4	36	60	m	9	4
Smith International	9	2	24	68	m	9	2
Anglo Energy Ltd	9	9	14	484	m	9	9
Baxter Travenol	9	7	16	150	m	9	7
Exxon Corp.	9	5	14	520	m	9	5
Consolid/Matural Gas	9	6	12	869	m	9	6

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LIST OF PRIVATE FOUNDATIONS REPORTING ASSETS IN EXCESS OF \$1 MILLION
 AND REPORTING A 2 PERCENT OR MORE OWNERSHIP IN A FOR-PROFIT BUSINESS RANKED BY
 THE FOUNDATION'S LARGEST STOCK HOLDING AS A PERCENTAGE OF FAIR MARKET VALUE OF ITS ASSETS

ASSET		LARGEST HOLDING		SECOND LARGEST HOLDING		CORPORATE STOCK		PERCENTAGE COMPARISONS		FOOT- NOTES	
1/	AMOUNT (\$000)	2/	TOTAL (\$000)	2/	AMOUNT (\$000)	2/	NAME	2/	AMOUNT (\$000)		
n	3293	n	631	b	248	b	AE FinelyAssoc of VA,	b	88	39	
n	9189	n	3064	n	744	n	Fenn Bank Corp.	m	210	24	
n	10549	n	5046	b	893	b	Temporary Invest Fund	b	356	18	
n	19854	n	10366	n	1504	n	Placer Develop LTD	m	1101	15	
n	9406	n	3390	n	640	n	R J Reynolds Ind	m	414	19	
n	8432	n	3542	n	551	n	Marathon Oil Co,	m	221	16	
n	2661	n	1507	n	184	n	Essex Co Champ N BK	m	66	12	
n	12177	n	8079	n	885	n	Delta Airlines	m	521	11	
n	2390	n	2049	n	162	n	50 Natural Res	m	156	8	
n	8400	n	492	b	492	b	Sico Co	n	---	100	
n	32313	n	9372	n	2006	n	Fidelity Union Bankcor.	m	1730	21	
n	1870	n	838	n	117	n	Missouri Pacific Corp	m	83	14	
n	9382	n	4074	n	376	n	Lyons B Ranch Inc	m	406	14	
n	40569	n	19946	n	2600	n	Union Pacific Corp.	m	2343	13	
n	126798	n	68686	n	7260	n	Tektronix, Inc.	m	2377	11	A
n	210911	n	121829	n	12953	n	Avon Products	m	3263	11	A
n	1764	n	1102	n	106	n	Eastman Kodak	m	83	10	
n	108591	n	75126	n	6316	n	Texas Amer Bankshares	m	3700	8	
n	1717	n	231	b	89	b	Hamilton Bros.	b	43	39	
n	3771	n	1184	b	193	b	Snite Furniture	b	48	16	
n	9206	n	5537	n	454	n	Pepsico, Inc	m	359	8	
n		n		n		n	Skaggs, Lt & Hc, F	n			
n		n		n		n	Snite, Fred B, F	n			
n		n		n		n	Aldeen, Geo Char Tr	n			
n		n		n		n	Richardson, Sid W, F	n			
n		n		n		n	Kunstedter, Albert, F	n			
n		n		n		n	Clark, Edna M, F	n			
n		n		n		n	Murdock, M J, Char Fdn	n			
n		n		n		n	Independence F	n			
n		n		n		n	Lyons, EH & M, F	n			
n		n		n		n	Joslin-Headham Family	n			
n		n		n		n	Rippel, F E, Fdn	n			
n		n		n		n	Stco Foundation	n			
n		n		n		n	Metcalfe, Stanley W, F	n			
n		n		n		n	Freeman, Ella West, F	n			
n		n		n		n	Crary, Bruce L, Fdn	n			
n		n		n		n	McMillan Jr, Bruce, F	n			
n		n		n		n	Reynolds, C, F	n			
n		n		n		n	Taylor, R & V, Fdn	n			
n		n		n		n	J D B Fund	n			
n		n		n		n	Stackpole Fdn	n			
n		n		n		n	Finley, A E, Fdn	n			
n		n		n		n	Duke Power Co.	n			
n		n		n		n	Burrrough Corp.	n			
n		n		n		n	Standard Oil of Ind,	n			
n		n		n		n	U S Fidelity & Guar	n			
n		n		n		n	AT&T	n			
n		n		n		n	IBM	n			
n		n		n		n	Perkin Elmer	n			
n		n		n		n	Phillip Morris	n			
n		n		n		n	-----	n			
n		n		n		n	First Natl State Bank	n			
n		n		n		n	Union Pacific Corp	n			
n		n		n		n	Lyons Melody Ranch Inc	n			
n		n		n		n	Atlantic Richfield Co	n			
n		n		n		n	I B M	n			
n		n		n		n	I B M	n			
n		n		n		n	Avon Products	n			
n		n		n		n	Eastman Kodak	n			
n		n		n		n	Texas Amer Bankshares	n			
n		n		n		n	The Stanley Works	n			
n		n		n		n	Delta Airlines	n			
n		n		n		n	Medonalds, Corp	n			

LIST OF PRIVATE FOUNDATIONS REPORTING ASSETS IN EXCESS OF \$1 MILLION AND REPORTING A 2 PERCENT OR MORE OWNERSHIP IN A FOR-PROFIT BUSINESS RANKED BY THE FOUNDATION'S LARGEST STOCK HOLDING AS A PERCENTAGE OF FAIR MARKET VALUE OF ITS ASSETS

FOUNDATION NAME	1/	ASSET		LARGEST HOLDING		SECOND LARGEST HOLDING		3/	4/	5/
		AMOUNT	2/ (\$000)	AMOUNT	2/ (\$000)	AMOUNT	2/ (\$000)			

Whitney, H, Fdn	n	13896	n	781	n	656	n	562	n	I B M	5	4	8	A
Collins Foundation	n	29799	n	23149	n	1488	n	1138	n	Pacific Lumber Co	5	4	6	
Public Welfare F Inc	n	107648	n	10421	b	4029	b	2000	b	The Godsden Times	4	2	39	
Blosser, David A, F	n	1908	n	212	n	79	n	30	n	Toledo Edison	4	2	37	
Worthee Found.	o	14929	n	1908	b	670	b	214	b	Texas Com Bankshares	4	1	35	
Kiplinger Foundation	n	6603	n	1458	b	291	b	1098	b	Xerox Corporation	4	17	20	
Walgren Benefit Fund	n	6457	n	1640	n	286	n	116	n	Kimberly Clark KRF	4	2	17	
Aron, J, Char Fdn	n	17119	n	6322	n	692	n	351	n	Malco Chemical Co.	4	2	11	
Lang, Eugene M, F	n	8469	n	3747	n	380	n	337	n	Pinkerton	4	4	10	
Davenport M F	n	4930	n	1884	b	180	b	144	b	American Tel & Tel Co	4	3	10	
Hyde, L B, Fdn.	n	16924	n	7574	n	792	n	520	n	Standard Oil of Ind.	4	3	10	
Hones, JH & AH, Fdn.	n	6193	n	2592	n	241	n	231	n	Exxon Corp.	4	4	9	
Honeywell F Inc	n	10040	n	3462	n	412	n	410	n	Warner Com Inc	4	4	8	
Krenner Charitable T	n	97139	n	28015	b	2312	b	1104	b	Indiana Natl Corp.	4	2	8	
Goldman, Herman, F	n	17320	n	10278	n	618	n	611	n	Chase Manhattan Corp.	4	4	6	
Ford Foundation	n	2563371	n	1691920	n	90856	n	89475	n	AT & T	4	3	5	A
Triland Foundation	n	1934	n	59	n	91	n	7	n	Alcan Aluminum Ltd	3	000	86	
Brunner, Fred J, F	n	2997	n	895	n	97	n	89	n	No Cal Sav & Loan	3	3	11	
Swig Fdn.	n	8491	n	2347	n	240	n	113	n	I B M	3	1	10	
Fair, R W, Fdn.	n	13056	n	3930	b	400	b	194	b	Howell Petroleum	3	1	10	

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LIST OF PRIVATE FOUNDATIONS REPORTING ASSETS IN EXCESS OF \$1 MILLION
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 THE FOUNDATION'S LARGEST STOCK HOLDING AS A PERCENTAGE OF FAIR MARKET VALUE OF ITS ASSETS

FOUNDATION NAME	1/	ASSET		LARGEST HOLDING		CORPORATE STOCK		SECOND LARGEST HOLDING			3/	4/	5/	
		AMOUNT	2/	AMOUNT	2/	AMOUNT	2/	AMOUNT	2/	NAME				
		(5000)		(5000)		(5000)		(5000)			PERCENTAGE	COMPARISONS	FOOT-	
Abrons, L & A, Fdn	n	15370	m	11970	m	375	m	Twenty Nine E 64 St C	275	m	First Commerce Corp	3	2	3
Rose, Billy, Fdn	n	10027	m	4203	m	350	m	Texas Oil & Gas	339	m	Merck & Co Inc,	3	3	8
Kallogg, W K, Fdn	n	49648	m	34012	m	1534	m	I B M	1467	m	Marathon Oil Co.	3	3	5
Wehr, Todd, Fdn	n	5996	m	3513	m	166	m	Combustion Engineering	156	m	Standard Oil of Ind	3	3	5
Nationwide F	n	10143	m	6174	m	301	m	A T & T	281	m	Exxon Corp	3	3	5
Oxford Foundation Inc	n	2325	m	1636	m	67	m	Penn Fuel Gas, Inc	177	m	Penn Enterprise, Inc	3	8	4
Carpenter Foundation	n	4961	m	3667	m	157	m	IBM	140	m	Time Inc	3	3	4
Odell, RS & HP, Fund	n	10867	m	7925	m	275	m	I B M	264	m	Allied Prop Liquid Tr.	3	2	3
Russell, Tom, C Fdn	n	1093	m	23	b	23	b	Combined Insurance Co	---	-	-----	2	000	100
College F Inc	n	6778	m	161	b	160	b	Bus Dev Corp of N C	-	b	Bus Dev Corp of S C	2	000	99
Perry, HG 3D, Fdn	o	2996	m	123	b	43	b	Fugitticlos Oil Co	35	b	St Matt B Robstown	2	1	35
Huber, JE & LE, Fdn	n	301688	m	22662	b	6626	b	Huber Petroleum	1181	b	Pennzoil	2	000	29
Pickard, Mary, Fdn	n	8710	m	748	m	142	m	American Home Products	125	m	Proctor Gambie Co	2	1	19
Coleman F Inc	n	43125	m	8374	b	779	b	Pennzoil Co	674	b	First Chicago Corp	2	2	9
Gulbenkian, Calouste, F	n	646330	m	196296	m	15976	b	Sacar Corp In Portugal	8821	b	I B M	2	1	8
Benton Foundation	n	8400	m	2431	m	206	m	Time Inc	131	m	Archer Daniels	2	2	8
Ferguson, Alice, F	o	1744	m	367	b	43	b	Avon Products	28	b	AlexanderAlexander	2	2	8
Morgan Tr, CH RE & ED	n	3445	m	1036	m	79	m	MCI Communications Cor	48	m	Avet Inc	2	1	7
Andrew, Aileen S, F	n	19476	m	7187	b	435	b	Andrew Corporation	345	b	Phillip Morris	2	2	6
Henson, Dane G, F	n	15862	m	6046	b	282	b	A T & T Co.	228	b	Kansas Power&Light Co.	2	1	5
Fish, Ray C, Fdn	n	11134	m	4179	m	222	m	M&T Mortgage Inves Inc	165	m	MGIC Investment Corp.	2	1	5

FOOT-
NOTES

LIST OF PRIVATE FOUNDATIONS REPORTING ASSETS IN EXCESS OF \$1 MILLION AND REPORTING A 2 PERCENT OR MORE OWNERSHIP IN A FOR-PRIOR IT BUSINESS RANKED BY THE FOUNDATION'S LARGEST STOCK HOLDING AS A PERCENTAGE OF FAIR MARKET VALUE OF ITS ASSETS

FOUNDATION NAME	1/	ASSET AMOUNT (\$000)		CORPORATE STOCK		SECOND LARGEST HOLDING		PERCENTAGE COMPARISONS			FOOTNOTES	
		2/	3/	LARGEST HOLDING NAME	AMOUNT (\$000)	4/	5/	6/	7/	8/		
McGraw Fdn	n	8446	3487	177	176	Warner Communications	176	n	2	2	5	A
Harrington, D & S, F	n	93530	16818	881	871	A T & T	871	n	2	2	5	
Francis, Parker B, F	n	13961	8365	325	322	Manufact. Hanover Corp	322	b	2	2	4	
Beasley, T A B, Fdn	n	9767	40	40	---	Systemic Realty	---	---	1	000	100	A
Klein, N J, Fund	n	1265	15	15	---	Klein Properties Inc	---	---	1	000	100	
Steinlin Fdn-Cancer Re	n	2422	38	25	3	Romtec	3	b	1	000	66	
Chiles Foundation	n	26133	1364	226	224	Chase Manhattan Corp	224	n	1	1	59	A
Pritzker Foundation	n	7669	239	115	1	Rochwood & Co	1	n	1	000	48	
White, R R, Tr	n	10914	277	65	24	Standard Oil Co of CA	24	n	1	000	23	
Abercrombie, J S, F	n	10223	797	121	188	Texaco Inc	188	b	1	2	16	
Loyola Fdn Inc	n	10474	546	110	62	IBM	62	b	1	1	20	
Payne, FE & SB, F	n	31181	2971	183	121	Continental 111 Corp	121	n	1	000	6	
Erso, Polk, F Inc	n	10457	2330	134	114	Wolbort Stores	114	n	1	1	5	
Collins, Carr P, F	n	14849	5056	142	125	I B M	125	n	1	1	5	
Strauss, A & L, F Inc	n	23114	4387	220	160	Chiatian Day Co Ltd	160	n	1	1	5	
Moore Foundation	n	13107	3831	187	146	I B M Corp	146	b	1	1	5	
Piper, M Stevens, Fdn	n	12621	3235	124	109	Eastman Kodak Co	109	n	1	1	4	
Proctor, John C, End	b	30843	101	87	13	First Natl Bank/Georgia	13	b	000	000	86	
Fleke, Leland, Fdn	n	33923	63	33	28	Art-lba Oil Corp.	28	b	000	000	52	
McShain, John, Char	n	32746	327	106	64	Kent Moore Corp.	64	b	000	000	32	
Meinger Foundation	n	166274	8907	657	520	American Home Product	520	n	000	000	7	

LIST OF PRIVATE FOUNDATIONS REPORTING ASSETS IN EXCESS OF \$1 MILLION AND REPORTING A 2 PERCENT OR MORE OWNERSHIP IN A FOR-PROFIT BUSINESS RANKED BY THE FOUNDATION'S LARGEST STOCK HOLDING AS A PERCENTAGE OF FAIR MARKET VALUE OF ITS ASSETS

FOUNDATION NAME	1/	ASSET		CORPORATE STOCK		SECOND LARGEST HOLDING		PERCENTAGE		FOOT-NOTES
		AMOUNT	2/	AMOUNT	2/	AMOUNT	2/	3/	4/	
		((\$000)		((\$000)		((\$000)				
Cities Service F	n	7602	*	---	*	---	---	---	---	E
System Development F	n	66757	*	---	---	---	---	---	---	D
Dietrich Bro Amer Corp	o	15865	*	51	*	51	*	---	---	100
Public Art Fund Inc	o	1088	*	1	b	1	b	---	---	100
Abell-Hanger F	n	28021	*	40	b	40	b	---	---	100
Annenberg Fund	n	31898	*	---	---	---	---	---	---	F
Parsons, Ralph M, F	n	71726	*	96588	*	---	---	---	---	G
Jinks, R T, Fdn	n	---	---	---	---	---	---	---	---	B
Goedde Foundation	n	---	---	---	---	---	---	---	---	B
Harris, KT & EL, f	n	50662	*	---	---	---	---	---	---	B
Weish, Robert A, Fdn	o	149979	*	---	---	---	---	---	---	B
Kieberg, RJ & HC, Fdn	n	50401	*	5597	*	---	---	---	---	B, H
Connellly Foundatlon	n	56171	*	---	---	---	---	---	---	B
Sand Springs Home	o	32145	*	9332	b	---	---	---	---	B
Birks Family F	o	10341	*	1066	*	---	---	---	---	A, B
Crane Fund	n	35081	*	---	---	---	---	---	---	B
Cowell, S H, Fdn	n	76115	*	---	---	---	---	---	---	B
Andersen Foundation	n	26589	*	---	---	---	---	---	---	B
Cameron, H & IC, F	n	19192	*	---	---	---	---	---	---	B
Seaver Institute	n	14477	*	---	---	---	---	---	---	B
Sherman Foundation	o	40577	*	---	---	---	---	---	---	B

LIST OF PRIVATE FOUNDATIONS REPORTING ASSETS IN EXCESS OF \$1 MILLION
 AND REPORTING A 2 PERCENT OR MORE OWNERSHIP IN A FOR-PROFIT BUSINESS RANKED BY
 THE FOUNDATION'S LARGEST STOCK HOLDING AS A PERCENTAGE OF FAIR MARKET VALUE OF ITS ASSETS

FOUNDATION NAME	1/	ASSET AMOUNT (\$000)	2/	TOTAL AMOUNT (\$000)	2/	LARGEST HOLDING NAME	2/	AMOUNT (\$000)	2/	NAME	PERCENTAGE COMPARISONS			FOOT-NOTES
											3/	4/	5/	
Young, I, Fdn	n	8111	n	8111	n	List of stock was not submitted		000		B				
Hoggar Found	n	1124	n	1124	n	List of stock was not submitted		000		B				
Mead, GW & EG, F	n	5668	n	5668	n	List of stock was not submitted		000		B				
Arlinson Foundation	n	12275	n	12275	n	List of stock was not submitted		000		B				
Titmus Foundation	n	4276	n	4276	n	List of stock was not submitted		000		B				
Werner, C & S, Fdn	n	3746	n	3746	n	List of stock was not submitted		000		B				
Barberger, RE & JE, F	n	3482	n	3482	n	List of stock was not submitted		000		B				
Brotman F of CA	n	4074	n	4074	n	List of stock was not submitted		000		B				
Harrischlager F Inc	n	2655	n	2655	n	List of stock was not submitted		000		B				
Kathery & Baynon F	n	3287	n	3287	n	List of stock was not submitted		000		B				
Bentz Found	n	2577	n	2577	n	List of stock was not submitted		000		B				
Parini Memorial Fdn In	n	3090	n	3090	n	List of stock was not submitted		000		A, B				
Melbis Memorial Fdn	n	1967	n	1967	n	List of stock was not submitted		000		B				
Molton Family Fdn	n	2836	n	2836	n	List of stock was not submitted		000		B				
Sosland Fdn	n	2552	n	2552	n	List of stock was not submitted		000		B				
Hamley, H B, Fdn	n	1608	n	1608	n	Foundation did not own corporate stock		000		J				
Mullen, TF & CL, Fdn	n	2764	n	2764	n	List of stock was not submitted		000		B				
Community E Inc	n	2825	n	2825	n	List of stock was not submitted		000		B				
Reynard Fdn Inc	n	4105	n	4105	n	List of stock was not submitted		000		B				

FOOTNOTES :

- A. Fair market value shown on page 1 of the return is the same as the total assets in the balance sheet on page 2 of the return which typically reports assets at book value.
- B. Detailed list of corporate stock was not included in the return. The 990PF returns for 1980 and 1979 did not require that a list of corporate stock be submitted.
- C. List of corporate stock was not included with return. Certified public accountant's report attached to financial statement indicates the foundation owns 6,286,586 shares of A.H. Ahmanson & Company with a market value of \$87,748,753 at October 31, 1981. The foundation also holds a 99 percent nonvoting equity interest in Ahmanson, Inc. which owns 900,000 shares of common stock in H.F. Ahmanson & Company with a market value of \$13,142,250 at October 31, 1981.
- D. The foundation disposed of all the corporate stock during the year ending June 30, 1981.
- E. The foundation owned 145,911 shares of 8 percent preferred stock of the Community Traction Company, but neither the cost or market value were shown.
- F. Foundation sold the corporate stock during the year taking a note payable in annual installments plus cash.
- G. List of stock was incomplete. Only \$6.9 million of the \$56,588,000 was listed in detail.
- H. List of stock was incomplete. Only \$3.3 million of the \$5.3 million was listed in detail.
- I. The foundation reduced the fair market value of the total assets by about 10 percent of the value of its holding of Gennett, Inc. for blockage.
- J. The foundation did not own any corporate stock.
- K. Some stocks were not shown at market.
- L. Details of \$1,699,498 in stock was not submitted.

Sources: GAO analysis of data obtained from microfiche copies of tax returns, form 990PF, furnished in December 1982 by the Internal Revenue Service for the most recent available year filed by private foundations with assets of more than \$1 million.

**SUMMARY OF ASSETS HELD BY PRIVATE FOUNDATIONS
REPORTING A 2 PERCENT OR MORE OWNERSHIP IN A FOR-PROFIT
BUSINESS CLASSIFIED BY LARGEST STOCK HOLDING AS A PERCENTAGE OF
FAIR MARKET VALUE OF ASSETS**

Largest Stock Holding As a Percentage of Total Fair Market Value of Assets	Total Fair Market Value of Assets (\$000)		Corporate Stock Held Largest Holding (\$000)		Number of Foundations
	%	\$	%	\$	
100% +	5.2	1,008,495	8.2 ^{1/}	1,063,994	13
95% to 99%	2.3	442,052	3.3	432,578	14
75% to 94%	23.3	4,539,435	29.9	3,730,933	45
50% to 74%	13.7	2,664,114	16.9	1,759,422	44
25% to 49%	10.6	2,071,618	9.7	734,756	64
3% to 24%	32.3	6,310,995	29.6	559,079	111
2% or less	8.9	1,737,973	2.4	29,077	39
List of Stock Not Available	3.7	730,088			35
Total		19,504,770		13,006,295	365
		100.0		100.0	100.0

^{1/} The total value of corporate stocks held is greater than the total fair market value of assets held because the corporate stocks held by four foundations were only reported at book value which was greater than the total fair market value of assets, an item separately reported.

SOURCES: GAO analysis of data obtained from microfiche copies of tax returns, form 990PF, furnished in December 1982 by the Internal Revenue Service for the most recent available year filed by private foundations with assets of more than \$1 million.

ANALYSIS OF FOUNDATION EARNINGS RETURN RATES
 ACCORDING TO FOUNDATION ASSET SIZE AT FAIR MARKET VALUE OF ASSETS
 (NOTE A)

-----NUMBER AND PERCENTAGE OF FOUNDATIONS BY ASSET SIZE AT FAIR MARKET VALUE-----

RATE OF RETURN EARNED	ASSETS 0 OR NOT REPORTED					ASSETS 0 OR NOT REPORTED				
	0	1	25,000	100,000	1,000,000	1,000,000	10,000,000	10,000,000	10,000,000	AND OVER
% OF TOTAL FOUNDATIONS	100	0	0	0	0	0	0	0	0	0
-19% OR LESS	0	0	0	0	0	0	0	0	0	0
-9 TO -18%	0	0	0	0	0	0	0	0	0	0
% OF TOTAL FOUNDATIONS	0	0	0	0	0	0	0	0	0	0
-1 TO -8%	0	0	0	0	0	0	0	0	0	0
% OF TOTAL FOUNDATIONS	0	0	0	0	0	0	0	0	0	0
0 TO 1%	0	0	0	0	0	0	0	0	0	0
% OF TOTAL FOUNDATIONS	0	0	0	0	0	0	0	0	0	0
2 TO 4%	0	0	0	0	0	0	0	0	0	0
% OF TOTAL FOUNDATIONS	0	0	0	0	0	0	0	0	0	0
5 TO 6%	0	0	0	0	0	0	0	0	0	0
% OF TOTAL FOUNDATIONS	0	0	0	0	0	0	0	0	0	0
7 TO 8%	0	0	0	0	0	0	0	0	0	0
% OF TOTAL FOUNDATIONS	0	0	0	0	0	0	0	0	0	0
9 TO 10%	0	0	0	0	0	0	0	0	0	0
% OF TOTAL FOUNDATIONS	0	0	0	0	0	0	0	0	0	0
11 TO 13%	0	0	0	0	0	0	0	0	0	0
% OF TOTAL FOUNDATIONS	0	0	0	0	0	0	0	0	0	0
14 TO 18%	0	0	0	0	0	0	0	0	0	0
% OF TOTAL FOUNDATIONS	0	0	0	0	0	0	0	0	0	0
19 AND OVER%	0	0	0	0	0	0	0	0	0	0
TOTAL NUMBER OF FOUNDATIONS	1,496	8,395	9,741	8,617	3,131	601	27,980			

NOTE A: EARNINGS RETURN RATES WERE COMPUTED BY DIVIDING FOUNDATION ADJUSTED NET INCOME BY THE FAIR MARKET VALUE OF ASSETS.

SOURCE: GAO ANALYSIS OF IRS STATISTICS OF INCOME DIVISION RANDOM SAMPLE DATABASE OF 1979 PRIVATE FOUNDATION RETURNS. DATA REPRESENTS ESTIMATES PROJECTED TO THE UNIVERSE OF FOUNDATIONS.

ANALYSIS OF THE MIX OF ASSETS HELD ACCORDING TO FOUNDATION EARNINGS RETURN RATES

(NOTES A AND B)

-----PERCENTAGE DISTRIBUTION OF FOUNDATION ASSETS BY EARNINGS RATES-----

DESCRIPTION OF ASSETS HELD	PERCENTAGE DISTRIBUTION OF FOUNDATION ASSETS BY EARNINGS RATES					
	LESS THAN 10	10 TO 13	13 TO 18	18 TO 19	19 AND OVER	OVERALL
CASH	5	5	4	16	6	
RECEIVABLES	2	1	3	9	5	
INVENTORY	1	0	0	0	0	
U.S. GOVERNMENT OBLIGATIONS	4	5	14	16	10	12
STATE AND LOCAL OBLIGATIONS	0	1	0	0	0	0
CORPORATE BONDS	29	13	24	15	10	21
CORPORATE STOCKS	33	37	36	49	48	46
MORTGAGE LOANS	1	0	1	1	1	1
DEPRECIABLE ASSETS-INVEST	2	2	1	1	1	1
LAND HELD FOR INVESTMENT	4	3	1	1	2	1
OTHER INVESTMENTS	0	16	7	5	7	7
OTHER ASSETS	0	22	2	0	1	3
OVERALL PERCENT	100	100	100	100	100	100

NOTE A: ASSETS ARE AT BOOK VALUE AND EXCLUDE ASSETS REPORTED AS BEING HELD TO DIRECTLY CARRY OUT CHARITABLE PURPOSES.

NOTE B: FOUNDATION EARNINGS RETURN RATES WERE COMPUTED BY DIVIDING FOUNDATION ADJUSTED NET INCOME BY THE BOOK VALUE OF ASSETS EXCLUDING THOSE REPORTED AS BEING HELD TO DIRECTLY CARRY OUT CHARITABLE PURPOSES.

SOURCE: GAO ANALYSIS OF IRS STATISTICS OF INCOME DIVISION RANDOM SAMPLE DATABASE OF 1979 PRIVATE FOUNDATION RETURNS. DATA REPRESENTS ESTIMATES PROJECTED TO THE UNIVERSE OF FOUNDATIONS.

ANALYSIS OF THE MIX OF ASSETS HELD ACCORDING TO FOUNDATION EARNINGS RETURN RATES
 FOR FOUNDATIONS WITH ASSETS VALUED AT \$1 TO \$25,000
 (NOTES A AND B)

-----PERCENTAGE DISTRIBUTION OF FOUNDATION ASSETS BY EARNINGS RATES-----

DESCRIPTION OF ASSETS HELD	LESS THAN						OVERALL
	0	1	2	5	10	13	
CASH	0	49	45	37	47	76	51
RECEIVABLES	0	0	5	1	2	1	3
INVENTORY	0	0	0	0	0	0	0
U.S. GOVERNMENT OBLIGATIONS	0	7	5	9	0	0	5
STATE AND LOCAL OBLIGATIONS	0	0	2	0	1	0	0
CORPORATE BONDS	0	0	6	13	19	0	8
CORPORATE STOCKS	0	34	26	26	29	37	22
MORTGAGE LOANS	0	0	0	1	0	0	0
DEPRECIABLE ASSETS-INVEST	0	0	0	0	0	0	0
LAND HELD FOR INVESTMENT	0	0	0	0	0	0	0
OTHER INVESTMENTS	0	0	14	7	5	0	7
OTHER ASSETS	0	0	0	0	7	7	2
OVERALL PERCENT	0	100	100	100	100	100	100

NOTE A: ASSETS ARE AT BOOK VALUE AND EXCLUDE ASSETS REPORTED AS BEING HELD TO DIRECTLY CARRY OUT CHARITABLE PURPOSES.

NOTE B: FOUNDATION EARNINGS RETURN RATES WERE COMPUTED BY DIVIDING FOUNDATION ADJUSTED NET INCOME BY THE BOOK VALUE OF ASSETS EXCLUDING THOSE REPORTED AS BEING HELD TO DIRECTLY CARRY OUT CHARITABLE PURPOSES.

SOURCE: GAO ANALYSIS OF IRS STATISTICS OF INCOME DIVISION RANDOM SAMPLE DATABASE OF 1979 PRIVATE FOUNDATION RETURNS. DATA REPRESENTS ESTIMATES PROJECTED TO THE UNIVERSE OF FOUNDATIONS.

ANALYSIS OF THE MIX OF ASSETS HELD ACCORDING TO FOUNDATION EARNINGS RETURN RATES
 FOR FOUNDATIONS WITH ASSETS VALUED AT \$25,000 TO \$100,000

(NOTES A AND B)

-----PERCENTAGE DISTRIBUTION OF FOUNDATION ASSETS BY EARNINGS RATES-----

DESCRIPTION OF ASSETS HELD	LESS THAN						OVERALL PERCENT
	1	2	3	4	5	6	
CASH	34	26	33	28	28	28	28
RECEIVABLES	10	5	4	2	4	2	5
INVENTORY	3	1	0	0	0	0	0
U.S. GOVERNMENT OBLIGATIONS	3	4	8	9	4	2	7
STATE AND LOCAL OBLIGATIONS	2	0	0	0	0	0	0
CORPORATE BONDS	6	8	11	16	18	15	14
CORPORATE STOCKS	19	34	32	31	36	48	31
MORTGAGE LOANS	2	8	1	1	3	0	2
DEPRECIABLE ASSETS-INVEST	8	0	0	0	0	0	0
LAND HELD FOR INVESTMENT	4	10	2	1	0	1	1
OTHER INVESTMENTS	5	3	5	10	10	8	8
OTHER ASSETS	12	8	3	1	3	4	3
OVERALL PERCENT	0	100	100	100	100	100	100

NOTE A: ASSETS ARE AT BOOK VALUE AND EXCLUDE ASSETS REPORTED AS BEING HELD TO DIRECTLY CARRY OUT CHARITABLE PURPOSES.

NOTE B: FOUNDATION EARNINGS RETURN RATES WERE COMPUTED BY DIVIDING FOUNDATION ADJUSTED NET INCOME BY THE BOOK VALUE OF ASSETS EXCLUDING THOSE REPORTED AS BEING HELD TO DIRECTLY CARRY OUT CHARITABLE PURPOSES.

SOURCE: GAO ANALYSIS OF IRS STATISTICS OF INCOME DIVISION RANDOM SAMPLE DATABASE OF 1979 PRIVATE FOUNDATION RETURNS. DATA REPRESENTS ESTIMATES PROJECTED TO THE UNIVERSE OF FOUNDATIONS.

ANALYSIS OF THE MIX OF ASSETS HELD ACCORDING TO FOUNDATION EARNINGS RETURN RATES
 FOR FOUNDATIONS WITH ASSETS VALUED AT \$100,000 TO \$1,000,000
 (NOTES A AND B)

-----PERCENTAGE DISTRIBUTION OF FOUNDATION ASSETS BY EARNINGS RATES-----

DESCRIPTION OF ASSETS HELD	LESS THAN						OVERALL
	0	1	2	3	4	5	
CASH	14	19	20	13	21	21	16
RECEIVABLES	5	5	6	2	2	2	5
INVENTORY	0	2	0	0	0	0	0
U.S. GOVERNMENT OBLIGATIONS	5	6	7	12	12	7	11
STATE AND LOCAL OBLIGATIONS	0	1	0	0	0	0	0
CORPORATE BONDS	8	10	11	21	18	14	19
CORPORATE STOCKS	25	27	37	37	32	35	36
MORTGAGE LOANS	2	2	2	1	2	2	1
DEPRECIABLE ASSETS-INVEST	8	1	2	0	1	2	1
LAND HELD FOR INVESTMENT	9	2	4	1	1	4	2
OTHER INVESTMENTS	6	9	7	9	9	5	8
OTHER ASSETS	17	16	5	2	2	3	8
OVERALL PERCENT	100	100	100	100	100	100	100

NOTE A: ASSETS ARE AT BOOK VALUE AND EXCLUDE ASSETS REPORTED AS BEING HELD TO DIRECTLY CARRY OUT CHARITABLE PURPOSES.

NOTE B: FOUNDATION EARNINGS RETURN RATES WERE COMPUTED BY DIVIDING FOUNDATION ADJUSTED NET INCOME BY THE BOOK VALUE OF ASSETS EXCLUDING THOSE REPORTED AS BEING HELD TO DIRECTLY CARRY OUT CHARITABLE PURPOSES.

SOURCE: GAO ANALYSIS OF IRS STATISTICS OF INCOME DIVISION RANDOM SAMPLE DATABASE OF 1979 PRIVATE FOUNDATION RETURNS. DATA REPRESENTS ESTIMATES PROJECTED TO THE UNIVERSE OF FOUNDATIONS.

ANALYSIS OF THE MIX OF ASSETS HELD ACCORDING TO FOUNDATION EARNINGS RETURN RATES
 FOR FOUNDATIONS WITH ASSETS VALUED AT \$1,000,000 TO \$10,000,000
 (NOTES A AND B)

-----PERCENTAGE DISTRIBUTION OF FOUNDATION ASSETS BY EARNINGS RATES-----

DESCRIPTION OF ASSETS HELD	PERCENTAGE DISTRIBUTION OF FOUNDATION ASSETS BY EARNINGS RATES					
	LESS THAN 2	2 TO 5	5 TO 9	9 TO 13	13 TO 18	OVER 18
CASH	4	7	8	6	12	17
RECEIVABLES	3	4	2	2	2	3
INVENTORY	2	0	0	0	0	1
U.S. GOVERNMENT OBLIGATIONS	8	7	8	15	14	14
STATE AND LOCAL OBLIGATIONS	0	3	0	0	1	1
CORPORATE BONDS	4	7	12	24	22	15
CORPORATE STOCKS	22	35	46	42	35	37
MORTGAGE LOANS	0	1	2	1	2	2
DEPRECIABLE ASSETS-INVEST	6	0	8	0	1	2
LAND HELD FOR INVESTMENT	0	4	4	1	2	3
OTHER INVESTMENTS	0	7	8	6	10	5
OTHER ASSETS	0	25	5	2	2	1
OVERALL PERCENT	0	37	100	100	100	100

NOTE A: ASSETS ARE AT BOOK VALUE AND EXCLUDE ASSETS REPORTED AS BEING HELD TO DIRECTLY CARRY OUT CHARITABLE PURPOSES.

NOTE B: FOUNDATION EARNINGS RETURN RATES WERE COMPUTED BY DIVIDING FOUNDATION ADJUSTED NET INCOME BY THE BOOK VALUE OF ASSETS EXCLUDING THOSE REPORTED AS BEING HELD TO DIRECTLY CARRY OUT CHARITABLE PURPOSES.

SOURCE: GAO ANALYSIS OF IRS STATISTICS OF INCOME DIVISION SAMPLE DATABASE OF 1979 PRIVATE FOUNDATION RETURNS. DATA REPRESENTS ESTIMATES PROJECTED TO THE UNIVERSE OF FOUNDATIONS.

ANALYSIS OF THE MIX OF ASSETS HELD ACCORDING TO FOUNDATION EARNINGS RETURN RATES
 FOR FOUNDATIONS WITH ASSETS VALUED AT \$10,000,000 OR MORE

(NOTES A AND B)

-----PERCENTAGE DISTRIBUTION OF FOUNDATION ASSETS BY EARNINGS RATES-----

DESCRIPTION OF ASSETS HELD	LESS THAN					OVER 10					OVERALL
	0	1	2	4	10	5	10	13	14	18	
CASH	0	3	2	1	2	3	5	1	14	3	
RECEIVABLES	0	2	3	1	2	3	5	12	3	2	
INVENTORY	0	0	0	0	0	0	0	0	0	0	
U.S. GOVERNMENT OBLIGATIONS	0	3	4	10	10	12	15	10	6	12	
STATE AND LOCAL OBLIGATIONS	0	0	0	0	0	0	0	0	0	0	
CORPORATE BONDS	0	17	3	16	20	26	15	6	21	58	
CORPORATE STOCKS	0	36	40	45	55	38	52	62	58	58	
MORTGAGE LOANS	0	2	0	9	1	2	0	0	1	1	
DEPRECIABLE ASSETS-INVEST	0	0	0	3	0	2	1	1	1	1	
LAND HELD FOR INVESTMENT	0	3	3	3	0	1	0	0	0	1	
OTHER INVESTMENTS	0	2	21	2	7	6	4	9	6	6	
OTHER ASSETS	0	12	23	11	1	2	0	0	3	3	
OVERALL PERCENT	0	100	100	100	100	100	100	100	100	100	

NOTE A: ASSETS ARE AT BOOK VALUE AND EXCLUDE ASSETS REPORTED AS BEING HELD TO DIRECTLY CARRY OUT CHARITABLE PURPOSES.

NOTE B: FOUNDATION EARNINGS RETURN RATES WERE COMPUTED BY DIVIDING FOUNDATION ADJUSTED NET INCOME BY THE BOOK VALUE OF ASSETS EXCLUDING THOSE REPORTED AS BEING HELD TO DIRECTLY CARRY OUT CHARITABLE PURPOSES.

SOURCE: GAO ANALYSIS OF IRS STATISTICS OF INCOME DIVISION RANDOM SAMPLE DATABASE OF 1979 PRIVATE FOUNDATION RETURNS. DATA REPRESENTS ESTIMATES PROJECTED TO THE UNIVERSE OF FOUNDATIONS.

ANALYSIS OF PRIVATE FOUNDATION EXPENSES
ACCORDING TO FOUNDATION ASSET SIZE AT BOOK VALUE

	FOUNDATION ASSET SIZE AT BOOK VALUE		FOUNDATION ASSET SIZE AT BOOK VALUE		FOUNDATION ASSET SIZE AT BOOK VALUE		FOUNDATION ASSET SIZE AT BOOK VALUE		TOTAL
	0 OR NOT REPORTED	1 UNDER 25,000	25,000 UNDER 100,000	100,000 UNDER 1,000,000	1,000,000 UNDER 10,000,000	10,000,000 UNDER 100,000,000	100,000,000 AND OVER		
TOTAL NUMBER OF FOUNDATIONS	1,223	8,557	5,967	8,717	3,026	490	27,980		
PENSION PLAN									
CHARITABLE DISBURSEMENTS (0)	0	0	96,248	351,927	2,624,473	9,611,184	12,683,832		
X OF TOTAL PENSION PLAN	0	0	100	92	92	90	91		
NUMBER OF FOUND.	0	0	16	40	126	152	333		
X OF TOTAL FOUND.	0	0	0	0	4	31	1		
OTHER OPERATIONS (0)	0	0	0	30,611	229,227	1,061,762	1,321,601		
X OF TOTAL PENSION PLAN	0	0	0	8	8	10	9		
NUMBER OF FOUND.	0	0	0	24	62	198	198		
X OF TOTAL FOUND.	0	0	0	0	2	23	1		
TOTAL PENSION (0)	0	0	96,248	382,538	2,853,700	10,672,946	14,005,433		
X OF TOTAL EXPENSES	0	0	0	0	0	1	1		
NUMBER OF FOUND.	0	0	0	16	52	157	364		
X OF TOTAL FOUND.	0	0	0	0	1	5	1		
OTHER BENEFITS									
CHARITABLE DISBURSEMENTS (0)	0	1,059,783	291,110	625,877	2,312,941	10,939,238	15,228,869		
X OF TOTAL OTHER BENEFITS	0	81	93	81	87	99	95		
NUMBER OF FOUND.	0	107	32	109	224	161	634		
X OF TOTAL FOUND.	0	1	1	1	7	33	2		
OTHER OPERATIONS (0)	0	251,111	22,327	145,354	340,381	118,059	877,231		
X OF TOTAL OTHER BENEFITS	0	19	7	19	13	1	5		
NUMBER OF FOUND.	0	46	21	32	111	121	351		
X OF TOTAL FOUND.	0	1	0	1	4	25	1		
TOTAL OTHER BENEFITS (0)	0	1,310,813	313,437	771,232	2,653,322	11,057,297	16,106,100		
X OF TOTAL EXPENSES	0	158	0	0	0	1	0		
NUMBER OF FOUND.	0	158	37	124	247	165	711		
X OF TOTAL FOUND.	0	2	1	1	8	34	3		

ANALYSIS OF PRIVATE FOUNDATION EXPENSES
ACCORDING TO FOUNDATION ASSET SIZE AT BOOK VALUE

	OR NOT REPORTED		FOUNDATION ASSET SIZE AT BOOK VALUE		FOUNDATION ASSET SIZE AT BOOK VALUE		FOUNDATION ASSET SIZE AT BOOK VALUE		TOTAL
	0	1	25,000 UNDER	100,000 UNDER	100,000 UNDER	1,000,000 UNDER	10,000,000 AND OVER		
TOTAL NUMBER OF FOUNDATIONS	1,223	8,597	5,967	8,717	3,026	490	27,980		
TAXES									
CHARITABLE DISBURSEMENTS (\$) (0)	28,984	799,090	451,449	1,812,937	5,140,338	5,496,747	13,729,195		
% OF TOTAL TAXES	34	78	44	21	22	10	15		
NUMBER OF FOUND.	82	1,381	1,093	1,507	803	220	5,887		
% OF TOTAL FOUND.	7	16	18	17	27	45	18		
OTHER OPERATIONS (\$) (0)	96,450	224,524	576,770	6,728,812	18,140,603	49,198,116	74,925,282		
% OF TOTAL TAXES	86	22	36	79	78	90	85		
NUMBER OF FOUND.	137	2,976	3,934	6,786	2,539	436	16,832		
% OF TOTAL FOUND.	11	35	66	78	85	89	80		
TOTAL TAXES (\$) (0)	85,033	1,023,615	1,028,228	8,541,749	23,280,941	54,694,863	88,654,427		
% OF TOTAL EXPENSES	1	1	1	2	2	3	3		
NUMBER OF FOUND.	203	4,206	4,755	7,707	2,825	457	20,153		
% OF TOTAL FOUND.	17	49	80	88	93	93	72		
DEPRECIATION									
EXEMPT PURPOSE--N/A									
OTHER OPERATIONS (\$) (0)	61,400	183,879	739,435	3,546,714	10,948,845	11,753,251	27,232,725		
% OF TOTAL TAXES	71	18	72	41	47	21	13		
NUMBER OF FOUND.	1	292	254	763	666	191	2,184		
% OF TOTAL FOUND.	1	3	4	9	22	59	8		
RENT									
CHARITABLE DISBURSEMENTS (\$) (0)		1,512,175	469,096	1,006,111	2,596,248	6,288,940	11,892,570		
% OF TOTAL RENT	0	81	81	67	54	79	71		
NUMBER OF FOUND.	0	184	175	280	351	197	1,187		
% OF TOTAL FOUND.	0	2	3	3	12	40	4		
OTHER OPERATIONS (\$) (0)	21,150	359,443	112,893	493,083	2,204,703	1,660,463	4,851,735		
% OF TOTAL RENT	100	19	19	33	46	21	29		
NUMBER OF FOUND.	36	159	107	278	319	168	1,067		
% OF TOTAL FOUND.	3	2	2	3	11	34	4		
TOTAL RENT (\$) (0)	21,150	1,871,617	601,989	1,499,194	4,800,951	7,949,403	16,744,305		
% OF TOTAL EXPENSES	8	2	1	0	0	0	8		
NUMBER OF FOUND.	36	312	250	448	455	215	1,716		
% OF TOTAL FOUND.	3	4	4	5	15	15	6		

ANALYSIS OF PRIVATE FOUNDATION EXPENSES ACCORDING TO FOUNDATION ASSET SIZE AT BOOK VALUE		FOUNDATION ASSET SIZE AT BOOK VALUE		TOTAL NUMBER OF FOUNDATIONS		OTHER	
OR NOT REPORTED	25,000 UNDER	100,000 UNDER	1,000,000 UNDER	10,000,000 UNDER	10,000,000 AND OVER	TOTAL	
0	1	1	1	1	1	1	
1,223	8,557	5,967	8,717	3,026	490	27,980	
CHARITABLE DISBURSEMENTS (0)	1,509,816	8,544,536	6,969,498	24,823,052	62,793,044	76,097,651	180,737,577
% OF TOTAL OTHER	85	82	82	75	78	77	77
NUMBER OF FOUND.	152	5,963	2,897	4,641	1,959	409	13,622
% OF TOTAL FOUND.	12	42	49	53	65	83	69
OTHER OPERATIONS (0)	268,193	1,910,028	1,932,818	9,043,427	18,209,050	23,350,115	54,313,592
% OF TOTAL OTHER	15	18	18	27	22	23	23
NUMBER OF FOUND.	157	2,461	2,579	4,446	1,919	383	11,945
% OF TOTAL FOUND.	13	29	43	51	63	78	43
TOTAL OTHER (0)	1,777,969	10,454,565	8,902,315	33,866,480	81,002,094	99,447,746	235,051,169
% OF TOTAL EXPENSES	14	10	18	8	8	5	7
NUMBER OF FOUND.	386	8,579	4,878	7,533	2,782	467	21,545
% OF TOTAL FOUND.	25	65	82	86	92	95	77
TOTAL OTHER EXPENSES	1,538,400	10,898,336	7,989,291	28,105,151	72,465,241	92,449,882	213,446,061
EXEMPT PURPOSE	13	10	9	6	7	5	6
% OF TOTAL EXPENSES	163	5,916	3,100	4,877	2,037	415	14,528
NUMBER OF FOUND.	19	46	52	56	67	85	52
% OF TOTAL FOUND.	15	46	52	56	67	85	52
OTHER OPERATIONS (0)	407,193	2,731,568	3,168,624	20,964,285	54,106,378	89,942,600	171,320,608
% OF TOTAL EXPENSES	3	2	4	5	5	5	5
NUMBER OF FOUND.	213	4,211	4,474	7,432	2,825	466	19,621
% OF TOTAL FOUND.	17	49	75	85	93	95	70
TOTAL OTHER EXP (0)	1,949,595	13,629,904	11,157,875	49,069,436	126,571,619	182,392,282	384,766,668
% OF TOTAL FOUND.	16	12	13	11	13	10	11
NUMBER OF FOUND.	372	8,694	5,847	8,509	2,993	481	24,655
% OF TOTAL FOUND.	30	78	95	98	99	98	88

ANALYSIS OF THE RATE AT WHICH PRIVATE FOUNDATIONS MAKE QUALIFYING DISTRIBUTIONS IN RELATIONSHIP TO THEIR TOTAL EXPENSES (NOTE A)

RATE OF QUALIFYING DISTRIBUTIONS	EXPENSES 0 OR NOT REPORTED X OF TOTAL FOUNDATIONS	NUMBER AND PERCENTAGE OF FOUNDATIONS BY SIZE OF TOTAL EXPENSES						TOTAL
		0 OR NOT REPORTED	UNDER 25,000	25,000 UNDER 100,000	100,000 UNDER 1,000,000	1,000,000 UNDER 10,000,000	10,000,000 AND OVER	
0 X OF TOTAL FOUNDATIONS	1,570	0	0	0	0	0	0	1,297
1 TO 9 X OF TOTAL FOUNDATIONS	0	1	2	1	7	0	0	5
10 TO 19 X OF TOTAL FOUNDATIONS	0	156	0	0	0	3	0	160
20 TO 29 X OF TOTAL FOUNDATIONS	0	76	0	0	0	2	0	105
30 TO 39 X OF TOTAL FOUNDATIONS	0	78	0	21	0	3	0	112
40 TO 49 X OF TOTAL FOUNDATIONS	0	169	1	43	1	9	0	235
50 TO 59 X OF TOTAL FOUNDATIONS	0	136	1	35	1	6	0	208
60 TO 69 X OF TOTAL FOUNDATIONS	0	152	1	32	1	9	0	233
70 TO 79 X OF TOTAL FOUNDATIONS	0	289	2	87	2	12	1	443
80 TO 89 X OF TOTAL FOUNDATIONS	0	957	5	186	3	17	3	876
90 TO 99 X OF TOTAL FOUNDATIONS	0	1,981	7	690	13	50	3	3,177
100 X OF TOTAL FOUNDATIONS	0	6,366	37	2,544	54	19	58	11,100
OVER 100 X OF TOTAL FOUNDATIONS	0	5,580	32	1,224	18	80	2	7,495
TOTAL NUMBER OF FOUNDATIONS	1,570	17,265	5,142	3,426	544	35	27,980	

NOTE A: RATE OF QUALIFYING DISTRIBUTIONS WAS COMPUTED BY DIVIDING EACH FOUNDATION'S QUALIFYING DISTRIBUTIONS BY TOTAL EXPENSES.
SOURCE: GAO ANALYSIS OF IRS STATISTICS OF INCOME DIVISION RANDOM SAMPLE DATABASE OF 1979 PRIVATE FOUNDATION RETURNS. DATA REPRESENTS ESTIMATES PROJECTED TO THE UNIVERSE OF FOUNDATIONS.

ANALYSIS OF THE RATE AT WHICH PRIVATE FOUNDATIONS MAKE DISBURSEMENTS
FOR EXEMPT PURPOSES IN RELATIONSHIP TO THEIR ADJUSTED NET INCOME
(NOTE A)

	NUMBER AND PERCENT OF FOUNDATIONS BY SIZE OF ADJUSTED NET INCOME							TOTAL
	OR NOT REPORTED	UNDER 25,000	25,000 UNDER 100,000	100,000 UNDER 1,000,000	1,000,000 UNDER 10,000,000	10,000,000 AND OVER		
TOTAL NUMBER OF FOUNDATIONS	0	1	25,000	100,000	1,000,000	10,000,000	AND OVER	TOTAL
REVENUE LESS THAN \$	0	0	0	0	0	0	0	0
% OF TOTAL FOUNDATIONS	0	0	0	0	0	0	0	0
REVENUES 0 OR NOT REPORTED	5,792	0	0	0	0	0	0	5,792
% OF TOTAL FOUNDATIONS	100	0	0	0	0	0	0	21
PAUSE OF EXEMPT PURPOSE DISBURSEMENT								
0 TO 9	0	1,094	94	46	3	0	0	1,238
% OF TOTAL FOUNDATIONS	0	7	3	2	1	0	0	4
10 TO 19	0	175	33	19	3	0	0	230
% OF TOTAL FOUNDATIONS	0	1	1	1	1	0	0	1
20 TO 29	0	175	36	30	2	1	4	264
% OF TOTAL FOUNDATIONS	0	1	2	1	1	1	4	1
30 TO 39	0	146	56	31	5	1	4	243
% OF TOTAL FOUNDATIONS	0	1	2	1	1	1	4	1
40 TO 49	0	252	76	50	7	0	0	385
% OF TOTAL FOUNDATIONS	0	2	2	2	2	0	0	1
50 TO 59	0	267	95	70	14	0	0	464
% OF TOTAL FOUNDATIONS	0	2	2	3	4	0	0	2
60 TO 69	0	306	169	131	18	2	8	827
% OF TOTAL FOUNDATIONS	0	3	5	6	5	3	8	3
70 TO 79	0	696	290	189	36	2	2	1,213
% OF TOTAL FOUNDATIONS	0	4	8	8	10	8	8	4
80 TO 89	0	880	382	307	65	9	36	1,643
% OF TOTAL FOUNDATIONS	0	8	10	13	19	36	36	6
90 TO 99	0	1,372	572	438	82	7	7	2,690
% OF TOTAL FOUNDATIONS	0	10	15	20	24	28	28	10
100 TO 109	0	1,285	460	292	34	2	2	2,023
% OF TOTAL FOUNDATIONS	0	8	12	10	10	8	8	7

ANALYSIS OF THE RATE AT WHICH PRIVATE FOUNDATIONS MAKE DISBURSEMENTS FOR EXEMPT PURPOSES IN RELATIONSHIP TO THEIR ADJUSTED NET INCOME (NOTE A)

	NUMBER AND PERCENT OF FOUNDATIONS BY SIZE OF ADJUSTED NET INCOME							TOTAL
	OR NOT REPORTED	UNDER 25,000	25,000 UNDER 100,000	100,000 UNDER 1,000,000	1,000,000 UNDER 10,000,000	10,000,000 AND OVER		
110 TO 119 X OF TOTAL FOUNDATIONS	0	658	226	145	14	0	1,045	
120 TO 129 X OF TOTAL FOUNDATIONS	0	562	154	75	11	0	802	
130 TO 139 X OF TOTAL FOUNDATIONS	0	424	115	51	6	0	596	
140 TO 149 X OF TOTAL FOUNDATIONS	0	316	112	51	2	0	487	
150 TO 159 X OF TOTAL FOUNDATIONS	0	1,178	241	145	16	0	1,579	
200 TO 299 X OF TOTAL FOUNDATIONS	0	1,105	201	114	13	0	1,433	
300 AND OVER X OF TOTAL FOUNDATIONS	0	4,448	911	166	8	1	5,026	
TOTAL NUMBER OF FOUNDATIONS	5,792	15,752	3,744	2,520	346	25	27,980	

NOTE A: RATE OF EXEMPT PURPOSE DISBURSEMENTS WAS COMPUTED BY DIVIDING EACH FOUNDATION'S EXEMPT PURPOSE DISBURSEMENT BY ADJUSTED NET INCOME.

SOURCE: GAO ANALYSIS OF IRS STATISTICS OF INCOME DIVISION RANDOM SAMPLE DATABASE OF 1979 PRIVATE FOUNDATION RETURNS. DATA REPRESENTS ESTIMATES PROJECTED TO THE UNIVERSE OF FOUNDATIONS.

ANALYSIS OF THE RATE AT WHICH PRIVATE FOUNDATIONS MAKE QUALIFYING DISTRIBUTIONS IN RELATIONSHIP TO THEIR ADJUSTED NET INCOME (NOTE A)

1 of 2

RATE OF QUALIFYING DISTRIBUTIONS	NUMBER AND PERCENT OF FOUNDATIONS BY SIZE OF ADJUSTED NET INCOME							TOTAL
	0 OR NOT REPORTED	1 UNDER 25,000	25,000 UNDER 100,000	100,000 UNDER 1,000,000	1,000,000 UNDER 10,000,000	10,000,000 AND OVER		
TOTAL NUMBER OF FOUNDATIONS	5,792	15,752	3,744	2,320	346	25	27,980	
REVENUE LESS THAN 0	0	0	0	0	0	0	0	
% OF TOTAL FOUNDATIONS	0	0	0	0	0	0	0	
REVENUES 0 OR NOT REPORTED	5,792	0	0	0	0	0	5,792	
% OF TOTAL FOUNDATIONS	100	0	0	0	0	0	21	
0 TO 9	0	1,048	81	38	2	0	1,169	
% OF TOTAL FOUNDATIONS	0	7	2	2	1	0	4	
10 TO 19	0	128	24	15	2	0	170	
% OF TOTAL FOUNDATIONS	0	1	1	1	1	0	1	
20 TO 29	0	141	52	28	1	0	222	
% OF TOTAL FOUNDATIONS	0	1	1	1	0	0	1	
30 TO 39	0	143	53	28	2	0	226	
% OF TOTAL FOUNDATIONS	0	1	1	1	1	0	1	
40 TO 49	0	249	74	42	8	0	373	
% OF TOTAL FOUNDATIONS	0	2	2	2	2	0	1	
50 TO 59	0	279	85	66	14	0	442	
% OF TOTAL FOUNDATIONS	0	2	2	3	4	0	2	
60 TO 69	0	503	160	119	19	0	804	
% OF TOTAL FOUNDATIONS	0	3	4	5	6	0	3	
70 TO 79	0	706	263	190	30	2	1,212	
% OF TOTAL FOUNDATIONS	0	4	8	8	9	2	4	
80 TO 89	0	871	381	297	66	7	1,623	
% OF TOTAL FOUNDATIONS	0	8	10	13	19	28	6	
90 TO 99	0	1,578	568	469	84	36	2,707	
% OF TOTAL FOUNDATIONS	0	10	15	20	24	56	10	
100 TO 109	0	1,303	472	255	36	2	2,868	
% OF TOTAL FOUNDATIONS	0	8	15	11	10	8	7	

ANALYSIS OF THE RATE AT WHICH PRIVATE FOUNDATIONS MAKE QUALIFYING DISTRIBUTIONS IN RELATIONSHIP TO THEIR ADJUSTED NET INCOME (NOTE A)

2 OF 2

	NUMBER AND PERCENT OF FOUNDATIONS BY SIZE OF ADJUSTED NET INCOME							TOTAL
	0 OR NOT REPORTED	UNDER 25,000	25,000 UNDER 100,000	100,000 UNDER 1,000,000	1,000,000 UNDER 10,000,000	10,000,000 AND OVER		
110 TO 119 % OF TOTAL FOUNDATIONS	0	481	238	146	13	4	1,078	
120 TO 129 % OF TOTAL FOUNDATIONS	0	558	154	71	12	1	796	
130 TO 139 % OF TOTAL FOUNDATIONS	0	425	120	48	8	0	602	
140 TO 149 % OF TOTAL FOUNDATIONS	0	304	114	47	3	0	473	
150 TO 159 % OF TOTAL FOUNDATIONS	0	1,181	248	153	16	0	1,599	
160 TO 169 % OF TOTAL FOUNDATIONS	0	1,120	213	125	13	0	1,471	
170 TO 179 % OF TOTAL FOUNDATIONS	0	4,935	424	183	10	1	5,152	
180 AND OVER % OF TOTAL FOUNDATIONS	0	29	11	8	3	4	18	
TOTAL NUMBER OF FOUNDATIONS	9,792	19,752	3,744	2,320	346	25	27,980	

NOTE A: RATE OF QUALIFYING DISTRIBUTIONS WAS COMPUTED BY DIVIDING EACH FOUNDATION'S QUALIFYING DISTRIBUTIONS BY ADJUSTED NET INCOME.
SOURCE: QAO ANALYSIS OF IRS STATISTICS OF INCOME DIVISION RANDOM SAMPLE DATABASE OF 1979 PRIVATE FOUNDATION RETURNS. DATA REPRESENTS ESTIMATES PROJECTED TO THE UNIVERSE OF FOUNDATIONS.

U.S. GENERAL ACCOUNTING OFFICE
OBJECTIVES, SCOPE, AND METHODOLOGY
FOR PROFILING PRIVATE FOUNDATIONS

In response to a March 11, 1983, request from the Chairman of the Subcommittee on Oversight, House Committee on Ways and Means, our objectives were to determine

- the financial well-being of private foundations, as indicated by the rate of growth in their financial resources over the years, their major sources of revenues, the extent of their business holdings, and the rate of return on their investments and business operations; and
- the degree to which private foundations use their financial resources for charitable purposes, as shown by the types of expenses they incur and the relationship between their expenditures for charitable purposes and their total expenses, as well as their earnings.

To develop information on the foundations' financial resources and charity-related expenditures, we analyzed an available IRS computer data base containing a sample of returns filed by private foundations for tax year 1979. This data base was the most recent and complete source of computerized data on private foundations available to us for analysis within the time frames for this hearing.

The data base was developed by IRS' Statistics of Income Division from a sample of private foundation returns processed by IRS during 1980. The sample was stratified on the basis of size of total foundation assets and selected at rates that ranged from 7 percent of foundations with assets of less than \$25,000 to 100 percent of foundations with assets of \$10 million or more. There were 9,438 returns in the sample drawn from an estimated population of 29,845 private foundations. While we did not review IRS' methodology in detail, we did look briefly at the procedures IRS followed to sample, process, and analyze the data and found them to be generally sound. We also performed limited checks on the data to assess its reliability.

It should be recognized that any data analysis effort which is based on a sample is subject to a certain amount of sampling error. The size of this error generally depends on the size of the sample and how much the data varies for any given element. Our limited analysis shows that even though IRS' sample sizes are relatively large, the data varies considerably. Therefore, the figures presented should not be considered precise ones,

but rather indicators of the foundations' financial positions. On the other hand, because the sample size increased as book value of assets increased, greater reliability can be placed on the data for the larger foundations.

In analyzing the data base for presentation at these hearings, we prepared numerous schedules and charts which are reproduced in the preceding attachments. The following summarizes the purposes of those charts and, where appropriate, the rationale used for selecting certain financial indicators to profile foundation activities, as opposed to other indicators.

--Attachment II is a summary income statement that we compiled to show the sources of foundation revenues, as well as the number of foundations whose revenues exceeded expenses and the primary source of those revenues. For ease of presentation, we consolidated the revenue data reported on foundation returns into four categories--donation, passive income, business income, and other income. The donation category includes gross contributions, gifts, and grants received by the foundations, as well as dues and assessments. Passive income includes revenues from interest, dividends, rents, and royalties. Business income represents gross profits from business activities, and other income includes net gain or loss from asset sales not included in business income and the category "other" income. The expense category was similarly consolidated. Attachment XIV contains the detailed line items from the foundation returns comprising the four general expense categories listed.

--Attachment III is a summary chart that we compiled to show the type of assets held by foundations at year end. Book value rather than market value was used to compile the schedule because the return only requires foundations to report this information based on the method the foundation uses in keeping its books and records. As with revenues and expenses, we consolidated similar assets reported on foundation returns for ease of presentation. Savings and interest bearing accounts and other cash accounts were consolidated as were net accounts receivable and net notes receivable.

--Attachments VI and VII are summary charts that we compiled to measure the return foundations earned on their assets. The earnings measure we selected was adjusted net income. Generally speaking, adjusted net income, as defined by section 4942(f) of the Internal Revenue Code, is the amount by which a private foundation's revenue exceeds the expense of earning

that revenue. We selected this measure because during 1979, the Code required most foundations to make certain charitable distributions in an amount at least equal to their adjusted net income, less certain adjustments. On the asset side we used two measures for comparison. We used book value of assets because the value of depreciable assets and land held for charitable purposes could be identified on the return and eliminated from the computation. On the other hand, since the book value of assets may differ substantially from the market value of assets, we also computed the earnings return based on foundation total asset market values. To compute the return rate for each foundation, we divided their adjusted net income by their asset values at year end.

--Attachments VIII through XIII are a series of charts that we compiled to show whether differences in the type of assets held by private foundations affected the rate of return earned. The earnings return computations were based on asset book value at year end rather than market value because the foundation return instructions specify that the asset data is to be reported based on the method the foundation uses in keeping its books and records. As in attachment VI, we also excluded those assets which were identified as being held for charitable purposes to minimize the affect those assets may have had on the earnings return computation. The value of those assets are reported in attachment III. In computing the rate of return, we followed the same procedures used in compiling attachment VI. However, in addition to the overall chart in attachment VIII, we prepared five additional charts--attachments IX through XIII--to account for the various foundation sizes.

--Attachment XIV is a detailed breakdown of foundation expenses that we compiled to show the types of expenses incurred and the extent to which these expenses were reported as disbursements for exempt--charitable--purposes. Charitable disbursements are defined by IRS to include gifts, grants, and contributions made to public charities and all necessary and reasonable administrative expenses paid by the foundation for religious, charitable, scientific, literary, educational, or other public purposes. We selected charitable disbursements as a measure of the foundations' charitable activities because of the broad nature of the measure and the fact that it could be applied to foundations regardless of the method of their operation. Some foundations make grants to others to carry out charitable activities, some directly

carry out charitable activities, and some do both. Therefore, if we considered only grants made by foundations, we would not account for all of their activities. Also, charitable purpose disbursements is the only measure reported on foundation returns that can be related to the various kinds of foundation expenses. However, as with any measure, it is not without some drawbacks. Some foundations might have been applying more of their expenses to charitable purposes than was reported as exempt purpose disbursements. To the extent that a foundation's charitable activities produce revenues, such as charging for services provided to the public or operating a museum which charges admission, the foundation is required by IRS to report the associated expenses--up to the level of revenue earned--as an expense for computing adjusted net income. Foundations are instructed not to classify those expenses as disbursements for exempt purposes. Accordingly, the data base analyzed does not permit an analysis of this type of situation, nor does any other historical data maintained by IRS.

- Attachment XV is a chart that we compiled to show the extent to which private foundations make charitable purpose disbursements in relation to their total expenses. This attachment, which supplements the overall data reported in attachment XIV, ranks the foundations according to their disbursements for exempt purposes as a percentage of their total expenses.
- Attachment XVI is similar to attachment XV in that it ranks foundations according to the degree to which they engage in charitable activities. However, it was compiled from a different measure of charitable activity--distributions qualifying as charitable expenditures under the Internal Revenue Code's minimum payout provision. In general, such qualifying distributions as defined in Section 4942(g) of the Internal Revenue Code include the charitable purpose disbursements previously described, plus amounts paid for program related investments, amounts paid to acquire assets used directly to carry out charitable purposes, and amounts set aside for specific charitable purpose projects. These latter amounts would generally not be fully recognized by the foundation as expenses during the year. As with exempt purpose disbursements, measuring foundations' charitable activities by their qualifying distributions also has some drawbacks. Certain foundations may be reporting information on their returns which would indicate their qualifying distributions were quite small in relationship to their total expenses, yet be using essentially all of their

assets for charitable purposes. Furthermore, as with the disbursements for exempt purposes, the data represents 1 year disbursement and distribution statistics, and may not be indicative of the multi-year spending patterns of the foundations. For tax year 1979, the Internal Revenue Code required most foundations to make qualifying distributions in an amount at least equal to their adjusted net income, less certain taxes and adjustments. However, the Code also authorized foundations to apply any excess qualifying distributions from the 5 preceding years to their qualifying distribution requirement. In addition, the Code authorized foundations to make the required qualifying distributions during the year following the year of the earnings. The data base we analyzed did not contain sufficient information to allow us to determine how these multi-year considerations affected private foundation expenditure patterns. Accordingly, our analysis was limited to the foundations' tax year disbursements for charitable purposes and qualifying distributions.

--Attachments XVII and XVIII were compiled to show the extent to which foundations apply their earnings--adjusted net income as previously described--to the conduct of charitable activities as measured by charitable purpose disbursements--attachment XVII--and qualifying distributions--attachment XVIII. These two measures of charitable activities are described in detail in previous sections. Both attachments rank the foundations by the amount of their charitable activity as a percentage of their adjusted net income.

To assist the subcommittee in reviewing the investment practices of private foundations and evaluating how foundations have operated under section 4943 of the Internal Revenue Code, we also analyzed microfiche records of the most recent foundation returns available as of December 1982--primarily tax year 1981 returns--for private foundations reporting assets of \$1 million or more.

Generally, under section 4943, a foundation and all disqualified persons, such as the foundations' officers, directors, substantial contributors, and certain of their relatives, may not own together more than a 20-percent interest in a business. This section also provides a series of transitional rules for foundations which held stock on May 26, 1969. These transitional rules prescribe time periods for foundations to divest their excess holdings based on the extent of their holdings in 1969. One such divestiture period ends on May 26, 1984.

In general, the excess business holdings provisions of section 4943 only apply if a foundation owns at least 2 percent of the voting stock and at least 2 percent of the value of all outstanding shares of all classes of stock, regardless of the ownership by disqualified persons.

Of the 3,851 returns reviewed, 365, or 9 percent, reported owning a 2 percent or more interest in a for-profit business. We used the 2 percent figure because of the de minimis rule on excess business holdings, as specified by section 4943 of the Code. Although IRS does not require foundations to report any further information on the nature or extent of these holdings, foundations are required to report the identity, market, and book values of all stock held. Attachment IV is a listing of these 365 foundations, their two largest stock holdings, and the extent to which these holdings account for the total fair market value of the foundations' assets. Attachment V is a summary chart of the line item information shown in attachment IV.

In addition to the previously described work, we also reviewed available IRS historical data on foundation financial resources. However, it should be noted that it is difficult to interpret this information or to determine long-term trends in private foundation growth for two reasons. First, data relating to private foundations has not been consistently or continuously kept over the years. Second, changes in the tax exemption laws make comparisons imprecise.

Within these limitations, however, IRS' Statistics of Income Division published three studies on private foundations which covered selected years between 1962 and 1979. Attachment I contains selected data from these studies, as well as other data which we developed for 1980 and 1981 from information available in IRS' master file. To place the year-to-year data on the same basis so comparisons could be made in real terms and not in terms of inflated dollars, we applied the Gross National Product Implicit Price Deflator to the current dollar data. We selected this deflator instead of others because it is a broader measure of financial activity and, thus, is not as prone to substantial year-to-year variations as some other deflators.



UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

GENERAL GOVERNMENT
DIVISION

August 19, 1983

GG3-210

The Honorable Charles B. Rangel
Chairman, Subcommittee on Oversight
Committee on Ways and Means
House of Representatives

Dear Mr. Chairman:

In a letter dated July 15, 1983, you requested that we respond to seven questions to complete the record of recent hearings concerning private foundations.

Your questions and our responses are enclosed. Our response to question six will be supplemented with some additional information which we have requested from the Internal Revenue Service. We will forward this information to your staff as soon as we receive it.

If you or members of the Subcommittee have any additional questions or need further assistance, please contact us.

Sincerely yours,

A handwritten signature in cursive script that reads "Johnny C. Finch".

Johnny C. Finch
Associate Director

Enclosure

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Question (1): You have stated that your conclusions about what foundations are doing are "qualified" due to limited data. The Treasury Department testified, similarly, that it did not have data necessary to evaluate the impact of the 1969 act.

- What kind of data is needed that is not available now?
- How can that data be obtained?

GAO Response:

To evaluate the impact of the 1969 Tax Reform Act and/or develop a profile of private foundations' operations and activities, one would need substantial detailed data. However, data covering the pre-1969 operations of private foundations is extremely limited. Post-1969 data, while more extensive, still lacks sufficient detail for evaluating some of the more pertinent aspects of private foundation operations. The problem is further compounded in that the same data elements have not been recorded from year to year so as to facilitate trend analysis. Thus, a mechanism is needed for identifying the specific kinds of data that foundations should report and that the Government should record to provide an appropriate basis for oversight of foundation operations and for evaluating the effects that legislation has had on those operations.

If the necessary data were available, an effective evaluation of legislative impact would involve several steps. First, data on the pre-act environment would have to be collected and analyzed to identify problems and the extent of those problems. Second, data on the post-act environment would have to be collected and analyzed to see if trends can be developed to determine whether the problems still exist and, if so, to what extent. Through comparisons between pre-act and post-act data, insights could be obtained as to whether the legislation is having its intended effect. In the instance of the Tax Reform Act of 1969 and its effect on private foundations, however, the available data does not readily lend itself to this kind of analysis. Neither IRS nor the Department of the Treasury developed much information on the operations and activities of private foundations before 1969. In fact, data is available only for 1962 and the scope of that data is severely limited. The data is limited in that it did not cover all foundations

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operating at the time because of uncertainties over the definition of a "private foundation" and in that it dealt only with total measures of certain revenues, expenses, and assets. Neither did IRS retain data on foundation operations and activities for the years immediately following passage of the act-- 1969 through 1973. Therefore, pre-act and post-act comparisons can not be readily made to evaluate the impact of the 1969 legislation.

Similar data limitation problems complicate the task of developing a profile of foundation operations and activities. To complete that task, one would need comprehensive data, consistent in content, collected over a sufficient period of time to facilitate trend analysis. While more data is available for recent years, that data is neither sufficiently consistent in composition nor available for a sufficient period to permit conclusions to be drawn on the effectiveness and efficiency of foundation operations and activities. For example, IRS' Statistics of Income Division has published studies dealing with private foundation operations and activities in 1974 and 1979. The 1979 study encompassed over 150 data items recorded from each of a sample of 9,438 private foundation returns. Since 1981, however, IRS has routinely recorded and maintained computerized data on only 25 items. The retention period for this data is 4 years.

Thus, information shortcomings prohibit thorough evaluations of private foundation activities and the effects that legislation has had on those activities. These shortcomings need to be resolved so that future evaluations can be made to more definitively answer questions that arise through the oversight process. However, determining precisely what information should be accumulated and recorded is not an easy task. In making those determinations, it is essential that consideration be given to the information needs of IRS, the Congress, and the public--particularly grant seekers and those interested in foundation accountability--as well as the cost of meeting those needs. The needs of each should be balanced against the cost IRS would incur in collecting, processing, and compiling additional information and the cost foundations would incur in reporting that information. Therefore, as a starting point, information "users," "providers," and "processors" should be brought together to discuss information needs, to identify

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trade-offs between the benefits of complete information and the costs of making that information available, and to make the results of their efforts known to the Congress. One group which could be so tasked is IRS' newly established advisory committee on tax-exempt organization public reporting.

Question (2): What ways are there to evaluate private foundations and which are the most useful to the Congress and the general public?

GAO Response:

There are several ways to conduct evaluations of private foundations. To identify the best way, one must first consider the issue of interest to the Congress or the general public. For example, some issues of interest, such as whether foundations are increasing in numbers, becoming more financially sound, or making more charitable grants, can perhaps best be addressed through monitoring national statistics compiled from foundation return information filed with IRS--provided, of course, that the data maintained by IRS is sufficient. Other issues of interest to grant seekers, such as the types and amounts of grants particular foundations make, may best be addressed through a review of the returns filed by those foundations. Still other issues, such as the effectiveness of foundation investment practices or identification of potential excess business holdings would probably be best addressed through a detailed study of a representative sample of individual foundations. This is because foundations are not required to report extensive information on their investment programs or holdings.

In general, the choice of evaluation method depends on the issue that is to be evaluated and the data available for addressing that issue. In selecting an appropriate evaluation method, the following sources of information should be considered:

- foundation return information computerized by IRS;
- foundation returns filed with IRS and on file in many libraries;

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- foundation responses to specific questions or questionnaires; and
- foundation operational documents supplemented by discussions with foundation managers.

Question (3): What types of improvements can be made to the form 990-PF to identify:

- grantees;
- potential excess business holdings;
- the amount of administrative expenses actually spent on charitable purposes; and
- the amount of "qualifying distributions" counted for purposes of meeting the minimum payout that actually flows out to charity?

GAO Response:

As previously discussed under Question (1), any changes to the reporting requirements should be preceded by consideration of the information "users" need and the costs to the information "providers" and "processors". Accordingly, the following potential modifications to foundation reporting are suggested for such need versus cost considerations.

Grantee information

Currently, foundations are not required to report to IRS information describing grant recipients, such as information on the nature and size of their activities or on whether they are new "grass-roots" organizations or well-established "traditional" organizations. According to some people interested in foundation activities, such information would be useful in ascertaining the extent to which foundation support is directed to meeting new social problems as opposed to sustaining traditional organizations such as colleges, universities, and hospitals. The return could be modified to report this information by using codes to categorize grant recipients and/or by providing space to record the recipients' employer identification number. The former approach would actually describe the organizations on the return, the latter would permit the development of the information from IRS files.

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Information on potential excess business holdings

The Internal Revenue Code limits the extent to which foundations can own for-profit businesses. Generally, under section 4943, a foundation and all disqualified persons, such as the foundation officers, directors, substantial contributors, and certain of their relatives, may not own together more than a 20 percent interest in a business. This section also provides a series of transitional rules which prescribe time periods for foundations to divest themselves of their excess business holdings. One such divestiture period ends on May 26, 1984.

Currently, foundations are neither required to report the identity of stock holdings subject to the divestiture provisions nor the identity of the holdings of all disqualified persons. Similarly, foundations are not required to report information on stock holdings they have divested to comply with the excess business holdings provisions. Without this basic information, it is most difficult to assess the effect the excess business holding provisions have had, or are having, on foundation operations and activities. The return, however, could be modified to record this information.

Administrative expense information

Currently, private foundations are required to report to IRS all expenses incurred during the tax year according to the following categories:

- compensation of officers and directors;
- other salaries and wages;
- pension plan contributions and other employee benefits;
- investment, legal and other professional services;
- interest;
- taxes;
- depreciation, amortization, and depletion;
- contributions, gifts, and grants made; and
- other expenses (a supplementary explanatory list is required).

Within each category, foundations are required to breakout the amount of disbursements for exempt purposes and the amount of expenses incurred in raising revenues. To do this, foundations

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are instructed to report disbursements for exempt purposes on a cash basis, and to report expenses incurred in raising revenues according to the accounting method (cash or accrual) used in recording those expenses in the foundations' books and records.

Because foundations are not required to identify administrative expenses incurred, there is no assurance that the amount of administrative expenses for charitable purposes can be determined by reviewing the return. For example, in the instance of a foundation which makes grants as well as directly carries out charitable activities (such as providing services to the community), one cannot determine from reviewing the return how much was spent in the direct delivery of charitable services versus the amount spent to administer these services or to administer grant programs.

Another problem is that amounts reported by private foundations as disbursements for exempt purposes may, under certain circumstances, understate both the charitable expenses actually incurred and the amount of associated administrative expenses. Specifically, foundations which engage in charitable activities that also produce revenue are instructed to report associated expenses as disbursements for exempt purposes only to the extent that the expenses exceed the revenue earned. Therefore, the amount reported as a disbursement for exempt purposes would not account for the full cost of the charitable activity. Neither would the total amount of administrative expense be readily determinable.

To the extent a better measure of administrative expenses is needed to facilitate oversight of private foundation operations, appropriate modifications could be made to foundation returns so that the needed information could be obtained.

Qualifying distribution information

As a condition for tax exempt status, the Internal Revenue Code requires foundations to incur certain kinds of costs which, in total, are to equal or exceed a computed minimum. These costs are called qualifying distributions. Currently, foundations are required to report the following major components of their qualifying distributions:

--total disbursements for exempt purposes,

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- amounts paid for program related investments,
- amounts paid to acquire assets used (or held for use) in directly carrying out charitable purposes, and
- amounts set-aside for specific charitable purpose projects.

Of these components, the most significant in terms of dollar volume is disbursements for exempt purposes. In 1979, this component accounted for about 94 percent of total qualifying distributions.

Notwithstanding the significance of exempt purpose disbursements in determining whether foundations have made the requisite total of qualifying distributions, the actual amount of exempt purpose disbursements that flow out to charity cannot be readily determined from the information presently reported on the return. This is because the direct disbursements and the administrative expenses of making those disbursements are reported as a composite total. As mentioned in the discussion above, modifications to the return could be made to capture this information if a better measure of charitable disbursements is desired.

Question (4): How many foundations pay out for charitable purposes more than the minimum required?

GAO Response:

For tax year 1979, the Internal Revenue Code required most foundations to make qualifying distributions in an amount equalling the greater of adjusted net income of the foundation or the minimum return the foundation was expected to earn on its invested assets (essentially 5 percent of the value of those assets) less certain taxes and adjustments. Our analysis of tax year 1979 data showed that of the 23,280 foundations which reported a required distribution of at least one dollar, about 2 percent made qualifying distributions equalling the required amount and about 60 percent exceeded the required distribution amount. A breakdown of the 23,280 foundations by percentage of qualifying distribution to required amount is shown below.

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Percentage Range of 1979 Qualifying Dis- tribution To Required Amount	Percentage of Foundations According to Required Distribution Amount				Total
	\$1 to \$24,999	\$25,000 to \$99,999	\$100,000 to \$999,999	\$1 Million and over	
1 to 19	9	3	3	1	8
20 to 39	2	3	3	1	2
40 to 59	4	5	5	6	4
60 to 79	8	12	12	15	9
80 to 99	12	24	32	41	16
100	2	3	3	1	2
101 to 119	12	19	17	16	14
120 to 149	8	11	8	8	9
150 to 199	6	6	6	4	6
200 to 299	6	5	4	3	6
300 and over	30	10	7	3	25
Total	100	100	100	100	100

Number of Foundations	17,190	3,582	2,158	350	23,280
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Note: Details may not total due to rounding.

The Internal Revenue Code authorizes foundations to apply any excess qualifying distributions from the 5 preceding years to offset their distribution requirement. In addition, the Code authorizes foundations to make the required qualifying distributions during the year following the year of earning. However, the data base we analyzed did not contain sufficient information to allow us to determine how these multiyear considerations affected private foundation expenditure patterns. Thus, the distribution statistics for 1979, standing alone, may not be indicative of the multiyear spending patterns of the foundations.

Question (5): The Council on Foundations and others state that the 1969 Act has caused a dramatic decline in the creation and continuation of private foundations. Does your statistical analysis support this view?

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GAO Response:

Our analysis of available IRS historical data shows that private foundations have continued to increase in numbers and financial strength since 1969. The rate of their growth in numbers, however, has been substantially less than the rate for the 10 year period preceding the act. On the other hand, their financial growth, as measured by the percentage of increase in the dollar value of contributions received by foundations, has exceeded the percentage of growth in the U.S. economy as measured by the Gross National Product.

In 1980, IRS' Statistics of Income Division completed a statistical analysis of the returns filed by private foundations in 1974. Those returns required each foundation to report the date the foundation obtained its tax exemption letter from IRS. As shown in the following chart, which we compiled from the IRS data, 6,061 foundations obtained tax exemption during the 1950s, 12,094 during the 1960s, and 5,085 during the first five years of the 1970s.

<u>Date of Exemption</u>	<u>Grant Making Foundations</u>		<u>Non Grant Making Foundations</u>	<u>Total Foundations</u>
	<u>Number</u>	<u>Grant Amt.</u> (\$000)		
No Year Reported	730	19,194	443	1,173
Before 1920	*	*	*	*
1920 - 1939	331	365,129	70	401
1940 - 1949	1,774	343,355	297	2,071
1950 - 1959	5,506	649,744	555	6,061
1960 - 1969	10,077	433,734	2,017	12,094
1970	909	41,662	338	1,247
1971	802	20,011	290	1,092
1972	763	39,814	318	1,081
1973	539	22,666	270	809
1974	522	17,444	334	856
Total	21,956	1,953,060	4,933	26,889

*Estimate is not shown separately because of the limited number of sample returns on which it was based. However, the data are contained in the appropriate totals.

Note: detail may not total due to rounding.

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In 1982, the Statistics of Income Division completed a study in which it updated the 1974 data with 1979 data. In 1979, however, foundations were not required to report the date that they obtained exemption. Thus, we could not update the analysis in this respect. We were, however, able to make some comparisons of the return data for the 2 years. These comparisons, as shown below, indicated a more limited growth in the numbers of foundations between 1974 and 1979 than for the 1970 to 1974 period. On the other hand, when measured against the percentage increase in the Gross National Product, the growth in contribution dollars received by foundations has exceeded the financial growth of the economy as a whole.

<u>Description</u>	<u>1974</u>	<u>1979</u>	<u>Percent Increase</u>
Number of Foundations:			
Grant-making	21,956	22,564	2.8
Non grant-making	4,933	5,416	9.8
Total	<u>26,889</u>	<u>27,980</u>	4.1
Contributions (\$ millions)			
Received by Foundations	1,217	2,282	87.5
U.S. Gross National Product (\$ billions)	1,379	2,358	71.0

Question (6): In 1969, Mr. Patman submitted to the Committee on Ways and Means a list of private foundations with substantial holdings of nationally-known companies. Does your data reflect how many of these foundations continue to hold this stock?

GAO Response:

In testimony given February 18, 1969, before the Committee on Ways and Means, Congressman Wright Patman listed 29 private

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foundations having substantial stock holdings of nationally-known companies. We updated the status of the holdings of 23 of those 29 private foundations based on the most recent returns the foundations had filed with IRS as of December 1982. We will provide information on the status of the other 6 foundations as soon as IRS locates the returns.

Nine of the 23 private foundations no longer own stock in the nationally-known companies:

<u>Private Foundation</u>	<u>Company</u>	<u>Company Stock Owned as Reported in 1969</u>	
		<u>Type</u>	<u>Percent</u>
Wm. T. Morris Foundation	American Chair & Cable Co., Inc.	Capital Voting	17%
Ford Foundation	Ford Motor Company	Class A Nonvoting	100%
John A. Hartford Foundation	Great Atlantic and Pacific Tea Co.	Common Voting	34%
Norton Simon Foundation	Hunt Foods and Industries, Inc.	Common Voting	8%
James Irvine Foundation	Irvine Company	Common Voting	53%
Kresge Foundation	S.S. Kresge Co.	Capital Voting	22%
DeRance Inc.	Miller Brewing Co.	Common Voting	47%
Woods Charitable Fund, Inc.	Sahara Coal Co., Inc.	Preferred Nonvoting	36%
		Common Voting	24%
H. J. Kaiser Foundation	Kaiser Industries Corp. (Liquidation of company commenced April 20 1977)	Common Voting	15%

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Fourteen of the 23 private foundations still own stock in the nationally-known companies:

<u>Private Foundation</u>	<u>Company</u>	<u>Company Stock Owned as Reported in 1969</u>		<u>Current Percent of Stock Owned a/</u>
		<u>Type</u>	<u>Percent</u>	
Altman Foundation	B. Altman & Co.	Capital Voting	95%	98.0%
Moody Foundation	American National Ins. Co.	Common Voting	35%	25.7%
Cannon Foundation	Cannon Mills Co.	Common Voting	16%	8.5%
Duke Endowment	Duke Power Co.	Common Voting	57%	18.0%
Olin Foundation, Inc.	Federal Cartridge Corp.	Common Voting	100%	100.0%
		Preferred Nonvoting	100%	100.0%
Howard Heinz Foundation	H. J. Heinz Co.	Common Voting	17%	7.7%
W.K. Kellogg Foundation Trust	Kellogg Co.	Common Voting	51%	47.5%
Lilly Endowment Inc.	Eli Lilly & Co.	Common	24%	18.0%
McDonnell Foundation	McDonnell Air- craft Corp. (Name changed to McDonnell Douglas Corp. on April 28, 1967)	Common Voting	7%	2.1%
Danforth Foundation	Ralston Purina Co.	Common Voting	20%	5.2%

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<u>Private Foundation</u>	<u>Company</u>	<u>Company Stock Owned as Reported in 1969</u>		<u>Current Percent of Stock Owned a/</u>
		<u>Type</u>	<u>Percent</u>	
Phoebe Waterman Foundation (Now the William Penn Foundation)	Rohm & Haas	Common Voting	19%	18.2%
Pew Memorial Trust	Sun Oil Co.	Common Voting	22%	15.0%
Timken Foundation	Timken Roller Bearing Co. (name changed to Timken Co. April 20, 1970)	Common Voting	10%	3.9%
Charles Stewart Mott Foundation	United States Sugar Co.	Common	48%	24.8%

a/Source is microfiche copies of tax returns, form 990-PF, furnished in December 1982 by IRS for the most recent available year for private foundations with assets of more than \$1 million; and supplemented with information from CDE Stock Ownership Directory, Series No. 5 (July 1981) published by the Corporate Data Exchange, Inc.; Standard Corporation Descriptions, published by Standard and Poor's Corporation, 1983; an official at Federal Cartridge Corp., Anoka, Minnesota; New York Times, August 11, 1982; or Moody's Industrial Manual, 1979 to 1982.

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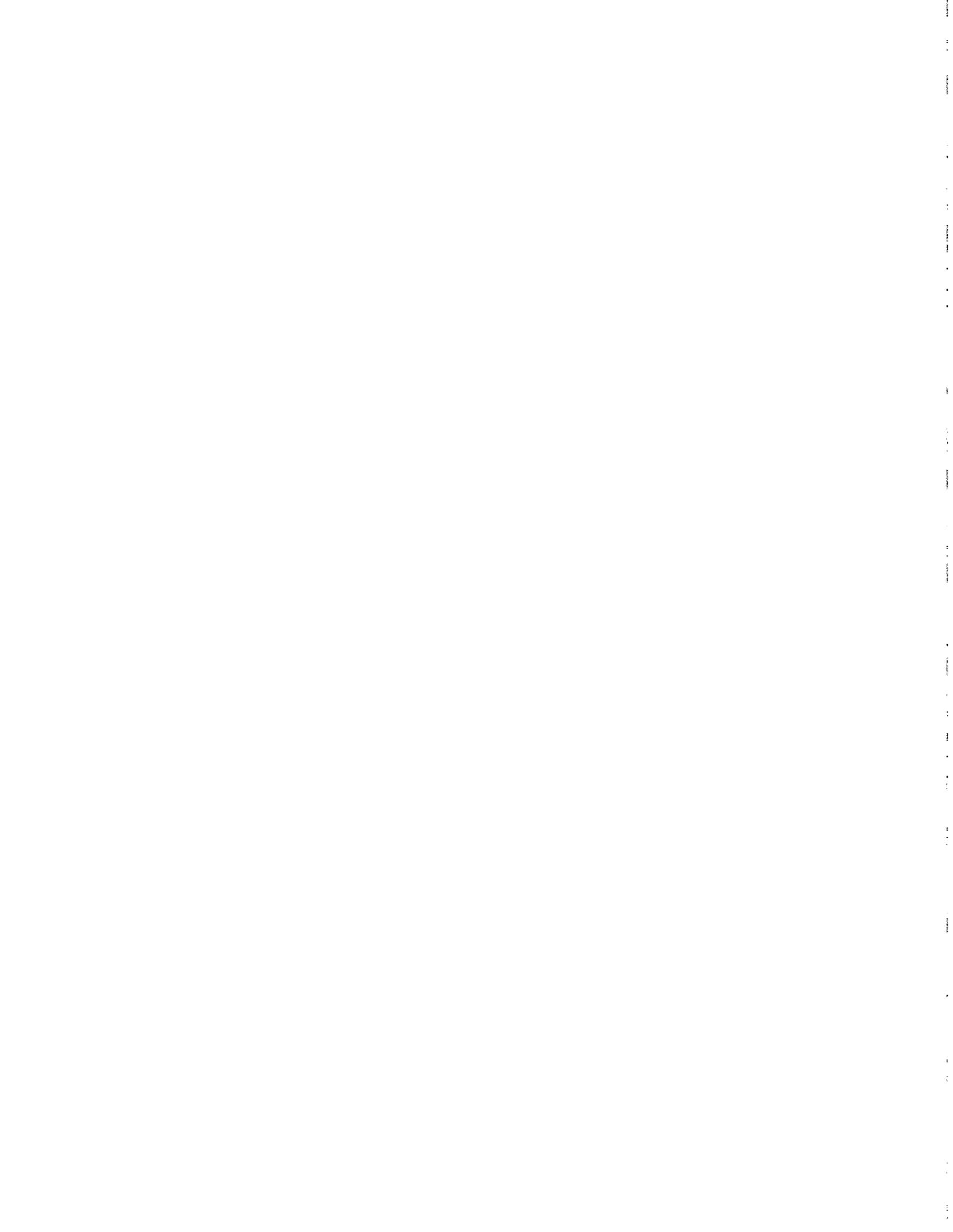
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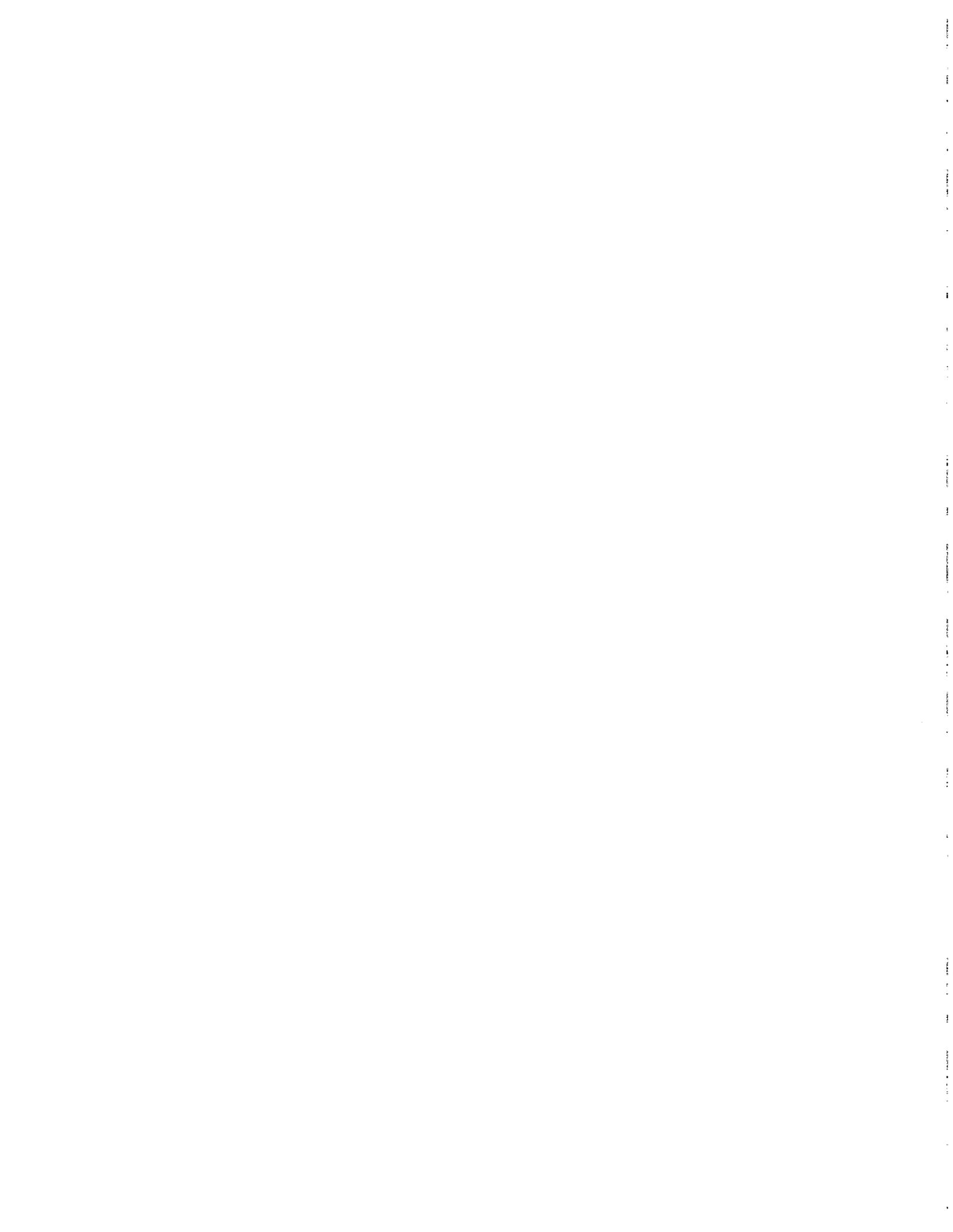
Question (7): Should we conclude from your analysis of rates of return on various foundation investments (page 9 of your statement) that if diversification of investments were required, more monies would be available for charitable purposes?

GAO Response:

Our objective in analyzing foundation investments was to determine if differences in the general categories of private foundation assets--such as investments in corporate stocks and bonds, cash investments, government securities, or other investments--affected the rate of return earned during 1979. While the data available was sufficient for us to achieve our objective, it was not sufficient for measuring the effect of portfolio diversification. To make that measure, one would need additional data including (1) the rates of return on investments over several years, (2) the degree foundations' investment strategy complemented their charitable goals, (3) the degree of risk assumed by foundations to earn the rate of return, (4) the long term capital gains earned, and (5) the earnings of each security. Typically, this information, together with other information such as the type of industries invested in and the performance of alternative investments, would be needed to analyze the effect of portfolio diversification.

In summary, existing data does not permit us to reach informed conclusions regarding the impact that a diversified investment portfolio might have on a private foundation's ability to pay out more for charitable activities. However, it is generally recognized as an investment principle that an effectively constructed investment portfolio should be diversified to minimize the portfolio's risk. One effect of diversification would be to provide a more constant level of income. Thus, while diversification of a foundation's portfolio may not always provide a higher rate of return and thereby make more monies available for charitable purposes, it should provide a more consistent level of income to meet charitable objectives.





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