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Volume Title: Economic Factors in the Growth of Corporation Giving

Volume Author/Editor: Ralph L. Nelson

Volume Publisher: UMI

Volume ISBN: 0-87014-615-9

Volume URL: http://www.nber.org/books/nels70-1

Publication Date: 1970

Chapter Title: Company-Sponsored Foundations

Chapter Author: Ralph Lowell Nelson

Chapter URL: http://www.nber.org/chapters/c2860

Chapter pages in book: (p. 75 - 90)

## FOUR

# Company-Sponsored Foundations

IN RECENT years, particularly since 1950, many corporations have channeled their contributions through philanthropic foundations. It is the purpose of this chapter to measure the importance of company-sponsored foundations in total corporate giving, and to determine the degree to which the use of these foundations may have altered the patterns previously observed in the tax return data.

Tax return data on contributions are not classified by type of recipient, and so there is no way to measure precisely the amount channeled through company-sponsored foundations, or of identifying its growth over the period. Other data, available only since 1956, indicate that about one-fourth of total corporate contributions was channeled through company-sponsored foundations (*Table 17*). This share has apparently held fairly constant through the 1956–1965 decade, though the data are probably too rough to distinguish trends.

As mentioned above, there is no direct way of describing the growth to this level from earlier years. Viewed from the foundation's side, probably most of the growth took place in the early 1950's, with earlier and smaller growth occurring during World War II. In a tabulation of 1,472 of the largest company-sponsored foundations of 1965, 1,150, or 78 per cent, were founded in 1950 or later.[1] Of these, 620 were established in the four Korean War excess-profits tax years, 1950–1953, and 283 in 1954–1957. The four World War II years, 1942–1945, saw a minor peak, 172 foundations being organized in that period. Of the $1.3 billion in 1963 assets held by the 1,472 foundations, 60 per cent was held by foundations organized in 1950–

[1] Marianna O. Lewis, Editor, *The Foundation Directory, Edition 3* (New York: Russell Sage Foundation, 1967), p. 29.

**TABLE 17 The Percentage of Corporate Contributions Channeled Through Company-Sponsored Foundations, 1956–1958, 1960–1962, and 1964–1965 (Dollar values in millions)**

| *Period* | *Average Annual Contributions Reported on Tax Returns All Corporations* (1) | *Average Annual Expenditures Tabulated Foundations* (2) | *Number in Tabulation* (3) | *Column (2) as Percentage of Column (1)* (4) |
|---|---|---|---|---|
| 1956–1958 | $410 | $108 | 1,320 | 26.3 |
| 1960–1962 | 530 | 149 | 1,716 | 28.1 |
| 1964–1965 | 752 | 181 | 1,472 | 24.1 |

SOURCES: *Column (1): 1956–58, 1960–62, 1964,* Appendix Table I; *1965,* extrapolation of 1964 value of $729 million, based on the compound annual growth rate of 6.4 per cent found for the growth from 1955 through 1964. *Columns (2) and (3): 1956–58,* Ann D. Walton and F. Emerson Andrews, Editors, *The Foundation Directory, Edition 1* (New York: Russell Sage Foundation, 1960), Table 6, p. xxii; *1960–62,* Ann D. Walton and Marianna O. Lewis, Editors, *The Foundation Directory, Edition 2* (New York: Russell Sage Foundation, 1964), Table 9, p. 30; *1964–65,* Marianna O. Lewis, Editor, *The Foundation Directory, Edition 3* (New York: Russell Sage Foundation, 1967), Table 13, pp. 32–33. It should be noted that, in Editions 1 and 2, a company-sponsored foundation was defined as one which had a corporation or partnership as a direct contributor. This definition was tightened, in Edition 3, from "direct contributor" to "principal contributor," with resulting reductions in expenditures and members. The amount of this reduction is not known, but probably not substantial.

1957 and 9 per cent by those organized since 1957. Only 20 per cent was held by foundations organized before 1946.

## THE FUNCTIONS OF COMPANY-SPONSORED FOUNDATIONS

Company-sponsored foundations are nonprofit corporations or trusts whose stated purpose is the support of cultural, scientific, and educational activities. They enjoy tax-exempt status, and contributions to them are tax deductible from the income of the sponsoring corporations. The foundations, in turn, distribute these funds to charitable beneficiaries. The foundations' policies are controlled by boards of trustees, who are usually officers and directors of the sponsoring corporations.

As financial intermediaries between donor corporations and charitable recipients, company-sponsored foundations may serve several functions. One is to smooth the flow of corporate giving. Corporation profits are subject to wide fluctuations and, were giving tied too closely to them, corporate giving programs also would be unstable. Instability, it is commonly believed, serves to weaken the effects of giving programs, where sustained and regular support of philanthropic activities is desired.

Company-sponsored foundations also permit corporations to exercise discretion in the timing of their contributions. In low-profit years, corporations may be under pressure to trim all nonessential and deferrable outlays, and giving may be prominent among these. Conversely, in years of high profits, management may find it advantageous to increase the percentage of income given. The after-tax cost of giving might not only be lower, but the higher level of contributions produces a more stable income record for public presentation. Company-sponsored foundations, as reservoirs to be filled in good years and drained in lean years, permit such discretionary spacing of a company's contributions.

Foundations also may accumulate funds. Corporations, for a period of time, may make transfers to their foundations well in excess of the foundations' charitable outlays, thus building up endowment funds. The foundations may then use the income from their capital to support their grant programs. Though not common, some corporations have built the endowment of their foundations to the point that investment earnings support the major part of their spending programs. Such corporations, of course, enjoy even greater freedom in the timing of future grants to their foundations.

As will be shown below, an important factor in the timing of large endowment grants to company-sponsored foundations has been the episodic appearance of the excess-profits tax. In years of high excess-profits tax rates, transfers to company-sponsored foundations can be made at a low net cost to the donor corporations. The income from the capital thus transferred can then be used to support the foundations' program outlays, replacing part of the corporations' regular contributions to their foundations. Corporations, in effect, can maintain part of their philanthropic programs on the lower net-cost basis prevailing at the time of the excess-profits tax.[2]

The building of endowment funds makes the flow of corporate contributions that move through company-sponsored foundations a complex one. In the mid-1960's, for example, the 1,472 foundations held assets aggregating $1,307 million. They received annual gifts totaling $206 million and made annual outlays of $181 million. If one as-

[2] For a more extensive discussion of the advantages and disadvantages of the company-sponsored foundations, see: John H. Watson III, *Company-Sponsored Foundations*, Studies in Business Policy, No. 73 (New York: National Industrial Conference Board, 1955); Frank M. Andrews, *A Study of Company-Sponsored Foundations* (New York: Russell Sage Foundation, 1960); F. Emerson Andrews, *Corporation Giving* (New York: Russell Sage Foundation, 1952).

sumes that they earned 4 per cent on their assets, their investment income for the year would have been $52 million. Against receipts of contributions and income of $258 million, expenditures were $181 million (of which outright grants were $177 million); capital thus would be increased by $77 million per year.[3]

## GROWTH OF ENDOWMENT SINCE 1950

To provide a more precise picture of the effect of the growth of endowments on contribution flows, the record for a group of the largest company-sponsored foundations was examined in some detail.[4] Balance sheet data for 169 foundations were available for 1951, 1956, and 1960, and aggregate income and expenditures data were used for the ten-year period 1951–1960.[5]

While not permitting an examination of year-to-year changes, these data made it possible to isolate the period of greatest endowment (in the early 1950's) from the late 1950's, when grants for capital purposes were less important. Data on investment income, contributions received, and philanthropic expenditures later became available for the early 1960's, for 170 foundations.[6] Of these, 162 were the same as those on the 1951–1960 list.[7]

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[3] Foundations sponsored by family-owned corporations receive gifts not only from the corporation, most often for current disbursements, but also from the individuals and families involved. A considerable part of the $1,307 million in assets represents endowment gifts from such individuals and families. The estimated growth in assets thus may be as much the result of personal as it is of "purely corporate" contributions. (*See note 17, below.*)

[4] This examination of fund flows draws heavily on material presented in Ralph L. Nelson, *The Investment Policies of Foundations* (New York: Russell Sage Foundation, 1967), Chapter 5. There, the record for the period 1951–1960 was presented. Here, the record has been updated through 1964.

[5] The 169 foundations here examined were taken from the 534 for which Representative Wright Patman presented 1951–1960 data in *Tax Exempt Foundations and Charitable Trusts—Their Impact on Our Economy,* Chairman's Report to the Select Committee on Small Business, House of Representatives, 87th Congress, December 31, 1962. Of the 534 in the Patman Report, 177 were among those classified by F. Emerson Andrews as company-sponsored in worksheets for his statistical introduction to *The Foundation Directory, Edition 1,* edited by Ann D. Walton and F. Emerson Andrews (New York: Russell Sage Foundation, 1960). The Patman tables provided balance sheets only for 1951 (or beginning-year balance sheets if organized after 1951) and 1960. A comparison of endowment growth between the earlier and later parts of the decade was made from 1956 Internal Revenue returns for 169 of the 177 foundations. The 1956 data were obtained from the files of the Foundation Library Center.

[6] *Tax Exempt Foundations and Charitable Trusts—Their Impact on our Economy,* Fourth Installment, Subcommittee Chairman's Report to Subcommittee No. 1, Select Committee on Small Business, House of Representatives, 89th Congress, December 21, 1966, pp. 15–56.

[7] The eight new ones and seven displaced ones were, on average, relatively small foundations.

**TABLE 18 Growth in Total Assets of 169 Company-Sponsored Foundations, 1951–1956, 1956–1960 (Dollar values in millions)**

| *Year* | *169 Foundations* |
|---|---|
| Total assets: | |
| (1) 1951 or first year thereafter | $138.5 |
| (2) 1956 | 389.5 |
| (3) 1960 | 434.8 |
| Change in assets between: | |
| (4) 1951, or first year thereafter, and 1956 | 251.0 |
| (5) 1956 and 1960 | 45.3 |
| (6) First balance-sheet assets of foundations organized in 1951 through 1953 | 45.2 |
| Total 1951–1960: | |
| (7) Increase in assets (4) + (5) + (6) | 341.5 |
| (8) Increase in liabilities | 13.2 |
| (9) Increase in net worth (7) − (8) | $328.3 |

SOURCE: Ralph L. Nelson, *The Investment Policies of Foundations* (New York: Russell Sage Foundation, 1967), Table 22, p. 129.

*1951–1956*

The asset growth of the 169 foundations, from 1951 to 1960, is described in Table 18. Ninety-one of these foundations were organized from 1951 through 1953, years in which the excess-profits tax was in effect. The first balance sheets for the 91 reported assets totaling $45.2 million. Presumably these represented, in the main, initial gifts from the sponsoring corporation. Although expenditures data for the first year of operation are not available, the total for the longer period and allowance for an upward trend suggest that they were probably no more than $20 million, leaving $25–$30 million of the total as initial endowment grants.

By the end of 1956, the 169 foundations saw their assets grow by $251 million.[8] Since the excess-profits tax was removed in 1954, it is possible that the endowment-building gifts of the sponsoring corpora-

[8] The growth in assets is based on the ledger or book values, not market value. This is, of course, the appropriate way of treating them for present purposes. Ledger value represents the value at which the corporation transferred assets to its foundation, and as such provides a more precise description of the endowing process. Ledger value also reflects capital gains realized by the foundation on the sale of its assets, and this, to some degree, distorts the picture. The distortion is not large, however. In 1960, the 169 foundations had a combined ledger value of $434.8 million, and realized capital gains for the period 1951–1960 of only $3.9 million. The 1960 market value was $566.5 million.

tions were made in 1954, 1955, or 1956, and not in response to excess-profits tax considerations. Although the annual data that could answer this question are not available, a review of the time pattern of total corporate giving suggests that 1954–1956 were not endowment-building years. A straight-line growth trend connecting 1949 to 1959 places contributions for the three years 1951–1953 at an average of $111 million per year above the trend. Those for the three years 1954–1956 average only $3 million per year above the trend. It is reasonable to assume that corporations projected relatively regular increases in distributions to philanthropic agencies over the period, and so the "surplus above trend" can be taken as providing a rough measure of contributions used principally to build endowment.

*1956–1960*

The period from 1956 to 1960 was one of normal corporate income tax rates. Accordingly, the period could be expected to exhibit a more "normal" pattern of fund flows through company-sponsored foundations. In this period the total assets of the 169 foundations grew by $45.3 million. By comparison, the initial endowment and subsequent asset growth of the same foundations in the early 1950's was six times as large. The 1956–1960 growth suggests that the building of endowment was not exclusively associated with the excess-profits tax. Corporations found it appropriate to continue to give liberally not only to sustain their foundations' giving programs, but also to continue to build endowment.

The continuing process of endowment building is reflected in the experience of individual foundations (*Table 19*). From the early 1950's to 1956, 156 of the 169 foundations experienced an increase in assets, and only 10 a decrease. Growth in assets was almost universal. From 1956 to 1960 a smaller number (105) showed an in-

**TABLE 19 Change in Asset Size, 169 of Largest Company-Sponsored Foundations, Early 1950's to 1956 and 1956 to 1960**

| | *Number of Foundations* | |
|---|---|---|
| *Direction of Change* | *Early 1950's–1956* | *1956–1960* |
| Decrease | 10 | 63 |
| No change | 3 | 1 |
| Increase | 156 | 105 |
| | 169 | 169 |

SOURCE: Based on Ralph L. Nelson, *The Investment Policies of Foundations* (New York: Russell Sage Foundation, 1967), Table 23, p. 132.

crease, but this was two-thirds again the number that showed a decrease (63). Though less universal, growth in assets was still by far the more common experience.[9]

*1961–1964*

As indicated above, the absence of balance-sheet data precludes direct measurement of the growth in asset values for 1961 through 1964. However, data on receipts and expenditures for 170 foundations permit an indirect calculation of this growth.[10] The calculations are presented in columns 1 through 5 of Table 20. They show that assets grew by about $53 million, or by somewhat more than their growth in the preceding four-year period.

The table shows also that the foundations' expenditures on grants continued to grow over the four-year period, rising from $63 million in 1961 to $82 million in 1964. In the early 1960's, as in the late 1950's, foundations appear to have expanded their giving programs while at the same time adding to their endowments. Investment income seems to have been used to support grants in excess of receipts from sponsoring corporations and to build endowment, with about one-half being devoted to each purpose.

The pattern was not uniform over time, however. Although contributions to philanthropy by the 170 foundations showed an unbroken and fairly steady year-to-year growth, the pattern of asset growth reflected fluctuations in contributions from donor corporations, which showed a dip from 1962 to 1963, followed by a sharp rise from 1963 to 1964.

EFFECT ON THE FLOW OF TOTAL COPORATE CONTRIBUTIONS

The above findings suggest that the use by corporations of company-sponsored foundations has had a measurable and significant effect on the flow of contributions from donor corporations to the ultimate recipients. It is the purpose of this section to generalize the findings from the group of examined foundations, and so to gauge the effect of

[9] The relation between endowment status and the investment policies of company-sponsored foundations is explored in greater detail in Nelson, *op. cit.*, Chapter 5.

[10] The basic list of company-sponsored foundations was 177, as indicated in note 4 above. For the 1951–1960 period, only 169 were examined, owing to the absence of 1956 balance-sheet data for 8. The 170 on the 1961–1964 list include 41 of the largest foundations in the group of 177. Size is measured by 1960 expenditures, the 42 largest each having made expenditures of at least $300,000 in that year. The 170, as a group, accounted for 95.8 per cent of total 1951–1960 expenditures of $430.7 million for all 177.

**TABLE 20 Receipts and Expenditures of 170 Large Company-Sponsored Foundations, 1961–1964 Compared to 1951–1960 (In millions of dollars)**

| | 1964 (1) | 1963 (2) | 1962 (3) | 1961 (4) | 1961–64 (5) | 1951–60 (6) |
|---|---|---|---|---|---|---|
| Receipts | | | | | | |
| Gifts from donor corporations and others | $ 73.8 | $58.4 | $61.5 | $54.1 | $247.8 | $587.9 |
| Investment income | 26.2 | 25.1 | 24.1 | 24.9 | 100.4 | 142.2 |
| Total receipts | $100.0 | $83.5 | $85.6 | $79.0 | $348.2 | $730.1 |
| Expenditures on grants program and administration | 82.3 | 77.7 | 72.3 | 63.2 | 295.5 | 412.5 |
| Indicated increase in assets | $ 17.7 | $ 5.8 | $13.3 | $15.8 | $ 52.7 | $317.6[a] |

[a] The indicated increase in assets for all the foundations in the basic list was $318 million. This compares with an increase of $356 million derived by comparing beginning- and ending-year balance sheets. Balance-sheet totals of $328 million for 169 of the 177 foundations are presented in Table 18, above. The 8 other foundations recorded a balance sheet of $28 million. This $38-million discrepancy between estimated ($318) and direct ($356) asset change data reflects several things. The largest is $22 million in realized capital gains that are reflected in increased asset values on balance sheets, but which are not included in the data on receipts and expenditures in this table. Another source of the discrepancy is that book values of assets may reflect revaluations which were not carried over into income statements. This was a period of rising security prices, and presumably most revaluations were upward. In the case of one foundation, there apparently was a jump in size resulting from the acquisition of another foundation, the latter being that of the company the sponsoring corporation had acquired through merger. Here, assets would have increased without corresponding entries on the income statement. Finally, it appeared that, in a few cases, asset increases reflected either gifts or capital gains not reported on the foundations' financial statements. Examinations of individual foundations indicated that such differences were typically small enough to allow one to infer that the fund-flow magnitudes here described are reasonably accurate.

company-sponsored foundations on total corporate giving.[11] It will be convenient to distinguish two stages in the process, the endowing and the endowed stage. During the endowing stage, recipient charities will receive less than the amount given by the corporation, the balance being used to expand the foundation's assets. In the endowed stage, recipients may receive more than the corporation gives, the difference being covered by earnings on endowment and possibly also by a drawing down of capital. This section seeks to estimate the magnitude of these differences.

[11] The foundations in the list were selected not by the size of their assets but rather by the size of their expenditures. They are considered more representative of company-sponsored foundations in general than a selection based on assets, since the latter principle of selection would have been biased in favor of those foundations emphasizing the build-up of endowment.

**TABLE 21 Estimated Flow of Corporate Contributions, 1951–1956, 1957–1960, and 1961–1964 (Dollar values in millions)**

| | *1951–56* | *1957–60* | *1961–64* |
|---|---|---|---|
| Sources of Philanthropic Funds | | | |
| (1) Contributions from corporations reported on tax returns | $2,384 | $1,776 | $2,460 |
| (2) Investment earnings of company-sponsored foundations | 145 | 115 | 170 |
| TOTAL | $2,529 | $1,891 | $2,630 |
| Disposition of Funds | | | |
| (3) Increase endowment of company-sponsored foundations | 400 | 65 | 90 |
| (4) Distributions to philanthropic beneficiaries | 2,129 | 1,826 | 2,540 |
| TOTAL | $2,529 | $1,891 | $2,630 |
| (5) Line 4 as percentage of Line 1 | 89.3 | 102.8 | 103.3 |

The six-year period 1951–1956 witnessed the endowing stage in pronounced degree. The growth of all company-sponsored foundations, owing to their receipt of sponsoring corporation gifts, may be estimated at $400 million.[12] Total corporate contributions reported on tax returns were $2,384 million for the six-year period. Income from the accumulating endowments of company-sponsored foundations probably added about $145 million,[13] making total receipts of $2,529 million. Subtracting the $400 million allocated to building of endowments leaves an estimated $2,129 million distributed to charitable activities. In the aggregate, therefore, recipient philanthropic agencies received about eight-ninths of the amount that corporations gave, with one-ninth having been used to increase endowment (*Table 21*). For companies with foundations, of course, the proportion going into endowment was typically much higher than one-ninth.

The four years 1957 through 1960 trace a pattern of fund flows

[12] The estimate was made as follows: First, the net assets of the 169 foundations for which data were available increased by $245 million in this period. Making a rough deduction for contributions from individuals and families reduced the growth in net assets to about $200 million. In 1956 the 169 foundations, with assets of $390 million, accounted for 51 per cent of the assets of the 1,320 company-sponsored foundations tabulated in the first edition of *The Foundation Directory*. The growth of all foundations was then taken as twice that of the 169, or about $400 million.

[13] This was estimated using a 4-per-cent rate of return on an average estimated endowment of $600 million for six years.

more characteristic of the endowed stage. The asset growth of all foundations, reflecting sponsoring corporation gifts, is estimated at $65 million. Corporation contributions reported on tax returns totaled $1,776 million, with the endowment income of company-sponsored foundations adding $115 million.[14] Of total receipts of $1,891 million, $65 million was allocated to increase the foundations' endowment, leaving $1,826 million to be distributed to philanthropic activities. Thus recipients received roughly 3 per cent more than the corporation gave in the four years.

The four years 1961–1964 also present a pattern of fund flows more typical of the endowed stage. The 1964 expenditures of the 170 foundations totaled $82 million, or about 45 per cent of the $181 million spent by the 1,470-odd company-sponsored foundations tabulated in Edition 3 of *The Foundation Directory*. Allowing for direct contributions to these foundations by individuals and families connected with the sponsoring corporations, the flow of strictly corporate donations through all company-sponsored foundations may be estimated to be one-and-seven-tenths of that for the group of 170.

Based on this extrapolation, the assets of all company-sponsored foundations grew by about $90 million over the four-year period. Endowment earnings totaled about $170 million, implying a net addition of $80 million to total corporate contributions of $2,460 million. Thus charitable recipients received $2,540 million or roughly 3 per cent more than corporations gave in the four-year period. The estimates are too crude to identify small changes, but they suggest that endowment earnings added a slightly higher percentage to the receipts of charitable organizations in the period 1961–1964 than they did in 1956–1960.

In terms of the over-all flow of corporate contributions, the above findings suggest that the endowed and semi-endowed status of some company-sponsored foundations is presently having only a small effect. This derives primarily from two factors. First, endowment income accounts for only 25 to 30 per cent of the total receipts of the foundations,[15] and second, company-sponsored foundations as a group

[14] This was estimated using a 4-per-cent rate of return on an average estimated endowment of $720 million for four years. The higher average endowment reflects an estimated $65 million in asset growth from new contributions, and a rise in income from higher dividend payments, here expressed as higher value of endowment.

[15] Nelson, *The Investment Policies of Foundations*, Table 26, p. 137.

**TABLE 22 Types of Donors to Company-Sponsored Foundations**

| | *42 Larger Foundations* | *135 Smaller Foundations* |
|---|---|---|
| Company only | 40 | 102 |
| Companies and individuals | 1 | 21 |
| Individuals only | 1 | 5 |
| No donor indicated | 0 | 7 |
| TOTAL | 42 | 135 |

SOURCE: Ralph L. Nelson, *The Investment Policies of Foundations* (New York: Russell Sage Foundation, 1967), Table 25, p. 135.

distribute only one-fourth of total corporate contributions.[16] It follows that the findings based on tax return data presented in Chapters Two and Three apply with almost as much validity to the receipts of philanthropic agencies as they do to the philanthropic outlays of corporations. This probably has been true for most of the period from the late 1930's through the early 1960's. The most important departure probably occurred in the early 1950's, when excess-profits-tax inducements led many corporations to allocate a significant part of their abnormally high contributions to the building of their foundations' endowments.

## THE MIX OF FAMILY AND CORPORATE SUPPORT OF COMPANY-SPONSORED FOUNDATIONS

Many company-sponsored foundations receive a considerable part of their support directly from individuals and families. The degree of family involvement is usually greater for smaller corporations than for the larger ones. The larger ones are more often widely held enterprises, with many stockholders, and with no single individual or family predominant in its affairs. In smaller corporations, one often finds foundations in a process of transition from conduits for current giving, with little capital, to endowed agencies that have received large blocks of the family's business as part of estate planning or as charitable bequests. In these foundations, the income from investments is likely to support a larger fraction of their philanthropic programs than in the foundations of larger, widely held corporations.

That personal or family interests are more common among smaller foundations is suggested in Table 22, which compares the personal

[16] See Table 17, above.

**TABLE 23 Level and Growth of Endowment Income Support of Company-Sponsored Foundations' Philanthropic Program, 1951–1960 and 1961–1964 (Dollar values in millions)**

| *1951–1960* | *42 Larger Foundations* | *135 Smaller Foundations* |
|---|---|---|
| (1) Expenditures on program | $261.9 | $168.8 |
| (2) Investment income | 61.2 | 91.6 |
| (3) Gifts and contributions received | 386.1 | 209.5 |
| (4) Implied increase in endowment (2) + (3) − (1) | 185.5 | 132.3 |
| (5) Investment income as percentage of expenditures on program (2) as % of (1) | 23.4 | 54.2 |
| (6) Percent of gifts received "allocated" to increase in endowment (4) as % of (3) | 48.0 | 63.1 |
| *1961–1964* | *41 Larger Foundations* | *129 Smaller Foundations* |
| (7) Expenditures on program | $178.7 | $116.7 |
| (8) Investment income | 50.1 | 50.2 |
| (9) Gifts and contributions received | 161.0 | 86.8 |
| (10) Implied increase in endowment (8) + (9) − (7) | 32.4 | 20.3 |
| (11) Investment income as percentage of expenditures on program (2) as % of (1) | 28.0 | 43.0 |
| (12) Percent of gifts received "allocated" to increase in endowment, (10) as % of (9) | 20.1 | 23.4 |

or business composition of the names of donors for 177 foundations classified as company-sponsored.[17] Relatively more of the 135 smaller foundations had recognizable personal or family donors than the 42 larger ones.

The degree of family involvement also is reflected in the importance of investment income in the support of philanthropic programs. As shown in Table 23, investment earnings supported a higher percent-

[17] *The Foundation Directory* and files of the Foundation Library Center were examined to determine whether the names of persons as well as companies appeared among the donors to the foundation. This classification is necessarily rough, since for many foundations the list of donors was probably incomplete. And, of course, the listing of donors by name provides no measure of the amounts contributed by each.

In his classification of foundations for *The Foundation Directory*, Mr. Andrews has indicated that he included as company-sponsored all those in which a company's name appeared among the list of donors. For the many cases in which age of the philanthropic programs of the smaller than of the larger foundations. In 1951–1960, earnings on endowment supported 54 per cent of the expenditures of the 135 smaller foundations, and only 23 per cent of the expenditures of the 42 larger ones (*row* 5). The difference between the two groups was smaller in 1961–1964, 43 as compared to 28 per cent (*row 11*), suggesting that the larger foundations had become more highly endowed, while the smaller ones had become less highly endowed.

This interpretation may be premature, however. Rows 6 and 12 of Table 23 suggest that, in both 1951–1960 and 1961–1964, the smaller foundations allocated a higher percentage of gifts received to the building of endowment than did the larger ones. Possibly the larger foundations emphasized investments with higher interest and dividend yields than did the smaller ones. In any event, it appears that the large, widely held, corporations have made substantial advances in the endowed status of their foundations.

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information was sparse or vague, he classified a foundation as company-sponsored if there appeared to be some connection with a business. For example, The Cooper Foundation of Lincoln, Nebraska, was classified as company-sponsored even though Joseph H. Cooper was the only donor listed. This was done in the light of its Statement of Purpose, which read in part: "In general, funds [are] distributed only in areas where the Foundation's theater properties are located (Nebraska, Colorado and Oklahoma)." One might also have classified the Foundation as a personal one, on the theory that Mr. Cooper's theater business was the vehicle used by him to conduct his personal philanthropies. About the only foundations which are clearly just vehicles for corporate giving in its institutional sense are those of the largest corporations whose shareholders are many and dispersed and where management is separated from ownership.

For discussion of another problem of classification, see Nelson, *op. cit.*, Table 22, p. 129.

# Appendixes