

JEANNE BOHLEN

Information on Foundations

There are more than 22,000 private foundations in the United States. Unfortunately, the terminology in this field is rather confusing. Many organizations which contain the name "foundation" do not meet the criteria laid down in the tax code and many of these do not make grants. There are also some foundations which do not have the word "foundation" as part of their name (e.g., Carnegie Corporation of New York, Stearns Charitable Trust). The Internal Revenue Service publishes a volume entitled *Cumulative List of Organizations Described in Section 170(c) of the Internal Revenue Code of 1954* (Internal Revenue Service Publication 78). This publication lists the organizations defined in the tax laws as private foundations. Generally speaking, a private foundation is nonprofit, nongovernmental, and governed by its own board of trustees; and it has a principal fund of its own. Such a definition unfortunately includes some organizations not included under the tax code definition. The ultimate authority is IRS Publication 78.

It is important to recognize that foundation resources are relatively small. Their assets exceed \$34 billion, and each year they give away a little more than \$2 billion; but compare this \$2 billion to the as much as \$200 billion given away by the government, or the close to \$33 billion in contributions from individual persons. You can see the basic problem faced by the foundations: how to spend these relatively few dollars in a way that will have a significant impact.

Foundations are governed by the tax laws. The Tax Reform Act of 1969 was very significant for foundations; subsequent laws have made some changes. Several provisions are important to this discussion. For example, foundations now have a disclosure requirement. All are required to file tax returns that show the names of the foundation managers and a list of their grants (names of the organizations and dollar amounts). The tax returns are photographed by IRS and microfiche copies are available for purchase. People often say, "I thought all foundations were required to publish an annual report"; this process is what they have in mind. With the 1969 act came restrictions on grants to individuals. Before making such grants, foundations must create a special process to be approved by IRS. As a result, most foundations choose to make grants only to tax-exempt organizations.

Scholarship funds often go directly to a university which will, in turn, select the individual recipients. The Foundation Center has published a directory of those relatively few (about 1000) foundations that do make grants to individuals.¹ Other parts of the tax laws affect such issues as excise tax, payout requirements, gifts to organizations with IRS tax-exempt status, lobbying, investments, self-dealing, and others.

It is important to recognize the difference between the several types of foundations: independent, company-sponsored, and community. Independent foundations may be separated into general-purpose, special-purpose, and family foundations. General-purpose foundations operate under broad charters at the direction of their boards of trustees. These are usually large national foundations with enough flexibility to choose new areas of grant making. Special-purpose foundations, on the other hand, make grants within a specific area of interest, often because of the terms of the original bequest, or perhaps because of the special interest of the donor. Of the 22,000 foundations, most are family foundations; that is, they have living family members on the board helping to select the grant recipients. Family foundations come in all sizes and degrees of sophistication, from the highly staffed foundation with written guidelines and a published annual report, to the foundation whose board meets once a year and gives to the same organizations each year. Most family foundations fall between these two extremes. As you do your research it is important to note the type of foundation you will be approaching.

Corporations can meet their social responsibility in a number of ways. One is by contributing goods and services in kind; each year many millions of dollars are given in this way. Corporations can give actual dollars in a couple of ways: they can create foundations to make contributions, or they can give the money directly. When the corporation creates a foundation, the foundation must abide by the tax laws governing private foundations—disclosure, payout requirement, excise tax, etc. When it gives directly, there are no such requirements. Remember that corporations have responsibilities to their stockholders and need to justify their charitable contributions as being in the corporate interest. Often the contributions are made to communities where the corporation has employees, for public relations purposes, and to organizations supported by or serving their employees. Corporations are allowed to give up to 5 percent of their pretax profits for charitable purposes, which may be taken as a tax deduction. Overall giving by corporations in 1977 was 0.98 percent of net income before taxes.²

Community foundations have local giving patterns. The concept is to have monies set aside in trust and invested; the income is given back to the community in the form of grants to tax-exempt organizations. The first com-

munity foundation was the Cleveland Foundation, which is still one of the largest. Community foundations have a special tax status and are not defined as private foundations. This means they do not file the 990-AR or 990-PF tax return, do not have a payout requirement and pay no excise tax. The fact that they are not required to file the tax returns required of private foundations does not mean that they will remain hidden. In order to maintain the favorable tax status they must receive contributions each year from public sources, such as wills, individual contributions, and memorial funds. However, foundation directories that are prepared from information taken solely from the private foundation's tax returns will omit community foundations. On the other hand, many directories that focus on specific subject areas often include community foundations, even though the grants will be made in only one community. Several important points should be remembered about community foundations. If a foundation has a geographic name, suspect that it may be a community foundation. Community foundations make grants almost exclusively to organizations in their community or to organizations serving people living in their community. Usually, grants made outside the community are the result of designated funds where the donor has named the agency to receive all or part of the income. You will also need to check with the individual community foundation to find out the exact geographic limits — often a county or multi-county area.

The Foundation Center (with its main office at 888 Seventh Avenue, New York, New York 10106) is a nonprofit, public-interest organization established by private foundations in 1956 to improve the philanthropic process by providing information both to grant makers and grant seekers. It is a first place to turn for factual information on philanthropic foundations. Its resources include publications and a network of libraries. You may fill out a card to be added to the mailing list to learn of new publications. Currently, the Foundation Center publishes directories, indexes, and "how-to" books, as described in a special brochure.³ Computer-searchable data bases are available to the public through Lockheed Information Systems and to subscribers of the Associates Program through the Foundation Center directly. The Associates Program provides telephone reference and mail-out service for a fee.

There are now more than eighty regional cooperating collections of the Foundation Center, with at least one in every state. In these collections you will find copies of all Foundation Center publications, together with copies of the tax returns (in microform) for all the private foundations in the state. Also, at least part of one staff member's time is assigned to maintain the collection and to assist users of the materials. In addition, the Foundation Center has two libraries, in New York City and Washington,

D.C., where you will find copies of the tax returns (again in microform) for all the currently active private foundations nationwide. Two field offices were opened in January 1978, in Cleveland and San Francisco, which operate libraries with the tax returns for the midwestern and western United States, respectively. A list of the regional collections and their addresses is available free of charge from the New York office. The Foundation Center receives its funding from the sale of its publications, and from grants made by foundations who believe that the more information you have, the more likely you will be to send your requests only to those foundations that might have an interest in your project.

One major problem faced by foundations is the high number of inappropriate requests (e.g., a foundation interested in medical research receiving requests from a youth center or a symphony orchestra). Estimates are that as much as 80-90 percent of all requests received by a foundation fall totally outside its area of interest.

One of the problems in requesting a grant is the lack of a single catalog listing all the foundation grants available. Instead, there is a series of publications, with each volume giving different types of information. The key word here is *pattern*. You should look at the record of past grants to determine whether the foundation's pattern of giving matches your project in terms of: (1) geography, (2) subject interest, (3) type of recipient organization, (4) type of support, and (5) dollar amount.

Try to be creative in your research. Most likely, if a foundation has funded a day-care center it probably was not for the day care itself, but rather for early childhood education, or working parents, or intercultural efforts, or perhaps even a nutrition program. You are looking for a partner; the foundation has the dollars and you have the labor and skills; *together* you can reach the same goal. In your research you should be looking for a foundation with the same goals you have. Your search strategy should involve two steps. First, identify those foundations that may have a possible interest in your project — create a rather long list. Next, study each of these foundations carefully, crossing off those that do not have a pattern of giving that matches your project. The basic Foundation Center publications available for this search process are listed below. As you look through them, read the introductions carefully to see what is and is not included.

1. *The Foundation Directory* (7th edition): Gives basic descriptions of foundations with assets of \$1 million or more and/or total annual grants of \$100,000 or more. Only about 15 percent of the foundations are included, but these foundations own 93 percent of the assets and give 92 percent of the grant dollars.

2. *The Foundation Grants Index 1978*: Lists grants of \$5000 or more made by nearly 400 foundations.
3. *COMSEARCH Printouts*: Computer searches of grants in *The Foundation Grants Index* by fifty-nine subjects.
4. *Foundation News*: A bimonthly magazine published by the Council on Foundations and the Foundation Center. The Foundation Center section contains the current listings of grants, which are cumulated into the annual volume of *The Foundation Grants Index*.
5. *Source Book Profiles*: A bimonthly looseleaf subscription service which gives detailed analyses of the 1000 largest foundations, as measured by annual grant amounts.
6. *National Data Book*: Lists the 22,000 active private foundations, gives name, address, principal officer, and fiscal information, but no subject information.

Other documents you may wish to examine include:

1. Annual reports: These are published by less than 500 of the 22,000 active private foundations; the format varies. In addition to being held by various libraries, copies are usually sent free of charge upon request to the foundation.
2. State foundation directories: Prepared by many different types of publishers, these contain much variety in format and date of information and are available for about forty states.
3. Tax returns: These are available for all currently active private foundations; they give name, address, principal officer, foundation managers, list of grants awarded, grants approved for future payment, etc.

In summary, there are many foundations in the United States. Their funds are limited, but they can have a significant impact on a library program. You must believe in your project and search for appropriate foundations with goals similar to yours.

NOTES

1. Kurzig, Carol, ed. *Foundation Grants to Individuals*. 2d ed. New York, Foundation Center, 1979.
2. Troy, Kathryn. *Annual Survey of Corporate Contributions, 1977*. New York, Conference Board, Division of Public Affairs Research, 1979.
3. "The Foundation Center." New York, Foundation Center, March 1978. (brochure)